WAPPP QUARTERLY MAGAZINE

DOSSIER:

More PPP Units present themselves

WAPPP

In this edition:

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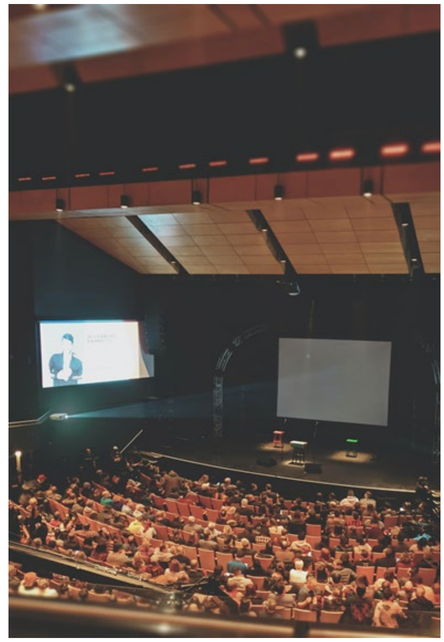
Editorial

Ziad Alexandre Hayek and Jean-Christophe Barth

We wish all our members and readers a happy and successful new year in 2022. As 2021 has come to an end, it is time to thank all of you that contributed to the successes of WAPPP during this challenging period.
We had set ourselves ambitious targets at the beginning of the year, which we have all achieved and surpassed. The success of our first annual congress in June, 2021, was a huge leap forward for our organization which has now imposed itself as a major stakeholder in the PPP arena. Thanks to the enthusiasm and the dedication of our team of volunteers, the 3-days meeting with over 500 participants has firmly established WAPPP as the leading network for PPP Units and professionals.

The year was also marked with numerous webinars, publications, the development of our regional chapters and the upgrade of our website. More than ever PPPs remain at the centre of the global agenda. The Glasgow conference on climate change has highlighted the investment requirements necessary to implement the energy transition. Covid-19 pandemic has continued to affect health care systems, disrupt logistic chains and limit economic recovery. PPPs are more central than ever to harness private capital to infrastructure transformational investments that can help solve global challenges.

However, we need to draw lessons from past mistakes and foster better PPPs that are carefully crafted to promote the agenda that we advocate. People First PPPs, capacity building, knowledge sharing will remain at the heart of WAPPP commitment in 2022.



It will not be easy to do better in 2022 than in 2021, but this is our objective. We plan to attract still more PPP Units and more PPP professionals through the implementation of our strategic agenda, a second annual congress as successful as in 2021, the development of our communication tools and services to our members, and much more.

This new edition of the WAPPP magazine continues with the presentation of PPP Units and delivers a lot of exciting content. Thank you for being with us in 2022!

DOSSIER

PPP Units present themselves

In this edition we continue the presentation of PPP Units. During our Annual Congress on the15th and 16th of June, 2021, over 23 PPP Units have participated in individual video sessions. We propose here to include a summary of the transcripts (all mistakes and omissions being ours!) for 6 of them. WAPPP Magazine wishes to be the favourite home place for all PPP Units, and we shall continue this endeavour in our future issues.

Indonesia
Infrastructure Guarantee Fund

South Korea
Public and Private Infrastructure Investment Management Centre

Nepal
Investment National Board

Philippines
PPP Centre

Rwanda
Rwanda Development Board

Ukraine
PPP Agency

Indonesia Infrastructure and Guarantee Fund

Muhammad Wahid Sutop,

President Director and Acting Executive Director of Finance and Project Assessment.

Indonesia is an archipelago country with more than 70 000 islands where infrastructure is key to build equality throughout the region. Therefore Indonesian government provides **support for PPP scheme to** address challenges and to help creating sustainable projects. This includes *fiscal support, viability gap funding, availability payment scheme* for social projects, as well as a *special entity that helps with land issues,* which is one of the key challenges in the provision of infrastructure.

Guarantee scheme is a sovereign or governmental guarantee delivered through **Indonesia Infrastructure Guarantee Fund,** IIGF, to ensure that financial liability of the government agency in PPP contract will be delivered to the satisfactions of the private party or of the investors. This ensures the commitment and accountability of the contracting agency in the entire concession area.

IIGF is a special mission vehicle, established by the government of Indonesia under the Ministry of Finance on December, 2009. It is a wholly owned entity of the Indonesian Government with specific mandate to promote and deliver the guarantee scheme for PPPs in Indonesia.

Until May, 2021, IIGF has guaranteed 28 PPP projects in 5 sectors with over IDR250 trillion (USD 80 bln) of total project value and is assisting 5 ongoing PPP projects through the Project Development and Transaction Advisory.

Historically in Indonesia the development of infrastructure was mainly focused on the most populated islands of Java and Sumatra. In the past 5 to 10 years, however, the Government managed to develop infrastructure through PPPs in different parts of Indonesia. The first toll road in Kalimantan (from Balikpapan to Samarinda) on Borneo was developed as a PPP and guaranteed by IIGF. In the Kalimanta island of Sulawesi, a toll road and a railroad were also developed as PPPs. It is the case as well of the broadband infrastructure in the eastern and in the remote parts of Indonesia with the development of Palapa ring fiber optic network of 7000 km of submarine cable and around 500 km of online cable that connected 51 cities. In the process an agreement was signed to develop one of the first broadband satellite for the broadband data, also using PPP scheme. This high through-put 150 gigabit satellite will cover the entire nation, but it will be mostly directed to the delivery of service to the remote and underdeveloped areas.

IIGF has **3 main roles in development of sustainable infrastructure**. The first one consists in developing the ecosystem and the network. One of the main challenges when developing alternative schemes such as PPPs is capacity building of ministries and governmental agencies. This is the role of a unit called IIGF Institute for capacity building for developing PPP scheme. IIGF also works with certified national universities under the framework of University Network for Indonesia Infrastructure Development (UNIID).

IIGF also has a mandate from the Ministry of finance to implement a project development facility. This facility provides support and transaction advisory to different ministries and agencies and subnational governments in preparing PPPs. IIGF also delivers sovereign or government guarantee to support PPP projects (presidential decree n°78/2010). In addition IIGF performs monitoring, which starts from the moment of project screening to ensure that the project corresponds with PPP scheme requirement and can deliver the expected objectives. IIGF also does proper risk allocation and enhancing creditworthiness, accelerating and enabling the financial close and to some extend ring fencing state budget.

Lastly **PPP joint office is** a collaboration of different offices, including 8 agencies such as Ministry of Economy, the Ministry of Finance, the Ministry of Planning, the Ministry of Internal Affairs, IIGF, the agency for investment coordination and national agency for procurement to work in education, publication and capacity building.

Andre Permana, Executive Director of Business

IIGF provides sovereign guarantee for PPP infrastructure projects and ensures integrated risk management approach at corporate level. Its role is to ring fence for the government contingent liabilities for PPP and minimise sudden shock to the state budget in case of contingent events happening in the project which can lead to the guarantee claim.

IIGF works on bankability and the quality of infrastructure through evaluation and management of the project risk, hand in hand with projects' partners and with the support of experts and consultants, which improves the credibility of the guarantee and the project itself.

The presence of guarantee enhances governance and transparency in the project implementation. IIGF also does monitoring, not only at commercial close or project contract signing but also during project implementation.

To perform these roles IIGF focuses on risk allocation with the development of PPP risk allocation guideline including risk matrix in different sectors and structures. It is updated annually in Bahasa and English and can be downloaded from the website.

In the contest of corporate risk management IIGF also applies certain principles, practices, and standards to ensure that the IIGF itself as an entity providing guarantee is also credible in managing using ERM (enterprise risk management) framework. The PPP process typically starts with planning preparation, transaction and implementation stages.

One of the most important tasks is to provide capacity building on the preparation and the transaction stages. This is very important for a market like Indonesia where not all public officials are familiar with PPPs and the guarantee process. IIGF performs project scanning and screening to introduce the guarantee scheme as early as possible to the relevant parties.

In a second stage, the guarantee application package includes all the required documentation required and is followed with appraisal and structuring to start the initiation of the transaction process.

By the end of the transaction stage, when PPP contract is signed, on the moment of the commercial close comes also the guarantee agreement. Those 3 sets of agreements ensure that the project is protected by the guarantee and initiate further guarantee monitoring process during contract implementation stage.

The pipeline is the following as per 2021:

Sector	Number of projects	Stage of the project
Road/toll road	11	Early preparation
Gas distribution network	9	Early preparation
Waste management	4	Early preparation
Transportation	4	Early preparation
New area development	2	Early preparation
Urban facility	2	Early preparation
Various sectors (health and education, irrigation, e-government)	5	Early preparation
Waste management	2	Feasibility study
National road bridges replacement	1	
Toll road	1	
Public housing	2	
Public street lightening	1	
Proving Ground Facility	1	

IIGF Contribution to sustainable infrastructure social economic benefits

Balikpapan-Samarinda Toll Road

The guarantee somehow enables all the benefits from the implementation of the projects.

