Day 4
Session 16.2

IFC and Public Private Partnerships

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Private Enterprise Partnership Southeast Europe Infrastructure
Southeast Europe and Central Asia Department
International Finance Corporation
Day 4
Implementation & Way Forward

Session 16.2
IFC view of PPPs:
Advisory Services

Session 16
Sector Issues
- Energy
- Water
- Energy

Session 17
Transport Sector
- MIGA in Infrastructure
- Ports

Session 18
Way Forward (World Bank)
- Overview by Participants

Session 17
Overview by Participants
IFC and Public Private Partnerships

June 2008
IFC and PPPs

Our Approach

Selected Experience
IFC – ‘Private Sector Arm’ of the World Bank Group

Typically known as “the World Bank”

IFC

Infrastructure Financing Department

Infrastructure Advisory Department

IBRD

WORLD BANK GROUP

MIGA

IDA

ICSID
IFC’s Two Roles

**Financing**
IFC is the world’s largest multilateral provider of financing for private enterprise with over US$26 billion in outstanding investment commitments.

- Loans
- Equity
- Guarantees
- Capital Mobilization

**Advisory Services**
IFC also provides advisory services to governments and businesses.

- Public-Private Partnerships
- Enterprise Assistance
- Environment & Social Sustainability
- Access to Finance
- Business Environment
IFC’s Infrastructure Advisory Services:

- Provides advice to governments of developing countries on the introduction of private sector participation in infrastructure

Overall, advised on 165 projects in over 60 countries, mobilized over USD 8 billion of investment

At present, advising on 45 projects to 24 governments around the world

Mandate: development of infrastructure via increased participation of the private sector
IFC’s Infrastructure Advisory Services (continued)

- At the forefront of advising on PPPs in the following infrastructure sectors:
  - Roads
  - Railroads
  - Power generation
  - Power distribution and off-grid power
  - Airports
  - Airlines
  - Water and sanitation
  - Waste management
  - Mining
  - Education and health

- Undertake pioneering transactions
  - Specializing in first-of-a-kind, difficult, reform-based, and innovative projects
IFC’s Value Added

- Objectivity and transparency
  - Independence, no links to potential investors
  - Well established and tested procedures and rules

- Orientation towards development and results
  - Importance attached to social and developmental objectives of client country
  - Transactions structured to be sustainable and bankable
  - Staying the course with our clients

- Knowledge of investors’ market
  - Broad expertise of private sector transactions
  - Regular contacts with leading companies
  - Essential marketing role on behalf of our clients

- Integrated approach and synergies within the WB Group
  - Access to experts and coordination of institutional reforms
  - Search for public financing and guarantees, when needed
PEPSE Infrastructure

PEPSEI is IFC Infrastructure Advisory Services structure

- *Specifically dedicated to Southeastern Europe*

- Supported by the following donors:
  - Austria, Italy, Netherlands, Norway, Switzerland, USA and IFC

Based in Sofia and currently operating in:

- Albania
- Bosnia & Herzegovina
- Bulgaria
- Croatia
- Macedonia
- Montenegro
- Serbia

Started operations in October 2005

Six ongoing projects with several tangible potential transactions in the pipeline
PEPSEI’s Active Projects

- **Albania: Ashta Hydropower Plant**
  - Greenfield 40 MW run-of-the-river hydropower plant on the Dryn river in the north of Albania

- **Albania: KESH**
  - Unbundling of the national Electricity operator (carrying out generation, transmission and distribution activities) and privatization of its distribution activities

- **Albania: Port of Durres**
  - Structuring and implementation of a Concession for the development of a new modern Container Terminal in the main port of the country

- **Bulgaria: Water**
  - Restructuring Bulgaria’s water sector by introducing PSP and implementing one/two pilot PPP projects

- **Serbia: Belgrade Solid Waste**
  - Concession to the private sector to invest in, expand, upgrade, operate and manage Belgrade’s sole existing solid waste disposal site

- **Montenegro: Bar – Boljare Motorway**
  - Construction of a 182 km motorway that will connect Montenegro’s coast with the Serbian border
Objective is to determine
- Extent of real near-term potential for viable PPPs in infrastructure
- Does IFC have a potential role to play in this process?
- Is there sincere interest in infrastructure PPPs beyond the Euro 2012 deadlines?

Preliminary assessment is positive
- Serious intention by the GoU to amend the legislative framework
- Personal interest by the PM and her senior staff
  - Conclusion: Government commitment to PPPs is emerging

Potential projects – central Government level
- Motorways
- Passenger airport terminals

Interest on the Municipal Infrastructure level
- Acute need for water, waste management, district heating services in almost every large Ukrainian town
Kazakhstan - Strong commitment at top level in introducing PPPs in Transport and Energy in particular

Tajikistan – Koni Mansur Silver Mine, key underdeveloped resource in a poor country
- Tajik Government recently provided initial approval of mandate; now discussing details

Emerging Commitment to CA
- Budget allocation
- Hiring a Consultant to carry out initial scoping of potential Infrastructure PPPs in the region
Ukraine and Central Asia – Our Role

- Acute lack of knowledge about PPPs in infrastructure within the Government
- Past history of non-transparent bidding
- Need of well-structured pilot projects
- Assistance with revising legislative framework
  - Must weigh speed of reform vs. thoroughness of analysis
  - IFC can combine revisions and improvements of the legislative and institutional frameworks with identifying and implementing pilot projects

**IFC potentially well positioned to assist Governments by building on our global experience and the PEPSEI platform**
IFC and PPPs

Our Approach

Selected Experience
A Pragmatic Approach to PPP Mandates

- No ‘one-size-fits-all’ philosophy
  - No two countries are the same, therefore no two PPP transactions can be the same

- Focus on the “bigger picture” – not just to get the deal done, but to get it done in a manner that provides sustainable benefits to all stakeholders

- No amount of ‘window dressing’ can generate interest among serious bidders if the project is not grounded in sound technical, financial, and legal principals

- Critical success factor
  - We understand market conditions and the potential strategic value of a state owned company / asset to private sector investors
Advisory transactions are typically divided in two phases:

- **Phase I**
  - Due Diligence and Structuring: IFC undertakes a comprehensive due diligence exercise and identifies Government objectives, the range of strategic options available for PSP, and – after assessing the options – recommends the optimal transaction structure.

