World Bank
Workshop on the Toolkit for PPP in Roads and Highways

Overview of the Toolkit

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Presentation Outline

• Toolkit objectives
• Toolkit uses
• Six modules of the Toolkit
• Models for financial assessment of PPP projects in highways
• Discussions
Objectives of the Toolkit

To assist transport sector policy makers in developing countries in implementing procedures to promote private sector participation and financing in roads.

To serve as a manual for World Bank clients and staff when they recommend and implement processes to increase private participation in roads.

Supported by Public-Private Infrastructure Advisory Facility (PPIAF)
Uses of the Toolkit

- Assist in each stage of PPP preparation by defining objectives and components (including Terms of Reference)
- Describe the PPP framework necessary to develop private sector interest
- Present “most applicable practices” comprising those most suited to transition and developing countries
- Help practitioners to understand PPP
- Help teaching PPPs in roads and highways
In summary, the Toolkit helps answer the question

Where and under what conditions can a PPP be appropriate?

Available on a CD-ROM and Internet:
http://go.worldbank.org/P2XMGNYLD0
or
The Six Modules of the Toolkit

Additional Tools: Glossary, Site Map

Link to Toolkit  Toolkit
“Dance,” Henri Matisse, 1909, Oil on canvas, MOMA, N. York
English and Russian Versions

• English original available since 2009, including upgraded and audited financial models

• Russian translation available since April 2011 (to be posted soon on the PPIAF/World Bank website)
Continuum of PPP Options

The Toolkit presents a broad definition of PPP including performance-based contracts
Why PPP?

The real issue for PPP is not public infrastructure versus private infrastructure. It is more simple: the issue is less infrastructure versus more.

Clive Harris, World Bank Institute

Source:
Toolkit Financial Models

• Purpose
  – Familiarization of non-financial specialists with the basics of project finance and financial simulations for a (highway) PPP project
  – Better understanding of key parameters which affect the financial viability of a PPP project
  – Preliminary scrutiny of PPP projects

• Limits
  – Simplified financial models: graphical and numerical versions
  – Specific project assessment requires detailed financial models prepared by experienced financial practitioners
The model represents the main financial features of a project company in graphic form and their sensitivity to a range of 14 key assumptions.

The graphs change according to the key project assumptions:
- Cash Flow graph
- Debt graph
- Dividends graph
- Link to financial models ([Toolkit > Tools > Financial models](#))
The model provides financial statements by a potential concessionaire to analyze the construction and operation of a highway concession under a Build-Operate-Transfer (BOT) scheme.

The Assumptions sheet of the model contains key parameters and data input as determined by the user.

The financial model is not a banking model and is not intended to provide project-specific financial modeling.
Main Stages to Launch a PPP Project

• Stage 1: Identification, Prioritization and Selection of the PPP Project

• Stage 2: Due Diligence and Feasibility Studies: includes activities and studies to ensure the selected project is well designed and can be successfully tendered and implemented

• Stage 3: Procurement: includes prequalification of bidders and the bidding and bid evaluation processes, and a section on Unsolicited Bids
Main Stages to Launch a PPP Project (cont’d)

- Stage 4: Contract Award: gives advice on dealing with the preferred bidder(s)
- Stage 5: Contract Management: deals with the construction and operation periods of a project including transfer back if relevant – BOT, but not BOO

Reference: Toolkit Module 5
PPP Project Development

PPP PROJECT DEVELOPMENT THROUGH TOOLKIT MODULES

Modules 1 & 2

SETS THE BROAD FRAMEWORK
PPP or not Types of PPP Concepts Characteristics

Module 3

ROAD SECTOR PLANNING
Public sector programs and projects
Preliminary identification of potential PPP projects

Module 4

DRAFT STANDARDIZED CONTRACTS

Module 5

SPECIFIC PROJECT IMPLEMENTATION

STAGE 1:
IDENTIFICATION, PRIORITIZATION AND SELECTION
(Multi Criteria / Value for Money)

STAGE 2:
DUE DILIGENCE AND FEASIBILITY STUDIES
(Feasibility Study / Consultation / Market sounding)
Packing / Draft Tender Documents / Prepare Bankable Projects

STAGE 3:
PROCUREMENT
(PQ and bidding)

STAGE 4:
CONTRACT AWARD

STAGE 5:
CONTRACT MANAGEMENT
Open competitive bidding selection of concessionaires

- Wide advertisement – *press, road show, data room*
- Prequalification of potential bidders – *helps ensure quality bidders*
- Bidding documents well prepared -- *clear and non-discriminatory*
- Clear procedures for bid submission
- Public bid opening
- Transparent bid evaluation criteria, which are well defined in the bidding documents
Open competitive bidding selection of concessionaires (cont’d)

• Negotiation of the final contract, if required, should be done only within the parameters defined in the bidding document
• Selection of the successful bidder based on the most economically advantageous offer
• Clear and effective complaint and appeal handling mechanisms in place

## Toolkit Case Studies

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<tr>
<th>Country</th>
<th>Infrastructure Type</th>
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<tbody>
<tr>
<td>Brazil</td>
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<tr>
<td>Chile</td>
<td>concessions in Santiago</td>
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<td>Croatia</td>
<td>A6 motorway</td>
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<tr>
<td>France</td>
<td>country case</td>
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<tr>
<td>Hungary</td>
<td>M1/M15 motorway</td>
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<td>India</td>
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<td>Korea</td>
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<td>Serbia</td>
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<td>South Africa/Mozambique</td>
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<td>UK</td>
<td>M6 toll road</td>
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<td>Zambia</td>
<td>PBC contracts</td>
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<td>Indonesia</td>
<td>country case</td>
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Traditional Procurement vs PPP Arrangements

- Project life: usually less than 5 years vs more than 20 years
- Completion and delivery of the facility vs long term service provision
- Input vs output orientation
- Contract signed with the contractor vs with a “special purpose vehicle” (SPV)
- Public financed vs user fees or tariffs (or some other arrangements)
- Better sharing of risks in PPP
**Allocation of Risks**

- Force Account
- Traditional Outsourcing
- Performance-based Contracts
- Availability Payments
- Shadow Tolls
- Toll Road BOT
- BOO

Decreasing Public Risks, Increasing Private Risks
I'm sure glad the hole isn't in our end...
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