Sector	Name of project	Employment opportunity (people)	Project benefits
Toll road	Dampak Tenaga Kerja Tol Pandaan Malang		
Telecommunication	Palapa Ring	438	Internet access service for all provinces. Connecting 149.400 service area, incl. underdeveloped and remote
Drinking water	3 projects of water supply system	242.000	Total clean water: 5.750 lt/second Service area:1.95 mln people

Highlights on the future of PPPs in Indonesia.

IIGF involvement has resulted in improved investor and lender confidence and helped expansion and development of PPP sectors, such as those related to renewable energy and clean water recognised as a critical component of the protocol for safe and clean living during the pandemic. The success of IIGF with PPP projects aimed at reducing reliance on the state budget is an example of creative and innovative financing for infrastructure. Ultimately the credibility of IIGF has paved the way for other sovereign guarantee mechanisms such as guarantee for direct loans, and guarantees for companies and State Owned Entities related to the national economic recovery.

Republic of Korea

Public and Private Infrastructure Investment Management Centre

Seungbeum Rho, head of global cooperation team at PIMAC, in charge of international cooperation

PIMAC (Public and Private Infrastructure Investment Management Centre) is an affiliated of Korea Development Institute and was established in 2005. The main task of PIMAC consists of:

- PPP projects evaluation: feasibility study and Value for Money assessments
- Technical assistance to competent authorities: review of drafts request for proposals, concessional agreements, refinancing plans and restructuring plans; negotiation support
- Policy research and professional advice for public entities

Pimac has developed detailed guidelines and standardised PPP processes.

The feasibility of project is assessed through economic analysis, policy analysis and balanced regional development analysis. The results of each analysis are combined to conclude about the overall feasibility of the project.

Short overview

The numbers and amounts of PPP projects fluctuated significantly over time under the influence of Government PPP policies and economic fluctuations. From the late 1990s to mid-2000 the government implemented policies such as MRG, marginal revenue guarantee, and introduced lease type model. These policies resulted in a boom of PPP investments and contributed to development of infrastructure.

Further in 2000s to mid-2010, the government reduced the support for PPP projects as it abolished MRG and introduced financial variations for PPPs. In addition the 2008 financial crisis hit the market and had a long lasting impact. The investments decreased from 2007 to 2016. Recently the government changed the policy direction to revitalise PPPs. For example it introduced new risk sharing mechanism in 2015 and extended the range of eligible facilities. Currently it seems that government new promotional policies are working. But given the characteristics of infrastructure industry, more time is needed before the impact becomes obvious.

Recent PPP policy issues.

A major trend is about incorporating social values into project evaluation:

Social demand to weight more heavily various social values in project evaluation has been taken into account:

- Various stakeholders criticized Korea's project evaluation that focused too heavily on economic aspects of projects.
- Too much emphasis of b/c might have aggravated economic inequality and regional disparities.

In 2019 the Ministry of Economy and Finance amended the guideline for PFS to reflect recent changes in economic and social conditions. The amendment aimed at enhancing balanced regional development and incorporating social values within the PFS (preliminary feasibility study) framework. PPP guidelines were issued that required application of the same criteria as in PFS to PPP projects.

The process of project evaluation in Korea consists of 3 phases. In the first stage, PIMAC assesses the feasibility of the project, and in phase 2 conducts Value for Money test to examine whether the PPP model will be more efficient compared to the government financed model. In the 3d phase, PIMAC conducts additional financial and cost analysis to study alternative structuring options that can increase the efficiency of the project.

The table below shows the parameters weights before and after the reform. The focus of the reform was to enhance regional development issues, in order to provide more opportunities for under-developed regions.

Before the reform		After the reform	
Regional differentiation	-	Developed regions (Seoul Metropolitan area)	Underdeveloped regions (outside of SMA)
Economic analysis	35-50%	60-70% (20-25% up)	30-45% (5% down)
Policy analysis	24-40%	30-40% (0-5% up)	25-40% same
Balance regional development	25-35%	25-35% down	30-40% (5% up)

After the reform, the government decided to divide the national territory into 2 categories “Seoul metropolitan area” and ”Non-metropolitan area”, and applied different standards to each. In the case of metropolitan area, the regional development analysis was abolished; in the case of non-metropolitan area, the weight for economic analysis was decreased but the balanced regional development analysis was increased. This change of weight is expected to provide more opportunities for underdeveloped regions.

Valuation items for policy analysis have also been reformed. Before the reform the evaluated items consisted in consistency with higher level plan, project risks, and employment effect. After the reform, residents’ living conditions and safety were added to the list.

PPPs promotion

In 2020 the government amended the PPP law to expand the range of eligible facilities for PPPs. Before the amendment only 53 facilities listed in PPP laws were allowed to be implemented as PPP projects. This long list was actually lacking in consistency. Government is expecting that the amendment will widen the PPP industry and stimulate innovation in infrastructure.

Korea has changed policy on demand risk allocation, which has substantially affected PPP investment. The abolition of MRG in 2009 created a shock in PPP investment activity. In 2015, the government decided to reverse the trend and introduced a new risk sharing mechanism. The new mechanism is presented in 2 models, BTO-rs (risk sharing) and BTO-a (adjustment), with similar basic concept: the concessionaire recovers its investment costs by collecting user fees and the contracting authority guarantees a certain portion of the cost. In addition, in 2020 the government added another model which combines user fee and lease models.

As of December, 2020, 7 projects with new risk sharing mechanisms have reached financial closing, leading to USD 4.1 billion investments. With this government risk sharing, the level of expected internal rate of return of projects have fallen significantly leading to better value for money.

The transparency of PPPs was strengthened in 2020 as the government amended the PPP law to require all procuring authorities to disclose concession agreements of all PPP projects. At the same time, the Ministry of Economy and Finance launched a PPP data platform to provide access to concession agreements and PPP information.

The last policy issue relates to Covid 19 pandemic. After the pandemic outbreak, PPP training and education programme was moved from offline to online, which allowed to strongly increasing the number of participants.

Case studies and lessons learned

Yoo- Eun Koh, Senior Research Associate, PIMAC

GTX

Great train express (GTX) project is a high speed rail network designed to shorten travel time for people directing from outskirts of the capital area to central Seoul. It consists of 3 separate lines, A, B and C lines. Line A, the first to start construction, is an 83 km section connecting areas from North west Gyeonggi province across Seoul to southeast of Gyeonggi province.

The line will pass through 10 stations with an average speed of 100 km/hr. When it is complete, it will reduce the travel time to central Seoul from 77 min by metro to 19 min by line. The GTX A is a PPP Build Transfer Operate project; the contract was signed in December, 2018, for a total project cost of 3 trillion Korean won (about USD 2.7 bln). It is currently in construction and will start operations in 2024.

Lessons learned:

Lots of efforts were put into this megaproject to safeguard fiscal sustainability, affordability and value for money by means of rigorous project appraisal. Preliminary feasibility study was conducted in 2014 for GTC lines A, B and C and additional preliminary FS was carried out in 2017 on an extension to the north of line A. PFS is used as a mean to appraise social and economic feasibility of major infrastructure projects before budget approval. The result of PFS of GTX A indicated that the project secured economic feasibility as well as overall feasibility including policy and balanced regional development evaluation.

In seeking various procurement options, Value for Money assessment as PPP model was calculated. It analysed optimal risk allocation and recommended PPP as a viable mode of delivery. Both PFS and Value for Money are performed by PIMAC providing the budget authority with opinion at an arm length and coherence in methodology.

The project was planned by the government at the national level, and secured consistency with related plans and policy direction at both national and regional levels.

After request for proposal, 2 bidders participated, ensuring competition. The winning consortium, led by financial investors (Shinhan bank) has considerable advantage on the pricing component as it was able the save cost by using advanced financial techniques.

Busan New Port

Busan New Port PPP project.

The concession agreement, signed in 1997, was one of the first PPP project in Korea as a Build Transfer Operate project, with 9 berths of container dock (3.2 km) and a total investment cost of 2.4 trillion Korean won (USD 2.2 billion). The construction ended in 2009, and operations will last until Dec, 2056.
The government provided construction subsidies amounting to 20% of total project cost. Articles on minimum revenue guarantee (90%) and returning of excess profit (110%) were included in the initial concession agreement signed in 1997. In 2003 those clauses were eliminated in the revised agreement because once operational, the port quickly achieved the operation performance outlined in the agreement and over time substantially surpassed the projections. In 2020 Busan rank is 16 in the world.

Lessons learned:

This project highlighted the efficiency of the private sector operation, with reduction of the construction period of one year. Partially automated system dramatically reduced cost of labour. The concessionaire selected through international bidding DP World, one of the world's renowned terminal operators, and transferred to them a controlling stake in the equity of 66.03%.

