Session 1: Strengthening PPP Frameworks and capacities

Designing the AFDB PPP Framework
Bank support to PPPs

Targeted across the PPP lifecycle

Pillar 1: Strengthening PPP Frameworks and Capacities

Pillar 2: Project Preparation and Transaction Advisory

Pillar 3: Financing PPPs
CONTEXT – PPP FRAMEWORKS AND INSTITUTIONAL CAPACITY
Many countries have PPP frameworks, but deal flow is limited

- Most countries in Africa have a PPP policy / law or a PPP Unit or both
- 14 countries have both PPP Law & Unit, but with less than 5 recorded PPP transactions
- A PPP policy, law or unit does not automatically lead to PPP deal flow

Sources: (1) www.pppknowledgelab.org, The World Bank Group; (2) PPP Snapshots, Africa Legal Support Facility (3) PPI Database, World Bank Group
What is missing?

Putting the Framework into action

- Implementing regulations
- Model documents
- Tariff policies
- Procurement processes
- Approval processes
- Fiscal risk management
- Sector reform/ unbundling
- Government support mechanisms
- **Project identification**
- **Pipeline development and prioritization**

Ensuring public institutions are capable

- Project identification/ preparation
- Technical, financial, legal, procurement, sector skills
- Access to capable advisors
- Understanding of project finance and bankability aspects
- Decision making capacity
- Procurement
- Project and contract management skills

Sharing knowledge and lessons

- Best practices and pitfalls
- Demonstrated PPP models
- Guidelines and checklists
- Model documents

Support for private sector development

- Strengthening domestic financial institutions
- Supporting private investors
- Catalysing the development of domestic advisory market
How are peers supporting PPP frameworks & capacities

PPP-specific support... delivered through specialised channels

- **WBG – PPP-specific instruments**
  - Public Private Infrastructure Advisory Facility (PPIAF) - support for PPP frameworks & institutional capacities
  - Public Private Partnership Legal Resource Centre (PPLRC) - support for PPP laws and regulations
  - Country Readiness Diagnostic for PPPs
  - Open Learning Campus – online training including on PPP topics
  - PPI Database – global database of infrastructure projects with private sector participation

- **EBRD – support for PPP laws**
  - PPP Laws Assessment – diagnosis of gaps
  - Legal Transition Program – development / revisions of PPP laws

- **ADB**
  - Prefeasibility of PPP projects integrated in many capacity-building operations
  - PPP Monitor – diagnosis of the PPP frameworks and capacities
  - Regional Knowledge Partnerships

- **EIB**
  - European PPP Expertise Centre – support to PPP frameworks and institutional capacities

- **Offer support targeted to developing PPP frameworks and capacities**
  - Standardized approaches for assessment of PPP frameworks
  - Aim to integrate upstream, midstream and downstream PPP development
  - Specialized units / teams for upstream support
Bank support to strengthening PPP frameworks & capacities at present

  - Demand-driven, opportunistic origination of operations, not based on standard diagnosis
  - Provision of funds, occasionally direct support (through Bank staff/ Bank procured experts)
  - Mostly focused on setting up PPP Policy, Laws, Units
  - Starting to integrate project identification

- PPP Frameworks support led by Bank’s Governance and Public Finance Management Coordination Office

- Institutional capacity-building
  - Mostly through training workshops
  - E-learning courses developed and delivered by the African Development Institute (ADI)

- Few PPP-specific knowledge products
What does the Bank need to improve... according to key stakeholders

- Findings from the Bank’s PPP evaluation*
- Suggestions from internal stakeholders

* IDEV Evaluation of Bank’s Use of PPP Mechanism 2006-2017, published in 2019
DESIGN APPROACH AND OPTIONS FOR BANK SUPPORT IN PILLAR 1
From setting up frameworks... to generating PPP deal flow

**from**

PPP frameworks as the outcome

- Ticking framework ‘boxes’
  - Facilitating PPP laws and regulations
  - Setting up PPP units

**to, also**

PPP deals as the outcome

- Operationalizing frameworks
  - Project-level due diligence and approval processes
  - Targeted PPP unit support to help PPP deal flow
  - Deal-enabling regulations (e.g. tariff regulations, VGF rules)
  - Enabling deal flow in other sectors (e.g. sectoral PPP regulations, guidelines)

**Purely demand driven**
- Based on RMC requests
- Country office initiative

**Proactive approach**
- Based on standardized diagnosis
- Integrated within Country Strategy Paper process
Pillar 1 of the Bank PPP Framework

Strategic priorities and focus

New Frontiers

Countries with no or very few PPPs in the last 5 years

- Fix gaps in PPP framework, OR
- Focus on implementation of existing frameworks
- Focus on extensive capacity-building (PPP basics, project finance)
- Focus on project identification

Promising Markets

Countries with less than 10 PPPs in the last 5 years, but with 2 or more successfully closed deals

- Fix gaps in PPP framework, OR
- Implementation and sector PPP regulations (model PPP contract, tariff policy)
- Specialized training (risk assessment, fiscal risk management)
- Establishing government support mechanisms

Growth Markets

Countries with sizeable PPP portfolios

- Demand-responsive
- Focusing on sub-sovereign PPPs
- Developing frameworks for asset recycling, light concessions etc.

Focus on countries which...

- Lack substantial pieces of PPP frameworks, but have political stability & strong commitment for PPPs
- Already have all pieces of PPP framework, but are struggling with implementation
- Have implemented a few PPPs, but are struggling to bring more to the market due to capacity constraints
Implementation in the Bank’s operations

1. Based on standard, comprehensive diagnosis
2. Identified as part of long-term country strategy of the Bank, integrating requirements of possible lending operations
3. Includes project identification and, if possible, early-stage project preparation
4. Use existing platforms like APMG PPP Certification, OLC as much as possible, in collaboration with peers
5. PPP specific technical assistance funds + PPP-specific delivery platforms
6. Measure long-term impact based on realized PPP investment
Questions for panellists and participants

- Why have some countries, even after setting up of PPP frameworks and institutions, not been able to generate a pipeline of PPP deals?
- What are the key lessons and experiences of peers in supporting PPP frameworks and institutional capacities?
- What is missing in Africa – volume of support or specific types of support?
- What can be the unique contribution of the Bank? Are there particular areas of support that are missing?
- What role should the Bank play amongst the development community?
Thank You!