Overview of the Toolkit for PPP in Roads and Highways

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Presentation Outline

• Toolkit objectives
• Toolkit uses
• Six modules of the Toolkit
• Models for financial assessment of highway PPP/concession projects
• 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

• Assists in each stage of PPP preparation by defining objectives and components (including Terms of Reference)

• Describes the PPP framework necessary to develop private sector interest

• Presents “most applicable practices” comprising those most suited to developing countries

• Helps practitioners to understand PPP

• Helps teaching PPP/concessions in highways
The Toolkit as a Manual

• Helps fill the gap knowledge to develop PPPs

• Instead of a “PPP dogma,” provides a more pragmatic approach of “where and under what conditions can PPP be appropriate?”

• Self-contained on CD-ROM and Internet: http://go.worldbank.org/P2XMGNYLD0
Content of Toolkit

• Six Modules (core subjects):
  – Overview and diagnosis: PPP strategy
  – Key components: characteristics of PPP projects
  – Policy and planning: role of the public sector
  – Laws and contracts: contract bases for PPP
  – Implementation and monitoring: stages to implement PPP
  – Tools: case studies, financial models, bibliography, PDF version

• Additional Tools
  – Site map, Glossary, Abbreviations, Search
The Six Modules of the Toolkit

**MODULE 1**
Overview & Diagnosis
Choosing the PPP route and defining a strategy

**MODULE 2**
Key Components
Concepts and characteristics of PPP projects

**MODULE 3**
Policy & Planning
Road planning, policy objectives and PPP policy framework

**MODULE 4**
Law & Contracts
Legal, legislative and contract bases for PPPs

**MODULE 5**
Implementation & Monitoring
Stages in PPP development from project identification to contract management

**MODULE 6**
Tools
Case studies, financial models, bibliography, Key issues, PDF version

Link to Toolkit

Toolkit
The 2009 vs. 2001 Versions

• Updated practices since 2001
• Improvement of user-friendliness
• Complete contract cycle, including identification, feasibility, procurement, contract award, and contract management (including renegotiation)
• Upgraded and audited financial models
Continuum of Alternatives

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

- 90% of investment in PPP since 1990 has been concentrated in only 10 countries
- 117 developing countries did not receive any private investment at all in the highway sector

Source: World Bank/PPIAF PPI database
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.

Harris, 2003
Enabling Environment for PPP

- Public sector commitment: Stable economy, public funding support
- Capable public and private sectors: Effective partnership, protection of public interest
- Effective risk management: Maximum benefits from PPP
- Favorable investor climate: Ensures private funding. Private sector's *raison d'être* is about taking risks and making profit

http://www.pppaf.org/documents/toolkits/highwaystoolkit/1/1-43.html
Lessons learned from existing programs

- Need of full commitment across the ministries involved
- Projects are often insufficiently prepared with inappropriate risk management/allocation
- Relatively minor defects in bidding documents can lead to weak competition
- Inconsistent laws and regulations can be worse than limited or no laws, where regulation by contract can work
- Unsolicited bids may undermine governance and often take longer than competitive bidding
- A properly developed pipeline of projects is essential
- Consultation and explanation of PPP projects is vital
- IFIs and qualified advisors can help
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
Graphical Model

- 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]
Numerical Model

• 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 all the 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 process, and a section on Unsolicited Bids

• 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
Some Key PPP Features

- Length of the concession contract: usually between 5 and 60 years
- Partial or total private funding of public infrastructure
- Sharing of risks and revenues between public and private sectors – *risk allocated to party best able to manage it*
Allocation of Risks

High Risk to Public Sector

Traditional Outsourcing

Performance-based Contracts

Availability Payments

Shadow Tolls

Decreasing Public Risks, Increasing Private Risks

Toll Road BOT

BOO

Low Risk to Private Sector
I'm sure glad the hole isn't in our end...
Thank you!
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Toolkit Case Studies

Brazil – country case
Chile – concessions in Santiago
Croatia – A6 motorway
France – country case
Hungary - M1/M15 motorway
India – country case
Korea – country case
Serbia – country case
South Africa/Mozambique
N4 toll road
UK – M6 toll road
US – country case
Zambia – PBC contracts
Indonesia – country