



CICA met with Public Private Infrastructure Advisory Facility (PPIAF)

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- **Context**

The World Bank has gone through some significant reorganization in the last 2 years. One of those reorganizational changes consisted in setting up what is called a **Cross-Cutting Solutions Area (CCSA) dedicated to public-private partnerships (PPP)**, or more broadly private sector participation in infrastructure in developing countries. Around 140 countries across the continents ranging from low income to middle income countries enjoy not only financing but also technical assistance from PPIAF whether at national or subnational levels.

PPIAF teams aim at **reducing the fundamental asymmetry of information between the public and private sector**. The two parties do not have the same level of expertise, technical and financial understanding and are bound to commit for a very long period over rather comprehensive commitments, expectations, outcomes. One party is better placed than the other to fully understand what is at stake and that would be the private party in many cases. PPIAF are trying to reduce this knowledge gap that is particularly prevalent in developing countries in order to: i) help public bodies to take the right decisions as to which procurement type is the best in view of all constraints ii) avoid potential backlash against PPP.

The reality is that over the last years there has not been a significant upswing in PPPs. On the opposite, since 2012 they have decreased. In this respect, the World Bank is slowly ramping up the number of projects it is contributing to on funding basis.

- **PPIAF scope of intervention**

PPIAF have two main roles:

- To take advantage of the World Bank's exceptional position to push forward a number of initiatives related to PPPs and private sector policy in infrastructure;
- To provide geographically oriented country targeting technical assistance to help governments make the right choices.

PPIAF are more in the **upstream stage of the project cycle**. They can also help and support the authorities in the implementation of the project, the ongoing set of monitoring and implementation or refinancing or renegotiating over the project. They do not intervene in the middle segment which would be i) the transactions support, ii) managing the transaction bids, iii) helping the public authorities proceed with the commercial components or the financial close.

Not all PPPs are fully self-supported by private financing. Actually, many PPPs particularly in developing countries have to remain affordable for local standards. There, PPIAF would inject some upfront grants with purely market based financing, to **provide what is called viability gap funding**.

PPP CCSA actively contributed to the G20 international infrastructure working group. At the end of the World Bank spring meetings, they organized a global infrastructure forum with all MDBs (EIB, AsDB, AfDB, IDB, AIIB, BRICS New Development Bank). This PPP CCSA was central in setting up this forum to exchange on the ways to close the infrastructure gap by a better participation of the private sector.

- PPIAF try and measure precisely the PPP phenomenon by tagging projects. The **PPP knowledge lab**ⁱ goes much beyond the World Bank Private Participation in Infrastructure (PPI) data baseⁱⁱ. This knowledge lab is seen as an entry point data base that gives access to all the resources they have identified in terms of PPPs.
- This year, PPIAF are launching a **PPP certification program**ⁱⁱⁱ, conducted with APMG, a British professional certification institute. An online platform of knowledge on PPPs allows the

candidates from public and private sectors to acquire the basics on PPPs which will be checked at one of the various regional centers of exams.

- PPIAF have also launched last year in June a **PPP Massive Open Online Course (MOOC)^{iv}** in English which is more general teaching on PPPs. 25 000 people enlisted (50% from developing countries) went through the 4 week intensive program. They are now launching, on the 13th of June in Paris, a French version, mostly designed for the African countries. They obviously expect fewer participants. The MOOC is entirely free and is being supported by various high academic institutions across the world.

Thus PPIAF provide information, guidance or recommendations on some key issues like unsolicited proposals or in terms of disclosure of PPP contracts information, before, during and after the transaction: open contracting, benchmarking, how to deal with the set of continuous public support funding, viability gap financing...

PPIAF should provide 23-24 million this year of technical assistance grants in around 50 countries, a hundred direct technical assistance projects and they also work on some more strategic documents to help the countries frame the policy in terms of private sector participation in infrastructure in the coming years.

- **Scope in terms of sectors: Energy, Transportation and Water, to some degree Telecommunication**

PPIAF do not engage in social infrastructure (health, education). They ideally engage in multisector projects, help a country set a PPP unit, elaborate a new PPP legislation, and specify how to find the private equity investors, financiers or operators who can effectively take part in projects or infrastructure program. Half of their upstream activity is multisector and the other half would be mostly energy, transport, to a lesser degree water.

In transportation and water, some kind of blending of public concessional money is needed to partly compensate the socially affordable tariff or user's fee which are not able to insure the financial equilibrium of the project. Injecting concessional money will not be enough to cover the remaining infrastructure gap. That is why in many cases combining public and private money is absolutely necessary to speed up or increase the delivery of those basic infrastructure services and to free up further potential for economic growth. Providing concessional money is not giving free money to the private sector. If it is well done the expected Value for Money would be achieved.

Nevertheless, the **Value for Money analysis** is a very difficult field, leading into very sophisticated or complex quantitative equations, probabilistic analysis. It is necessary to be cautious and not to believe that Value for Money is the alpha and omega of determining the right procurement rules. It would be wise to also consider multicriteria analysis, less sophisticated methodologies to assess the various options against social, economic, environmental, political criteria to better maximize a particular type of outcomes.

- **Example of intervention: PPIAF's ongoing technical assistance program with the Chinese local authorities**

There is a real concern on the side of the Chinese authorities that their financing model is probably reaching its limits in terms of public banks funding public projects on bases that may not always be market proof but more linked with a political patronage. There is a growing concern that they have reached the limit of public indebtedness and that public banks funding public projects do not play the expected role in terms of diligence. So far they are trying to get towards a "true PPP" which is also a way of installing more market discipline and more internal due diligence process in selecting and funding those investments.

ⁱ Access the PPP knowledge lab: <https://pppknowledgelab.org/data>

ⁱⁱ Know more about World Bank PPI database <http://ppi.worldbank.org/>

ⁱⁱⁱ Know more about the certification: <http://www.apmg-international.com/en/news-events/385728.aspx>

^{iv} Register for the MOOC (free course and learning documents) : <https://www.coursera.org/course/effectiveppp>