Nepal Investment National Board

PPP for transformative Infrastructure Development in Nepal

Sushil Bhatta, CEO at the office of investment board of Nepal

With the adoption of liberalisation policies in the early 1990s, realising that public investment and involvement alone in infrastructure and public service delivery is not enough, Nepal started forming policy and legal arrangement to attract and engage the private sector in the economic development. Thereby government promulgated and performed various laws and policies, like hydropower development policy, foreign investment policy, PPP policy, industrial enterprise act, and PPP and Investment Act, among others. These regulatory frameworks and arrangements have provided trust in implementing PPP as a tool for social economic development.

Nepal has practiced PPPs in mainly 3 sectors, hydropower, road and airport, and urban development. However hydropower sector stands out as a successful example of PPP implementation in Nepal under BOOT modality. Nepal has been developing hydropower project with private sector partnership as early as 1990. Before that, energy projects were developed through public funding only and had only generated about 239 MW.

The promulgation of several laws during that period acted as catalyst for gathering private investment with public involvement into developing hydro projects. Today Nepal generates about 1,383 MW, out of which 742MW by the private sector. PPP with people participation has been the real driver of hydropower promotion in Nepal. A unique blend of private equity investment, public sector and project effective people's contribution and government resources and financial institutions for domestic financing has further fostered PPPs with great success. The sector has witnessed financing from international lenders as well. Upper Thrishuli 1 Hydroelectric project with an installed capacity of 216MW garnered a funding of USD 453 mln and Arun 3, a 900 MW run of river hydroelectric project, has achieved a funding of USD 755mln.

To promote foreign investment participation in infrastructure development, including the hydropower, the government of Nepal has taken several initiatives: hedging regulations were introduced to manage risk arising from foreign exchange fluctuation. To extend to Asian market beyond its border, Nepal has signed power trade agreement with India and a MOU with Bangladesh on power exchange. Last June government announced a legal arrangement for providing viability gap funding up to 30% of project cost as capital subsidy. Likewise the Central bank decided to abolish its prior approval requirement to bring the FDI into Nepal. These recent initiatives and reforms created the commitment of government of Nepal into streamlining the process to reduce transaction time and costs and into creating an enabling business environment for foreign investments.

The Investment Board of Nepal as a specialised fast track agency chaired by the Prime Minister was established to function as a private face of the government and to expedite infrastructure development in Nepal. As per the PPP and Investment Act, the IBN main functions are to regulate, execute, manage and facilitate the PPP projects with project cost of more than USD51 mln. Currently IBN is facilitating and monitoring the development of 2 mega PPP hydropower projects, Arun 3 and Upper Karnali HTP, worth more than a billion dollars with a capacity of 900 MW each. Arun 3 hydroelectric project expedited construction 1.5 year before the scheduled time. Even during pandemic, the office of the Investment Board tried to continue operations while adhering to best health safety protocols.

Arun 3 hydropower project

Successful PPP requires strong partnership between government and private sector with parties performing at their optimal to move the project. In addition to governmental support and facilitation, developers or promoters need to be equally proactive and innovative.

For example the IBN signed a project development agreement and a concession agreement with developers of Arun 3 and Upper Karnali, who are from India. But it is interesting to note that Arun 3 project has completed about 40% of its construction, while Upper Karnali despite being a jewel of the crown project with much potential is about to achieve its financial closer and start construction.

Nepal envisages to reach an upper middle income country status and to achieve targets in sustainable development goals by 2030. It is estimated that Nepal will reach investments for about USD 70 bln over the period with more than half of the investments required in infrastructure development like energy, transport industry etc. In this regard, IBN is developing some new PPP projects like electric bus rapid transport project on ring road of Kathmandu, Kathmandu valley metro rail project, Medicity, captor integrated tourism project and others.

Additionally office of the IB has been working on developing process and standardisation for a PPP implementation model that would finally help to harmonise the 2 players' relationships in overall national socioeconomic development.

Nepal has come along from a classic approach to PPPs and is now implementing PPPs as a tool for social and economic development. As the country is entering a stage of development to be fuelled by the construction of massive critical infrastructure, it needs to learn from international best practices to embark to the next level of PPPs. IBN as first reference point of investment in Nepal aspires to be the centre of excellence required to ensure high quality project execution and achieve sustainable development goals in the vision of a prosperous and happy Nepal.

Ramesh Adhikari, under secretary in the office of investment board of Nepal

Nepal GDP is approximately USD 30 bln with average growth of 5.6% over 5 years. Despite the pandemic, Nepal maintained a positive rate of growth of 2.1% in 2020 and expects a growth rate of 6.5% for the next fiscal year. The government has allocated a budget of USD 14 bln for 2021 fiscal year including USD 3.75 bln for capital expenditures.

Nepal in uniquely positioned between India and China and has access to the markets of more than 1 bln people in each country. To take advantage of this position, the government of Nepal has been working on policy reforms to create an enabling environment for investors. In Doing Business rating Nepal jumped from 110 to 94th rank for Ease of Doing Business ranking in 2020. 100% repatriation of investment is allowed, and 75% of employee salary is also allowed for repatriation. Foreign investors can hold 100% of ownership in almost all sectors, land ownership is also possible, property right is guaranteed by constitution. Residential visa is granted to investors who invest more than USD 1 mln.

Nepal is a member of numerous multilateral organisations like Multilateral Investment Guarantee Agency (MIGA), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), South Asian Free Trade Area (SAFTA) and World Trade Organization (WTO).

Additionally, Nepal signed BIPPA (Nepal-India Bilateral Investment Promotion and Protection Agreement) with Finland, France, Germany, UK and Mauritius. Double Taxation Avoidance Agreements (DTAA) are signed with 11 countries, duty free access is available with India, China, as well as duty free and quota free market access to EU and US markets under Everything But Arms (EBA) arrangements. Legal guarantees are offered to investors as well as certain incentives in investing in special economic zones. Various investments related laws such as Foreign Investment and Technology Transfer Act (FITTA), PPP and Investment Act (PPPIA), Company Act, Labour Act have been amended.

The Central Bank abolished mandatory pre-approval requirement to bring in FDI. Hedging regulations is in place to manage foreign exchange risk. Concession agreements such as Project Development Agreement (PDA) and Project Investment Agreement (PIA) have been practiced in certain projects. The government provides up to 30% of viability gap in some of infrastructure projects. Industrial infrastructure is in place on the borders with India and China.

The government has developed a 15-year development plan with certain targets.

The current pipeline includes 22 ongoing national prime projects, 18 new transformative projects and 177 high priority projects mostly in infrastructure, from highways to irrigations projects. 55% of total investments are expected from the private sector. The government's target is to reduce poverty from around 20% to 9%, to progress on per capita income from USD 1047 to USD 1595, improve literacy rate to 99% (from current 70%). The contribution to GDP of industrial sector should reach up to 20%.

To meet SDGs, Nepal requires average annual investments worth USD 17 bln in multiple sectors. Next decade targets (2021-2030) are to construct 2000 km of railway, 2000 km pathway, produce 15000MW energy, mostly renewable energy and build 5 international airports as Nepal expects to attract 5 mln tourists.

After the 1990s, the gov. of Nepal has developed the basic infrastructure in roadways, energy projects, irrigation facilities, bus rapid transit, monorail, railways etc. Engaging the private sector in infrastructure development allows the government to leverage government funds and focus on the social sectors. Nowadays PPP should be considered as an instrument that will benefit to people not only as an instrument for profit but to maximise the profit to the community, to the local people, to the society.

The IBN strategic plan for 2021-2026 focuses on 4 pillars:

- For the next level of PPPs, a 4 year strategic and business plan will help to integrate global and infrastructure development with environmentally friendly technologies to ensure sustainability.
- Investment promotion: investment opportunities in Nepal should provide enough incentives to investors.

- IBN should be a center of excellence for PPPs providing services to investors in a fast track manner

IBN current PPP projects

Project	Sector	Total cost	Stage
Arun 3	Energy/ hydropower	USD 1.4 bln	Under construction
Upper Karnali	Energy/ hydropower	USD 1.1 bln	Financial close
Upper Trishuli	Energy/ hydropower		Under construction
Tamor storage HEP	Energy		Under study
Lower Arun HEP	Energy		Under study
Upper Marshyangdi-2 HEP	Energy		Under study
China- Nepal Damak Industrial Park			Under study
250 MWp Solar Energy project in Kohalpur and Bangana	Energy		Under study
Birethanti Muktinath Cable Car	Transport		Under study
Kathmandu outer Ring Road	Transport		Under development
BRT on Kathmandu Ring Road	Transport		Under development
Dhulikhel Medicity	Medicine		Under development
Nijgadh international Airport	Transport		Under development
Khaptad Integrated tourism	Tourism		Under development

IBN will develop collaboration and partnership with other governmental and international agencies and like-minded institutions across the globe to work for Nepal and for the planet. The way forward for the next level of PPPs is to bring people to participate, to work with communities so the project implementation is smooth and delivers predictable outcome within specified time. Diversification from energy is engaged with projects like tourism, skyline, monorail promoting green efficiency and sustainability.