  - Government makes decisions on transaction structure.

- **Phase II**
  - Implementation of the Transaction: From developing a marketing strategy to assisting with bid evaluation, bid award and closing.
After identifying Government’s objectives, IFC (with the assistance of specialized consultants) performs analysis of the project and assessment of market’s interest with the aim of defining the optimal transaction structure.

During this stage, IFC’s emphasis is on Exhaustive Diagnosis.

Approximate timeframe is 5-7 months from the date the advisory team has been mobilized.
• IFC also takes charge of the implementation of the transaction from developing a marketing strategy to assisting with bid evaluation, bid award and financial closure
• During this stage, IFC’s emphasis is on Transparency and Creating a Sustainable Partnership
• Approximate timeframe is 6-8 months from the time the Government notifies IFC of the strategic decisions taken at the end of Phase 1
IFC recruits external specialized Consultants to complete its in-house expertise
- Mobilization conducted through a highly selective and transparent bidding process
- Costs of Consultants services generally paid with Trust Funds money mobilized by IFC at no cost to Governments (bilateral and multilateral grants)

Typical extended team under IFC lead is as follows:
Transparency – a Key Element of the Transaction

- Quality and Dissemination of Information
  - Market the transaction
  - Clarity of bidding process
  - Detailed and comprehensive information

- Criteria and Rules of Pre-Qualification are publicized

- Pre-Qualification results are publicized

- Bid Process and Documents
  - Equal treatment for all bidders
  - Parallel negotiations with all pre-qualified parties
  - Concession terms and bid requirements agreed with each pre-qualified party to avoid additional subsequent negotiations

- Transparency in Issuing Bid Documents/Opening Bids
  - Simple and quantifiable criteria
Risk "Envelope" in Contracts

Excessive risk to Private Operator
No contract possible

Excessive risk to Public Authority
No contract possible

Level of risk transferred to Private Operator

High risk to Operator = financial & technical instability
Balanced Risk
Good Contract
Periodic adjustments
High Risk to Authority = political instability

Time Years

3 5 10 20 30
PPP Projects by IFI – Advisory and Investment

IMF: Determinants of Public-Private Partnerships in Infrastructure: WP/06/09
## Selected Experience: Infrastructure Advisory in Concessions/PPPs

<table>
<thead>
<tr>
<th>Project</th>
<th>Year</th>
<th>Country</th>
<th>Description / Estimated Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ruta del Sol</td>
<td>On-going</td>
<td>Colombia</td>
<td>Road concession / USD 1.5 billion</td>
</tr>
<tr>
<td>Cairo - Alexandria</td>
<td>On-going</td>
<td>Egypt</td>
<td>Road concession / USD 600 million</td>
</tr>
<tr>
<td>Queen Alia IA</td>
<td>2007</td>
<td>Jordan</td>
<td>Airport concession / USD 710 million</td>
</tr>
<tr>
<td>Abuja Airport</td>
<td>2007</td>
<td>Nigeria</td>
<td>Airport concession / USD 371 million</td>
</tr>
<tr>
<td>LRT-1</td>
<td>On-going</td>
<td>Philippines</td>
<td>Light rail concession / USD 520 million</td>
</tr>
<tr>
<td>Kenya-Uganda Rail</td>
<td>2006</td>
<td>Kenya &amp; Uganda</td>
<td>Railroad concession / USD 111 million</td>
</tr>
<tr>
<td>Monrovia Power</td>
<td>On-going</td>
<td>Liberia</td>
<td>Power generation</td>
</tr>
<tr>
<td>Spug 2</td>
<td>2007</td>
<td>Philippines</td>
<td>Power distribution</td>
</tr>
<tr>
<td>Romania Health</td>
<td>2004-7</td>
<td>Romania</td>
<td>Health PPPs / USD 30 million</td>
</tr>
<tr>
<td>Lesotho Hospitals</td>
<td>On-going</td>
<td>Lesotho</td>
<td>Hospital PPP / USD 75 million</td>
</tr>
<tr>
<td>Port of Toamasina</td>
<td>2005</td>
<td>Madagascar</td>
<td>Port concession</td>
</tr>
</tbody>
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Development Impact: Current Mandates

- We measure our development impact in three areas:
  - People reached by the services
  - Private investment mobilized
  - Expected fiscal savings (reduced subsidies/losses and/or proceeds)

- Forecast development impact for IFC’s current PPP infrastructure advisory mandates is outlined below

<table>
<thead>
<tr>
<th>People Reached</th>
<th>6.4 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Mobilized</td>
<td>$13.8 billion</td>
</tr>
<tr>
<td>Fiscal Savings</td>
<td>$4.7 billion</td>
</tr>
</tbody>
</table>
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PPPs in Infrastructure

THANK YOU!

Robert Taylor, IFC