Session 2: Project Preparation and Transaction Advisory

Designing the AFDB PPP Framework
CONTEXT – PPP PROJECT PREPARATION AND TRANSACTION ADVISORY
5 countries account for >50% of all PPPs in Africa during 2008-2018

Many countries have high PPP ambitions... but will struggle with project preparation

<table>
<thead>
<tr>
<th>Country</th>
<th>PPPs financially closed till 2018</th>
<th>PPPs in pipeline/ planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rwanda</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Namibia</td>
<td>4</td>
<td>6-8</td>
</tr>
<tr>
<td>Botswana</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>2</td>
<td>20+</td>
</tr>
<tr>
<td>Senegal</td>
<td>12</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Government websites, media reports

Source: PPI Database, World Bank Group
What is needed to bring a PPP project to market?

Countries need to organise capabilities, through...

(1) Own staff, and

(2) Contracted advisors...

Capability to screen projects, identify possible business models, do preliminary financial assessment

Capability for detailed technical, legal, financial, economic feasibility, identify E&S impacts, assess and allocate risks

Capability to detail transaction structure, identify key contractual provisions, make the procurement plan, prepare bankable bid docs

Capability to plan & manage procurement

Commercial and financial closure

Successful procurement

Bankable structure

Feasible project

Potential PPP

Project concept

...and countries need

(1) Funds to pay for the cost of project development and transaction structuring, and

(2) Ability to hire and manage consultants and advisors
How are peers supporting project preparation & transaction stages of PPPs?

**Project-specific support**

- **PPP-specific project preparation/ TA facilities**
  - AP3F (ADB)
  - Facility for PPPs in SE Mediterranean-MED 5P (EIB)

- **PPP-specific advisory units**
  - IFC Advisory (WBG)
  - OPPP (ADB)
  - EPEC (EIB)

- **Early-stage project preparation support (PPIAF-WBG, ADB)**

**And**

**Systemic support**

- **Supporting country-level project development facilities and expertise**
  - Project Development and Monitoring Fund in Philippines (ADB)
  - Prequalified panel of consultants (WB and ADB)
  - Paying for embedded PPP expertise at national and sub-national line ministries (ADB)
Bank’s support for project development and transaction structuring

**Project Preparation Funds**
ADF PPF, MIC TAF, NEPAD IPPF, SEFA, NTCF, AWF, LDC, AFTA
Funds for procuring advisors and to undertake preparatory studies / feasibility assessment

**Advice on Financing**
As part of Bank’s lead financial institution / arranger role, optimizing financial structure, contracts, credit enhancement, risk management etc.

**Specialized project development vehicles**
Africa50, Kukuza Project Development Company: project preparation, transaction advisory, early-stage capital

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**PPP hubs (not operational)**
Intended to identify project opportunities and technical support for PPP project development

**Part of support to PPP frameworks / capacity-building**
Project preparation and transaction advisory of pilot PPPs combined with technical assistance and capacity building

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**Project identification** → **Project feasibility** → **Project structuring** → **Bid process management** → **Commercial and Financial close** → **Project implementation**

**Project preparation stage** → **Transaction stage**
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 2
Considerations for the Bank’s PPP Framework

Funds for most eligible projects... more active support for exceptional projects

- PPPs allowed in the sector
- Prima facie suitable for PPP
- Opportunity for private sector to add value
- Government sponsor adequately prepared
- Can meet the PPP defining criteria of the Bank

All eligible PPP projects can get project preparation funds

For exceptional PPPs (transformative, complex, pioneering), more active involvement of the Bank

- Pathfinder PPPs in countries and sectors with no or limited PPP experience
- Complex PPPs requiring specialized expertise
- Strategic or transformative PPPs, in terms of potential impact, or replicability across Africa
- Regional/ multi-country PPPs
Integration with upstream (Pillar 1) and downstream (Pillar 3) support

Support to PPP-enabling frameworks and institutions (Pillar 1)

- Gaps in the framework identified during project preparation

Identification of potential PPP projects

Project preparation and transaction advisory (Pillar 2)

- ‘Chinese wall’ when providing TA support and financing

Bankable projects with need for financing

Financing of PPP projects (Pillar 3)
Implementation approach for project preparation and transaction advisory

1 Direct requests from government sponsors

- Offer to support projects identified in the country strategy, or as part of Pillar 1 support

2 Funds for project preparation and transaction structuring

- AND / OR

- Provision of advisory services

3 Specialized PPP advisory unit of the Bank

- External advisors and consultants

4 Based on number / value of project successfully procured and / or financially closed
Considerations for the Bank’s PPP Framework

Strategic priorities

New Frontiers
Countries with no or very few PPPs in the last 5 years
- Project preparation supported and integrated with upstream support in project identification
- Focus on providing advisory support to pathfinder PPPs
- Grant-based/ concessional project preparation and TA support

Promising Markets
Countries with less than 10 PPPs in the last 5 years, but with 2 or more successfully closed deals
- Project preparation supported and integrated with upstream support in project identification
- Focus on sub-sovereign PPPs and pathfinder PPPs in new sectors

Growth Markets
Countries with sizeable PPP portfolios
- Demand-responsive
- Focus on sub-sovereign PPPs and pathfinder PPPs in new sectors
- Financially scalable and sustainable project preparation and TA support
- Capital market vehicles and facilities
Questions for panellists and participants

✔ What are the areas of project preparation and transaction structuring in which RMCs need support?

✔ Is more support needed to RMCs for project preparation and transaction management? If so, is it different kinds of support that are not currently available, or simply more support in general?

✔ What is the best way for the Bank to provide project preparation and transaction support?

✔ Is there a need for the Bank to provide both project preparation funds and advisory services?
Thank You!

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