Philippines PPP Centre

Mia Mary Sebastian, Deputy Executive Director of the PPP Centre of Philippines

PPPs in Philippines started back in the 1990s with BOT concessions. Electric power reform act provided for full privatisation in the power generation industry. Since then PPP programme underwent various reforms and developments to the recent years where several transportation PPP projects predominately under user fee based project structure were rolled out such as airports, ports, roads, rail transport terminals.

PPPs now extend to more regions and sectors such as basic and social infrastructure to address regional equity, decentralisation and ensuring that benefits will trickle down not only in major cities but to the local levels.

PPPs now extend to more regions and sectors such as basic and social infrastructure to address regional equity, decentralisation and ensuring that benefits will trickle down not only in major cities but to the local levels.

The Philippines experienced a severe downturn due to the impact of Covid pandemic and the corresponding health and economic crisis. In terms of regional trends the Philippines is one of the most heavily impacted economies with respect to contraction of economic activities, experiencing 9.5% GDP decline compared to 5-6% GDP growth rate prior to the pandemic.

The Government has identified 3 policy actions that are reflected in the short term and medium-term planning:

1. Safe reopening of the economy
2. Acceleration of vaccination programme
3. Full implementation of the recovery programme

The recovery programme will take into account infrastructure development which is essential for economic growth and one of the pillars for economic recovery and resiliency. In terms of implementing and financing this infrastructure development, the government is looking at the optimal financing modes.

While the bulk of infrastructure development is financed and implemented through traditional public financing and borrowing, based on various fiscal reforms that were implemented in the past and allowed to tap favourable credit conditions, the impact of Covid changed some of this dynamics and simultaneously the private sector is willing to invest long term to support economic development through participation in infrastructure projects by mean of PPPs.

The PPP Centre facilitates the implementation of the country PPP programme through 3 main mandates;

1. Provide technical assistance in projects from development to implementation
2. Advocate for policy reform to enhance enabling environment, attractive to stakeholders
3. Conduct capacity building activities to improve skills of agencies

Snapshot of PPP projects as of 30 April 2021.

Awarded projects, total	183	USD bln	In the pipeline, total	63	USD bln
National	131	25.27	National	44	149.77
Local	52	2.47	Local	19	1.08

Monitoring and Evaluation

The centre assesses whether the benefits that the government has targeted during the project development stage are actually delivered. Monitoring and evaluation of awarded PPP projects is therefore an essential component of the PPP cycle to understand the lessons learnt, the challenges that have been encountered and how to better design the next wave of PPPs. As PPPs are generally off-balance sheet transaction for the government, they also need visibility when it comes to the government in terms of valuing potential contingent liabilities and how to mitigate and manage these contingent liabilities.

PPP trends: regional equity

Philippines is an archipelago that requires connection between its islands, connecting them with regional centres and ensuring increased productivity in the various regions outside the regional centres. To implement these priorities, the PPP centre has launched a local PPP strategy with expanded scope of assistance to local implementation agencies such as local government units/subnational government agencies, State universities/colleges, water districts and special economic zones.

PPP Trends: expended sectors in the pipeline

In the recent years PPPs have expanded to social infrastructure like health and education, and basic infrastructure like water supply, sanitation, solid waste management etc.

Another area involves vertical infrastructure/government property development (government as the owner of various plots of land or owner or operator of commercial and government activities) to maximise the market value of governmental properties while mixing it with delivering public services, for instance with university properties or public markets.

This expanded trend is also evident in sustainable tourism under the ownership and control of the government.

PPP are also being used to develop IT systems, much needed especially as the pandemic strengthens the need to computerise and make governmental systems more efficient.

National PPPs, total	44	Local PPPs	19	Emerging sectors in local PPPs	
Transport (airport, road, rail, port and terminal)	31	Vertical infrastructure (government property development), for ex. University properties, public market, slaughterhouse	5	tourism	3
Health (hospital facilities and services)	6	Water supply and sanitation	4	Transportation (port, road, bus rapid transport - BRT, terminal)	2
Vertical infrastructure (government property development)	5	Solid waste management		IT system	2
IT system	2				

Incorporation of sustainability measures in PPP projects.

Some PPP projects directly address impact of climate change and other sustainability issues, such as water supply, sanitation projects, solid waste management, renewable energy especially at local government levels. At the same time a trend for sustainable infrastructure includes incorporation of certain measures, like technological solutions, or possibly planning of disaster risk reduction or other interventions that are currently incorporated in the actual PPP projects. For example, airport projects are traditional PPP projects where sustainability measures, like inclusion of renewable energy resources are incorporated. Mixing sustainable infrastructure design in traditional infrastructure projects is a critical need for Philippines which is one of the countries most heavily impacted by climate change.

PPP trends: project modes and structures

Traditionally the government develops its own infrastructure projects and bids them out to private sector. However, the recognition that the private sector might have innovative ideas and technology on how to address the infrastructure gap should lead to include unsolicited proposals in the PPP framework. In any case, the government ensures that the process is transparent, and the project can be implemented in a competitive manner.

The project should provide value for the users and public and a reasonable return to the private sector.

Along with traditional PPP mode (construction, operation and maintenance is done by the private sector), the government is considering blended or hybrid financing where the government can finance the construction component, bid out operations and management and at the same time retain certain operations, for example in social infrastructure projects with the private sector handling construction and maintenance. The legal framework is flexible allowing BOT contractual arrangements and other variations of BOT, BTO, BLT and joint venture construction. There arrangements offer a combination of government and private sector being involved in investment activity.

PPP projects pipeline

Sector	N of projects	Project in mln USD	status
Water	1	4	Under procurement
Tourism	2	7.5	Under procurement
Sanitation	1	2.3	Under procurement
SWM	2	462.1	Under procurement
IT	1	8.11	Under procurement
Health	4	553.6	Under approval
Transport	3	362	Under approval

Another implication of this project structure involves the payment mechanism. Government of Philippines is evolving from user fee projects to availability-based payment scenario, mixing it with commercial development rights. One rationale is to recognise that private sector can have expertise on how to maximise the commercial value of infrastructure project, and secondly the government benefits as well through lower availability payment or greater revenue share.

Rwanda Development Board

Doreen Karake, Transactions Advisor| PPP Expert| Investment Negotiator

Rwanda Development Board (RDB) negotiates investment deals on behalf of the government and is also a PPP unit for government. RDB vision is to transform Rwanda into a dynamic global hub for business, investments and innovation and PPPs have lots of room to achieve this vision. Rwanda's overall economic strategy is to transform the whole economy to become a service-based economy and the strategy is hinged on strong and competitive private sector. Rwanda is a small landlocked country; more than 80% of population is involved in agriculture. Private sector will take the lead in creating productive and highly skilled jobs transitioning from agriculture. Private sector will play a key role in providing resources for key economic activities and achieving productivity gain. Private sector is also strongly positioned to drive innovation and technological advances.

The Government of Rwanda (GoR) developed PPP framework to harness the strength of both the public and private sector for strategic investments. Before 2016 this concept was almost non-existent. A few projects were implemented, but without a real framework.

From 2016 onwards, PPPs have received particular attention, with 3 pillars:

- Resource mobilisation and allocation,
- Leveraging capacity and efficiency.
- Value for money

PPPs are now anchored in a strong regulatory and institutional framework to ensure efficient and transparent process.

Regulatory framework
In 2016 a PPP law was passed, complemented with a prime minister order in 2017 and guidelines in 2018.

Institutional Framework
The Steering Committee includes Ministers, members of Cabinet, and a pool of Ministers. The Steering Committee approves projects from feasibility study onwards.

RDB prepares the feasibility study and organise tenders. All important steps have to be approved by the Steering Committee. After the negotiations, the Contracting authority (the line Ministry) signs the contract.

Key features of the regulatory framework:

1. It defines comprehensively the entire PPP process, from inception through feasibility study, through procurement of the private sector, all the way to contract signature and handover;
2. The regulations also set the key institutions involved, their responsibilities and define the role of each responsible entity at the different steps of the process. It is prohibited for a line minister to delegate. If the minister cannot attend it should give a written consent to the decision that has been taken.
3. Framework provides clear direction of the priority sectors for PPPs, including tourism, energy, infrastructure, and mining.
4. The framework also sets out the PPP models to be applied. The law only foresees 4 models: BOT, BOO, Lease-Operate-Develop, and management contract. The law could be amended in the future to add other models.
5. Mechanisms for PPP commencement are also clearly provided. Unsolicited projects should be the exception; however some of them based on their merits have been included in pipeline and have been approved by the PPP Steering committee and by the Cabinet.

Key results :

1. GoR has signed 568 PPP agreements in the last 10 years
2. 93% by both project value and number are in the energy sector. Both because of the need for the energy and also independent power producers are very entrepreneurial and proactive in approaching government. The Government also has a very ambitious goal of electrifying the whole country, which has led to giving energy special attention
3. 51% of the total projects are operational. Those that are not operational are either running late (either because of financial issues or shareholders dispute), and because of Covid some projects had to slow down.
4. The total investment value of key PPP pipeline is USD 1.5 bln

Kigali Bulk Water

Some strategic PPPs in key economic sectors

Project	Brief description	Key features of Project
Kivu Watt	Between GoR and Contour Global, independent power producer project to extract methane gas from lake Kivu and produce 50MW of energy	The total project is valued at USD 200mln. 1st phase is already feeding 25MW to the grid
Kigali Bulk Water	Between GoR and Metito to build the first Bulk Surface Water supply in SSA. Model is BOT	Project value USD 70.5 mln, will provide 40,000 m3/day of clean water to 500,000 residents in Kigali, approx. 1/3 of Kigali's water supply. Treated water to be extracted from the South bank of Nyabarongo river. Key contributor to NST target of 100% access to clean water for all
Kigali Ring Road	The road will provide a circular channel around the city central network. It will divert the traffic around the city centre and reduce the traffic	Total project value is USD 350 mln. 95 km road to be developed in 3 phases. Intended model is BOT-toll road.
Oxygen manufacturing plan	Private inventor required for setting up 11 oxygen manufacturing plants across the country	The project value is USD 7 mln. Intended model is BOT. Feasibility conducted and approved.
Bonded warehouse	Development of warehouse facilities along the northern border at Ribavu to facilitate trade between DRC and to Rwanda	Total project value is USD 15mln. Intended model is BOT
Private Rapid Transport	Development of world class automated transport and building/operating and automated public transport system. The pre-feasibility study has been completed.	Total project value is USD 1.2 bln. Intended model is BOT.

Ukrainian PPP Agency

Nico Gachechyladze, Director

From 2007 onwards, Ukraine has been working systematically to ensure sustainable development and the implementation of PPP mechanism according to international best practice. Ukrainian government made attracting investment into infrastructure development focusing mostly on PPP mechanism as a main priority. This is reflected in the economic stimulus programme for 2020-2022 intended to counteract negative effects of restrictive measures taken to prevent the spread of Covid-19 as well as National Economic Strategy for the period of up to 2030. In addition, UNDC People First PPPs model is vital to direct the use of PPP mechanism for achieving desirable global results from the investments into infrastructure and to create value for people.

An important step towards the development people first PPPs in Ukraine has been the creation of new legislation. Thus in 2017 a working group was created under the Ministry of Economy to develop comprehensive amendments to the legislation of Ukrainian PPPs. The working group included representatives from public authorities of Ukraine and international experts from EBRD and World Bank.

In October, 2019, the new law of Ukraine "On Concession" came into force. The new law balances all PPP stakeholders' interests to modernise infrastructure and improve the quality of service. The law provides systematisation of all laws governing concessions (4 laws in total), harmonisation on the law of Ukraine "On Public Private Partnership", implementation of the world's best practices and introduction of Availability payment. The law also amends 15 other legislation acts including the law "On PPPs" ensuring systematic approach to the regulation of relations with private business involved in realisation of PPP projects in all spheres of economic activities. In addition it is worth noting that the concession law provides clear delineation on the concession regulation and other PPP implementation forms.

Single procedure for implementation of all PPP forms and decision making;
- introduction of transparent procedure of concessionaire selection;
- simplification of land allocation procedure;
- clear regulation on PPP project ownership;
- a possibility to employ the help of advisors and independent experts for preparation of PPP projects in the form of concession;
- additional guarantees for concessionaires and lenders.

After the adoption of the concession law the Ministry together with experts from the World Bank effectively worked on secondary legislation on PPPs to align it with the new law.

Pilot concession projects:

The new law opened great opportunities for new PPP projects development. In the second part of 2019 the Ukrainian government with the support of EBRD and IFC held the first transport concession tender for **seaport Olvia**. The winner of the tender, QTerminals from Qatar, will invest about USD 130 mln for the development of the port over the next 35 years.

Olvia Sea Port

In summer, 2020, the Ministry of Infrastructure signed a concession agreement with the consortium of RISOIL, Ukraine's leading stevedoring and agro-industrial company, and the Georgian Industrial Group, the largest industrial holding in Georgia, which was awarded a 30-year concession for the **seaport of Kherson** following an open international tender. The concessionaire will be responsible for the operation and modernisation of the seaport over the 30-year period and will invest around US$ 15 million in port facilities and supporting infrastructure by 2030. It will have to increase the volume of cargo transhipment, up to 80% of which must be delivered by rail or water transport modes to improve the environment in the city of Kherson, an important port on the Black Sea in southern Ukraine.

Sea Ports

Following the success of the Olvia port, the Ministry of Infrastructure has initiated a new concession project in Chornomorsk Sea Port including container and ferry terminals.
Ferry terminal is a unique facility in Ukraine which handles rail and auto ferry lines as well as "ro-ro" vessels. Approx. investment is USD 10 mln.

The concession of Chernomorsk container terminal is one of the few remaining opportunities for container business development iin Chernomorsk Sea port. Approx investments is USD 100 mln. The first tenders are expected to be announced in the 1st quarter of 2022.

Roads

Around 90% of road network needs improvement. The Government recently created a road fund to provide a stable source of revenue for road rehabilitation and maintenance. However public investment alone is not able to bridge the investment gap. The core of PPP programme is a specific type of PPP based on availability payment. Along with international partners, the Ministry of Infrastructure and Ukravtodor assessed almost 2000 road segments and selected 21 potential PPPs. The programme is to be implemented in 3 phases over the next few years:

Phase 1. 6 potential projects have been selected for a short list. They are in prefeasibility study stage for a total of approx. USD2 bln. The first tender could be announced in 2022
Phase 2-3. Next 15 projects, up to USD 7bln of initial investments, to be tendered in 2023-2024.

Other projects

Other projects in the pipeline include 9 railway stations, an Underground multilevel unground parking construction in Lviv and healthcare projects.

PPP Unit

After the adoption of the legislation and following the success of the pilot port concessions, the Ministry of Economy decided to establish a special PPP preparation unit, PPP Agency. Its main function is to implement in Ukraine high quality and investment attractive PPP projects in various economic spheres in Ukraine, including:
- Identification of potential PPP projects;
- Preparation of concept notes and feasibility studies;
- Preparation of tender documentation;
- Training and conference preparation;
- Advice to the public sector on PPP issues;
- Project contract drafting;
- Popularisation of the positive experience of PPP implementation;
- Support of management in PPP contracts.

Current Pipeline

Sector	Number of potential projects	Total investments	Expected tender announcement
Roads	21	USD 9 bln	2nd part 2021
Seaports	2	USD 110mln	1st part 2022
Airports	4	Euro 200 mln	
Railway stations	9	USD 151 mln	
Healthcare project	2		

Next steps

Ukraine now has all pieces of the puzzle in place, but still sees some steps ahead in order to move the PPP framework to the next level. For example, one of the government priorities is to introduce the long-term international obligations related to availability payment in budget legislation. Also, the Ministry of Economy together with UNDC is now working on the methodology for the PPP efficiency analysis to implement People First approach. With the support of EBRD, the country also works on the procedure to determine the concessionaire by conducting a concession tender or competitive dialogue using Electronic Trading System, in close interaction with SOURCE platform.

RENEWAL OR RETENDER?

Stick with it or press the restart button? Which way to go with port concessions? Neil Davidson and Erik Wehl examine the pros and cons of both propositions*

Erik Wehl, project and finance advisor

Neil Davidson, former senior advisor in port and terminals sector

* A version of this article was first published in Port Strategy magazine. The article draws upon a lively roundtable held by the WAPPP Port Chapter earlier this year, of which Erik and Neil are pro bono committee members. Besides Erik and Neil, the roundtable panel consisted of:

-Marc H. Juhel, Independent Consultant, Port and Transport Advisory Services (ex. World Bank, Sector Manager, Transport)
-Seow Leong Ong, Vice President, Group Business Development, PSA International
-David Wignall, Senior Port Advisor, David Wignall Associates, WAPPP Port Chapter Committee Member

INTRODUCTION

Port and terminal concessions typically have a life of 20-30 years and the large wave of agreements signed in the 1990s-2000s are nearing the end of their initial term. The ball is rolling in this respect and the industry is reaching a stage where this is becoming a bigger feature of the market. Going forwards, renewals/re-tenders can be expected to be more prevalent than new concessions.

What happens at expiry is usually specified in detail and while options for limited extension of the period by mutual agreement may exist, the big question is always: Should the port authority or government renew with the incumbent operator, or re-tender competitively? The process is a complex, risky and demanding one.

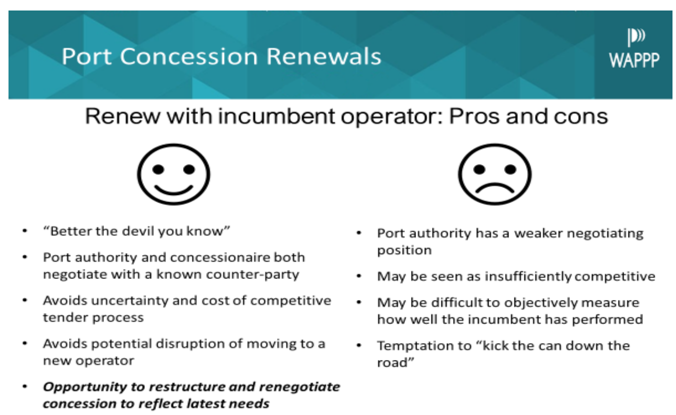


Figure 1

RENEWAL WITH THE INCUMBENT OPERATOR

As Figure 1 shows, choosing to stick with the existing operator avoids uncertainty, the cost of a competitive tender process and the potential disruption of moving to a new operator. It also means that the port authority and concessionaire both negotiate with a known counter-party - "better the devil you know".

However, it does mean that the port authority has a weaker negotiating position, and the process may be seen as insufficiently competitive. In theory, the original concession agreement should clearly spell out the conditions under which the concession can be renewed, but often this isn't the case – or the rules don't reflect today's needs.

There is also the challenge of how to measure the performance of the incumbent concessionaire, a key aspect being the need for a formalized process built into the concession agreement, which may or may not be the case. Various methods exist such as direct observation, interrogation of clients and user-feedback mechanisms, but these all have flaws. For example, often a port user feedback mechanism is established in ports by port authorities, which then can be used as a key input in the evaluation of performance and whether an extension/renewal is appropriate. The port authority receives input from the port user community (shipping lines, cargo owners, freight forwarders, local community etc.) in a structured way. However, the process may be clouded by vested interests, conflicts of interest and parties with an "axe to grind".

"In case of a clear strategic advantage of renewing a concession rather than retendering it, this is also an option, which can be considered (David Wignall)"

In some cases, automatic renewal of a concession is possible, provided that the concessionaire has complied with terms originally agreed. This occurred in Panama recently for example, where the Panama Maritime Authority (AMP) authorized the automatic renewal of a 25-year concession to Hutchison-owned Panama Ports Company (PPC), operator of terminals in Balboa and Cristobal.

A key downside with the renewal option is that there may be a temptation to "kick the can down the road" and simply extend the concession for a few more years without changes.

RE-TENDER COMPETITIVELY

Going instead for a competitive re-tendering process provides an opportunity to "wipe the slate clean" and may give the port authority a stronger negotiating position. It should certainly be a more competitive and transparent process. However, as Figure 2 shows, there are downsides. Re-tendering carries both cost and risk, and bidding interest may be limited (due to an assumption that the incumbent will win anyway). A new operator is an "unknown quantity" while a well-performing incumbent might lose out.

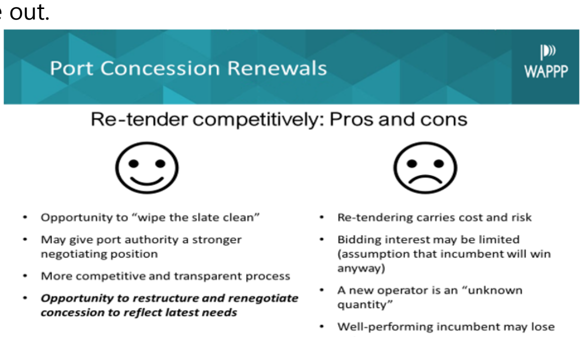


Figure 2

IT'S ALWAYS A RENEGOTIATION

The reality is that whichever option is chosen, it's always a re-negotiation as the ending of the original concession is an opportunity to restructure and re-negotiate the agreement to reflect latest needs. Many factors will have likely changed significantly since the concession first came into being (e.g. vessel sizes, market conditions, trade flows, customer demands, consolidation etc). For the port authority there will have been changes too, for example in strategic aims, but also with issues such as sustainable development, environmental, social and corporate governance requirements. The goalposts will have moved. Plus, there are now many new aspects to consider such as technology developments (digitization, smart ports etc.).

"A well-structured concession should allow flexibility, whereby changes are required to reflect marked demands (Seow Leong Ong)"

Crucially, the renewal/re-tender will almost certainly need to be tied into a need for new investment in facilities and equipment. For example, the concession for the TIL (MSC)-owned OPSCA terminal in Las Palmas has recently been renewed for 30 years, tied to a commitment to invest in new cranes and a larger terminal area, as well as an increase to the guaranteed minimum throughput.

Sometimes a concessionaire will make early moves to ensure renewal/extension takes place. In 2021, Brasil Terminal Portuário (BTP), the 50/50 joint venture between TIL and APM Terminals, requested a 20-year extension (to 2047) of its terminal leasing contract in the Port of Santos, despite the existing agreement being scheduled to run to 2027. The carrot for the port authority is the offer of investment in a berth extension, four additional STS cranes, 27 RTGs and 46 terminal trucks. Significantly, the option for a 20-year extension was built into the original deal.

RISK AND RETURN HAS TO BE RIGHT

Ultimately the revised concession has to allow a sensible return on investment that works for the operator, but that also balances the risk appropriately for both port authority and concessionaire. At the same time, it is important to avoid the concessionaire earning excessive windfall profits. Bear in mind that expectations on what is an acceptable level of returns may well have changed over time.

An interesting case in point is DP World's decision in 2017 not to renew its operating contract for PT Terminal Petikemas Surabaya (TPS) in Indonesia at the end of the agreement in 2019. The company stated that the operating contract renewal terms offered by the Indonesian authorities did not meet its threshold for continued investment and has since pursued a private greenfield development in nearby Gresik.

Other potential complications to be considered here include the fact that changes to the regulatory and legislative framework in the country in question may impact operations and profitability over time. For example, India has in the past imposed major port regulations that affected potential returns. Interestingly, a revised "investor friendly" Model Concession Agreement (MCA) has recently been put in place, aimed at bringing transparency and uniformity to BOT projects. Whilst the aim is laudable, there are question marks over what may be a "one size fits all" approach.

A key consideration is that agreed investments should be demand driven as opposed to time scheduled as the latter can lead to wasted resource. Wise operators will happily make comprehensive investments upfront in say the takeover of an existing terminal to get the best returns possible but should not be pressured into investments not supported by market and customer demand. Equally port authorities should not be seduced by promises of over-investment. The biggest, shiniest terminal is not necessarily the best! Ultimately the concession should be an obligation of results rather than an obligation of means and an element of flexibility is key.

KEY REQUIREMENTS REGARDLESS OF CHOSEN OPTION

At the outset, there needs to be a clear mechanism to ensure a proper assessment is made to decide whether to renew or re-tender. The port authority must focus on its own strategic aims and take a broad view on what is best for the port and its stakeholders. It is important for it to work out what it is trying to achieve in the short and longer term. When it understands its aims, choosing the right way forward for renewal/re-tender becomes clearer.

The port authority must also have a means of benchmarking the new deal to make sure it is the best obtainable. With a competitive re-tender, this should happen automatically. With a renewal, it is more challenging.

"The port authority should always be the master of the clock, but to be fair, the concessionaire should know how the clock works (Marc H. Juhel)"

At some stage the process will involve facing the challenge of deciding when it is appropriate to introduce internal competition in the port (i.e. moving from one container terminal concession to two). Concession expiry may provide an opportunity for this, if the conditions are appropriate. Or indeed the opposite may be done, as was the case in Dammam, Saudi Arabia recently, where the decision was taken to move from two container terminal operators to just one (PSA), in order to facilitate a unified approach and focus on inter-port rather than intra-port competition.
There will be both subjective and objective aspects to consider, and politics will almost inevitably be involved. For this reason, transparency is always paramount.

What does Brandenburg have to do with Warsaw? A cautionary PPP tale

Bartosz Mysiorski
Centrum PPP Poland

Berlin's Brandenburg Airport took nine years longer to build and cost three times more than originally planned, and it seems its woes are far from over because the airport still needs to be subsidized in order to stay operational. What went wrong?

Authorities had initially planned to implement the airport as a public-private partnership (PPP), but the offer of the partner who was supposed to execute this complex project—from design to operation—was determined to be too expensive.

Looking at it this in hindsight (construction began in 2006) this point might seem even funny. But considering the lost time and resources, opportunity costs, not to mention sheer frustration—well, it is definitely not.

What ended up happening as the project moved forward is that one complex undertaking was divided into many smaller tenders, with the justification that this would be cheaper, faster, and boost the local economy—especially small and medium companies. What went unrecognized is that the costs in such a complex project—especially with fragmentation of contractors and without proper overall coordination—might just spin out of control.

Another complicating factor was political: changes to the project were made often at the request of local politicians who wanted to drive their specific agendas.

Perhaps unsurprisingly, costs skyrocketed. What was expected to be a $2 billion project became a $6 billion quagmire. Moreover, organizational and financial chaos triggered many construction defects, which naturally required plenty of corrections and—as a consequence—the deadline to put the airport into service was moved and moved again. Eventually, the airport took 14 years to build!

I'm writing from the Centrum PPP Poland, launched in 2008 by public and private entities—including banks, law firms, consulting companies, construction firms, regional development agencies, foundations, associations, chambers, and business agencies—to create and develop the Polish PPP market. More generally, we encourage public authorities to look for the most optimal models to deliver public services, which often mean ensuring that PPPs should be considered in the mix of potential options.

Why am I writing about Bradenburg from my office in Warsaw?

I'm writing because there is a Polish project similar in scope, importance, and potential difficulty that is going through its planning stage now: the Solidarity Transport Hub, a transfer hub between Warsaw and Lodz that will integrate air, rail, and road transport. Its development envisages the construction of the Solidarity Airport located 37 km west from Warsaw and covering the area of 3,000 ha.

During the first stage the airport is expected to handle 45 million passengers a year. The Hub's railway will have a node in the airport's close vicinity, as well as connections within the country that will enable transfer between Warsaw and Poland's other largest cities in less than 2.5 hours. The Airport City will be created to include fair, congress, and conference centers; R&D facilities; and office space. All told, the investment should provide employment for over 150,000 people.

In the case of the Solidarity Transport Hub, we are hoping to ensure that our neighbours' lessons are put to good use and, while every project is unique, look to Berlin to potentially draw any relevant conclusions for Poland to avoid cost overruns and delays.

Can we avoid the many pitfalls that inevitably exist to select the most optimal way to deliver the Solidarity Transport Hub? Can a PPP work well here? We know that, while the answer is complex, there are many good resources, data, and tools from organizations around the world working on effective infrastructure development, including the World Bank.

Certainly, the first critical step to verify the value for money for all available options that are currently being considered to deliver the project. We expect this is indeed happening and encourage interested parties to stay informed through the Hub's website (including a newsletter), here.

We look forward with great attention to the authorities moving this important, complex project forward with the support of private sector partners that include banks, construction companies, and operators in a way that is clearly committed to excellence, transparency, and effective service delivery for the Polish people.

At Centrum PPP, we stand ready to support any of these efforts with advice, best practices, and enthusiasm for the potential the project brings for modern mobility and the country's economic development.

What makes a good PPP framework?

Thibaut Mourgues
Member of the WAPPP executive committee

PPPs require a holistic approach to succeed in the long term. First and foremost, importance lies with a solid framework that will lay the foundation of the PPP programme. But how can we characterize a good framework? We propose below 5 parameters which seem necessary for PPP programme sustainability:

Adaptation to the specific needs and capacities
The framework should be adapted to the specificities of the country. A framework that is operational in a developed country with mature financial markets, long-standing experience of concessions and other forms of private sector input into public services, a strong administration and high Doing Business scores may fail in a country with different conditions. Models for successful PPP programs should be looked after in countries with relatively similar or comparable backgrounds.

The feature that requires particular attention are:

- Integration into the framework of the objectives and policies set in National Development Plan and sector policies.
- Support to the framework by the international community and donors
- Integration in a consistent manner of the framework into the overall economic policy. PPPs cannot work in isolation but are part of a wider ecosystem that must grow and develop harmoniously.
- Integration of the regional dimension. PPP projects can contribute to regional integration in sectors such as finance, transport, energy, telecoms and may require a certain degree of harmonization at the regulatory level.

Flexibility
Flexibility is a key feature of a functional PPP framework and can be adopted in (but not limited to) the following areas:

PPP policy
PPP policy should set the objectives and scope of the PPP program. PPP policy should certainly not be drastically altered every couple of years. However, while maintaining the general architecture, amendments to the policy can be introduced on a regular basis based on feedback from experience.

PPP law
PPP law should not be exaggeratedly prescriptive and enter into unnecessary details. Most details should be left to implementation regulations (such as decrees and guidelines) that can be more easily changed than a law.

Contractual arrangements
Variety of contractual arrangements is a typical feature of PPP frameworks and should not be arbitrarily limited.

Contract standardization
Standardization is a useful instrument but should be envisaged in a second stage of PPP framework implementation when a flow of projects and experience has been gained.

Unsolicited offers rules
While competition is certainly a key feature of a successful program, international experience shows that the country should be open to unsolicited offers and set reasonably attractive rules in their favour. At the same time, corruption as well as strongly biased transactions in favour of the private sector should be avoided. The PPP framework should strike a delicate balance in this area, as many African countries have found that their unsolicited offers rules because of excessive rigidity have prevented to conclude any transaction.

Evaluation mechanism
Implement a continuous evaluation mechanism of the PPP program to understand the causes for the successes and failures and draw conclusions and lessons from them.

Gradualism

The framework should be evolutive in nature as the country grows in maturity and the needs evolve. The concept of the PPP maturity curve has been designed in the year 2000 and reflects the typical evolution of the PPP market that can be expected as countries gain experience.

Stage 1 Developing PPP market	Stage 2 Active PPP market	Stage 3 Well-functioning and mature PPP market
Establish policy and legislative framework	Establish dedicated PPP units in agencies	Refine new innovative models
Initiate central PPP policy unit to guide implementation	Begin developing new hybrid delivery models	More creative, flexible approach applied to roles of public and private sectors
Develop deal structures	Expand and help shape PPP market place	Use of more sophisticated risk models
Get transactions right and develop public sector comparator model	Leverage new sources of funds from capital	Greater focus on total lifecycle of projects
Begin to build market place	Use PPPs to drive service innovation markets	Sophisticated infrastructure market with pension funds and private equity funds
Apply early lessons to other sectors	PPP market gains depth-use is expanded to multiple projects and sectors	Public sector learns from private partner methods as competition changes the way government operations function
		Underutilized assets leveraged into financial assets
		Organizational and skills sets changes in government implemented to support greater role of PPPs

Table 4: Stages of PPP market. Source: Deloitte, 2006

Following to the curve model, the sound approach consists in implementing all steps pertaining to the stage where the country is located with the perspective of moving along the curve to progressively reach higher stages.

The main lessons that can be drawn from the PPP maturity curve model consist in:

- Settling realistic targets
- Starting with simple pilot projects with a limited degree of risk and complexity and that have been tested and worked well in similar countries
- Keeping in mind the long-term horizon in the day-to-day business
- As capacity is scarce, PPPs should remain centralized in a first stage. An assessment of the capacities of the local entities should be undertaken to determine at what stage they could consider undertaking PPP projects on their own, but it is likely that this could be achievable only after the country gathers some real experience on PPPs and know-how is disseminated.

Gradualism does not necessarily mean low ambitions but ambitions that are realistic and achievable within a given time frame. The objectives of the PPP program should be carefully worded not to generate excessive expectations followed by disappointment. "PPP fatigue" is in effect a danger that looms over all overenthusiastic proponents of PPPs, this instrument cannot solve all outstanding issues in the economic policy, but should find its place in cooperation with other tools and help to build a whole ecosystem that will move forward in a coherent and consistent manner.

Inclusiveness

Inclusiveness is particularly important in post-conflict situations as it contributes to create consensus around the PPP program and ultimately reduce political risks.

Inclusiveness deploys along many dimensions:

- Political (consensus of the political forces)
- Federalism when it is the case (consensus of the Member States)
- Territorial inclusivity (PPPs should help to reduce development gaps between territories and regions)
- Local businesses and SMEs (to be involved in PPPs through consortium, subcontracting, technology transfer, capacity building, etc.)
- Affordability of the services for the poor
- Development of social programs and equipment around the projects
- Rural/urban balance
- Gender (PPP framework should help to reduce gaps opportunity gaps between gender and alleviate the specific difficulties of each gender)
- Youth (PPP framework should help integrate the youth to the working force and reduce unemployment)

Robustness

A robust framework will minimize the risk for mistakes and failures. It should include:

- Well-articulated involvement of all stakeholders into the process from project selection to contract management with full check and balances without compromising the necessary agility and responsiveness
- Strong project prioritization processes
- Solid project evaluation in all dimensions (technical, legal, financial, economic, environmental)
- Project appraisal including the analysis of the justification of the selection of the PPP option along all dimensions (value for money, value for people, value for the future generations, value for the planet, etc.)
- Strong mechanisms both in procurement and operating stages securing transparency, equity and fairness as well as absence of corruption
- Fiscal sustainability assessment mechanisms
- Project management institutions and mechanisms
- Solid dispute management framework
- Strong capacity in the public sector to design and implement a PPP framework
- Support from donors and international partners.

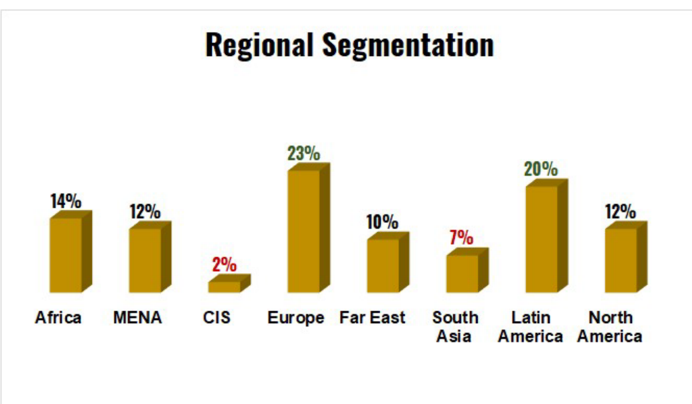
WAPPP Annual Report 2021

Jean-Christophe Barth-Coullaré
WAPPP Executive Director

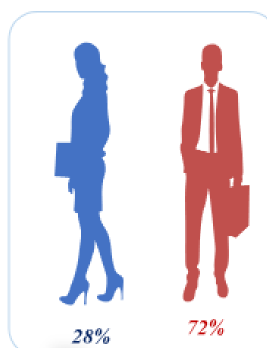
I have the pleasure to summarize below the annual report that was presented to the General Assembly:

Membership 2021

WAPPP

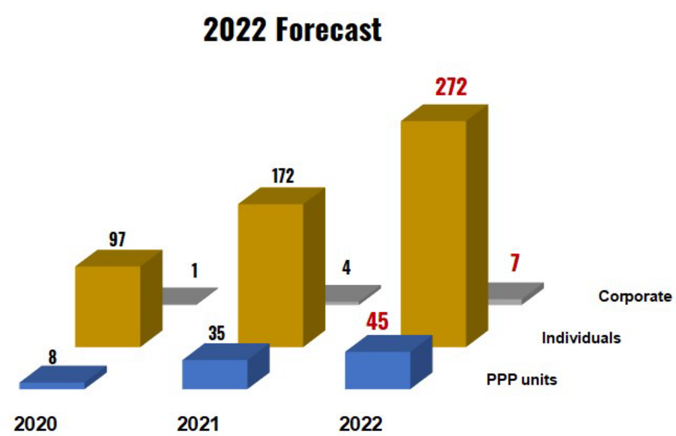


Gender



4

Membership Forecast 2020/2022



5

Activities 2021

WAPPP Meetings

- 60 Steering Committee
- 5 Executive Committee
- 1 Council of PPP Unit Heads
- 2 Orientation

Events & Content Leadership

- 14 Webinars
- 1 #NextLevelPPP Annual Congress
- 3 Publications
- x Cross-fertilization and knowledge sharing

6

Papers & Articles

1
- Solution paper on Covid

2
- Solution paper on strengthening socially influenced infrastructure to build forward better in PPPs

3
- Making PPPs Fit the 2030 Agenda

16

Perspectives for 2022

WAPPP has established itself on the PPP map in 2021 and for 2022 it aims to further drive PPP content and knowledge management in the global network.

Content Leadership
- Develop reference material to support best PPP practices
- Masterclasses in Africa with the Global Center on Adaptation and other partners

Organizational growth
- Establish a staffed Permanent Secretariat to augment WAPPP's impact
- Career partnership with secondment opportunities from WAPPP partners

Marketing & Communication
- Improve the website (PPP Unit and Corporate members)
- Promotion video with Ansarada

Educational & Research
- Serious research to generate high quality content
- Research grant initiative

Events
- Annual Congress 2022 to be organized in online format on 13, 14 and 15 June 2022

Save the date
- 2022 Annual General Assembly on 14.06.2022

19

Strategic Action Agenda | 5 Dimensions

WAPPP has given itself a Strategic Action Agenda for the period 2021 - 2026 and it aims to further execute its 5 dimensions accordingly.

- Partnerships & Alliances
- Education, Advocacy & Thought Leadership
- Finance
- Public Relations & Marketing
- Membership Diversity & Inclusion
- Other considerations

20

Development of Chapters & New Forum

Regional

Africa
Primah Atugonza Kymbadde

Asia-Pacific
Ricardo McKlmon

CIS-Countries
Dr. Eyüp V. Aydin

South-Asia
Naresh Bana

Latin-America
Jaime Li

Europe
Andrea Stucchi

North-America
David Baxter

MENA
Dr. Irfan Al Hasani

Sectorial

Airports PPP
Jacques Follain

Healthcare PPP
Natalia Korchakova -Heeb

Ports PPP
Eric Wehl

Water & Natural Infrastructure
Dr. Monica Altamirano

Forum

PPP Finance
Olivier Stintzy

Thematic

Legislative Framework
Marc Frilet

Resilience in PPP
David Dodd

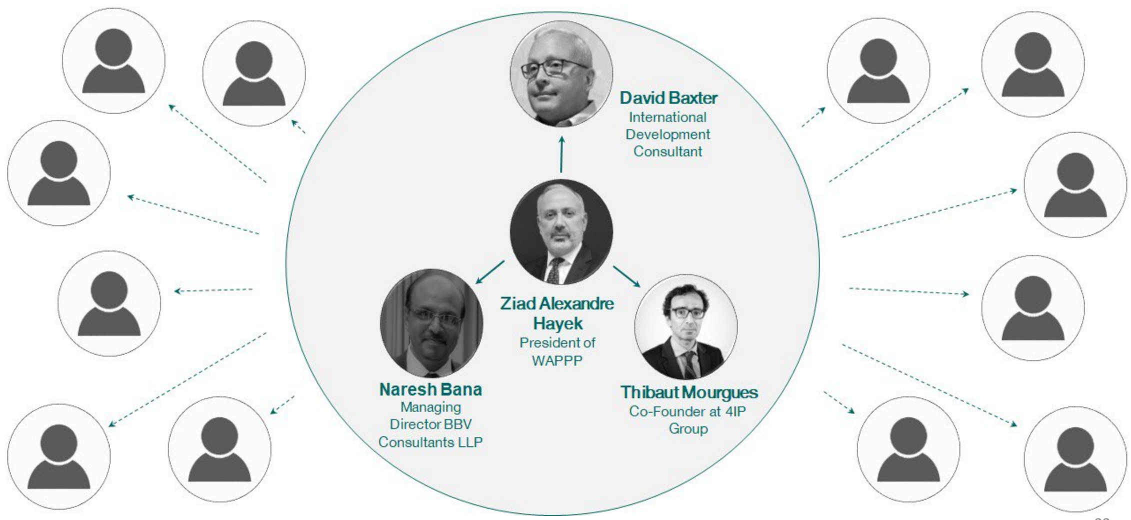
Women in PPPs
Fatima Zohra Rahmoun

Young PPP professionals
Jinane Ghosh

PPP Project Management
Arthur Tereshchuk

21

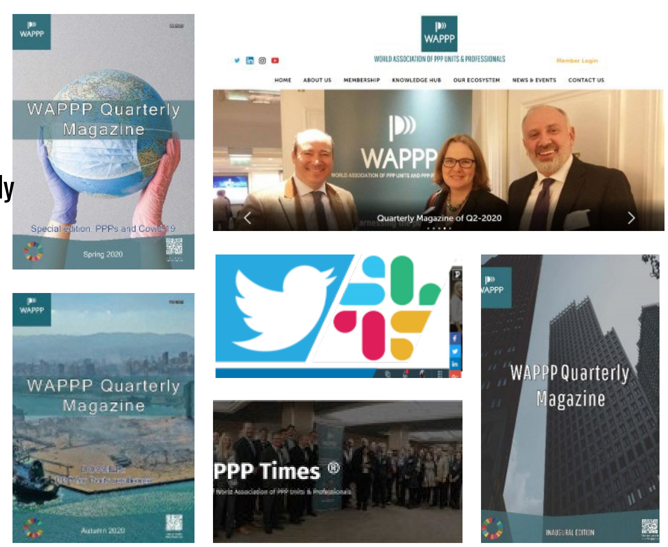
Peer Recognition Scheme



22

Communications

- Website upgrade with profiles.wappp.org
- The PPP Times℠ : issued on a weekly basis since December 2018
- Now alternating every other week with the novel WAPPP News
- Quarterly magazine
- Slack channels



23

WAPPP

WAPPP: HARNESSING THE POWER OF A GLOBAL NETWORK FOR BETTER PUBLIC-PRIVATE PARTNERSHIPS

Join WAPPP

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