




Multilateral PPPI Capacity Building Initiative (MP3IC)

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MP3IC: Hierarchy of Objectives

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- (a) to **package and deliver global PPPI best practices** based on peer reviewed research and ongoing practitioner knowledge capture, *in order*
 - (b) to **fill gaps in institutional capacity and PPPI knowledge** which currently constrain the ability in developing countries to effectively design and execute PPPI programs, *and through this*
 - (c) to **grow a pipeline of PPPI projects** and bring them to successful close.

MP3IC: Target Audience

Public sector professionals in developing countries worldwide who are mandated with PPPI policy and management and/or sectoral or cross-sectoral responsibilities functions at national and/or sub-national levels.

MP3IC: PPPI Learning and Knowledge Sharing Products

1. A Global *PPPI core learning program* comprised of a graduated series of pragmatic interactive multi media training modules, that can be linked to relevant certificate and/or degree programs offered by national, regional, and international academic institutions
2. A *multivolume PPPI publication* the “Global PPPI Capacity Building Sourcebook”
3. A Global *PPPI Knowledge Portal*
4. A Global GDLN *PPPI Video Dialogue Series*
5. A Global *PPPI Readiness Scorecard*

PPPI Core Learning Program

The PPPI core learning program will be structured in modules which contain a set of learning components. Each component has four parts:

1. a concrete, measurable learning objective for a well defined audience
2. key content messages
3. an exercise that enable the audience to engage with the content
4. a knowledge verification, e.g. self-test.

Many of the components will be packaged using multimedia tools, such as video and audio clips, self-running multimedia presentations, simulation models, checklists and working templates.

PPPI Core Learning Program

The content part of each learning component will be divided into mandatory and optional materials.

- The mandatory content will highlight the key takeaways illustrating the main concepts and focusing on real life application.
- The optional materials will contain additional resources for more in-depth review, including research papers and web links.

Interactive exercises will be described for both the facilitator and the learner, outlining the desired outcomes, the set-up and the flow of the exercise. All exercises will be prepared for three delivery modalities, relying on appropriate tools such as flip charts, e-discussion forums, wikis, etc.

PPPI Core Learning Program

- Essential to the MP3IC approach is the flexibility of using the same content for different target audiences through three different delivery modes.
- Guidance for using the components in each of the delivery modalities – Face-to-Face (F2F), Video Conferencing (VC), and E-learning, will be provided.

PPPI Core Learning Program

- The set of peer-reviewed highly modular learning components will be stored in a central, web-based repository.
- From the web-based repository CBT task teams will be able to assemble learning components complementing mandatory content with optional materials that are relevant for a specific target audience.

PPPI Core Learning Program

- With a repository of professionally packaged, *pedagogically designed*, multi media learning materials developed for different target audiences, that offer delivery in various modalities and *multiple languages*, to draw from;
- CBT task teams will be able to respond quickly and more flexibly to *operational demand* for specific learning deliveries and value added engagement with different collaborating PPP partners and stakeholders.

MP3IC Content Definition

The process:

- from linear text outline
- to module hierarchy
- to foundational module Core Learning Components (CLCs)
- to first CLC ("prototype")

MULTILATERAL PPPI CAPACITY BUILDING (MP31C)

Courseware Outline

BASIC PRINCIPLES

- **Public-Private Partnerships for Infrastructure – An Introduction**
 - **Definition**

A contract between a public-sector body (central, regional, or local government, or a state-owned entity) and a private-sector entity; for the design, construction (or upgrading), operation and maintenance of public infrastructure; with finance provided by, and significant construction, operation and maintenance risks transferred to, the private-sector entity; but with the public sector remaining accountable to the citizen for the provision of the service; and the infrastructure generally reverting to public-sector control at the end of the contract term.

Also need to distinguish from other arrangements also called PPPs, typically in the development field, *e.g.* PPPs to eliminate diseases such as malaria, or promote agriculture.

- **Key characteristics**
 - Main parties
 - Main contracts and sub-contracts
- **Main types of PPP**
 - Concessions
 - PFI Model
- **PPP Contract structures (BOT / DBFO/ BTO / BTL, *etc.*)**
- **Main sectors where PPPs are used**
- **Parties to a PPP**
 - Public Authority
 - Project Company
 - Investors
 - Lenders
 - Sub-Contractors
 - Others, *e.g.* insurers
- **PPPs in the procurement spectrum**
 - Compared with public procurement / works & services contracts
 - Compared with management contracts
 - Compared with affermage / franchises
 - Compared with privatisation / regulated sectors
- **What types of project make good PPPs?**
 - Natural monopoly (cannot be privatised)
 - Specialised-use assets (cannot be sold in a market)
 - Large-scale assets
 - Long-life assets (not liable to become obsolete, *e.g.* IT systems)
 - Predictable long-term demand / usage
 - Ability to transfer construction and operation or demand risks to private sector

- **Place of PPPs within overall investment programme**
- **Arguments for and against PPPs**
 - “Fiscal space”
 - Value for Money – the net effect of
 - On time and on budget
 - Higher costs of development and finance
 - Design & build v design-bid-build
 - Long-term maintenance – risk transfer / commitment
 - Private-sector investment / development
 - Private-sector innovation / project-management skills
 - Public-sector skills / loss of skills
 - Inflexibility
 - Complexity
 - Political opposition

THE FRAMEWORK

- **Capacity Building**
 - What competencies are required
 - Line ministries
 - Ministry of Finance
 - PPP Unit
 - Development of a national capacity-building strategy
 - Sources of advice
 - IFIs
 - Consultants
 - Retaining qualified staff in the public sector
- **Policy Framework**
 - Fiscal issues
 - What are the fiscal implications of PPPs?
 - Fiscal impact & contingent liabilities
 - Which fiscal risk management tools are required?
 - Balance-sheet treatment
 - Fiscal rule to limit the size of PPPs
 - National debt & PPP debt
 - Effect of government fiscal commitment for PPP subsidy
 - Effect of government guaranties
 - Effect of guarantee funds

- Public-sector investment decision
 - Public investment *v* PPP; what are the criteria?
 - EIRR / FIRR
 - Public-sector discount rate (*cf.* Module 18)
 - Public Sector Comparator (PSC) – for and against
 - Value for Money (VfM)
 - Affordability
- Developing a PPP programme / project pipeline
- Stakeholder involvement (users, labour unions, communities, NGOs, *etc*)
- **Institutional Framework**
 - Introduction – who are the parties?
 - Line ministries
 - PPP units
 - Ministry of Finance
 - PPP Units
 - Roles and responsibilities
 - Different models of PPP units
 - PPP units *v* PPP cells in Line Ministries
 - Relationship with line ministries / Ministry of Finance
 - PPP units in a federal environment
 - Line Ministries
 - Role and responsibilities of the investment department
 - Selection and identification of projects
 - Economic appraisal and pre-feasibility studies
 - Competencies required
 - [In-house *v* outsourcing - *of what?*]
 - Trans-national projects
- **Legal Framework**
 - General Legal Environment
 - Certainty and reliability of legal process
 - Suitability of corporate, contract, employment law, *etc.* for PPPs
 - Asset rights, title and ownership, and taking of security
 - PPP Law
 - Is a PPP law necessary?
 - What should a PPP law cover?
 - Separate Concession and PFI-Model laws?
 - Foreign Investment Law
 - Suitability for PPP projects
 - Procurement Law
 - Relationship with PPP procurement
 - Government support
 - Partial funding
 - Usage / revenue guarantees
 - Sub-sovereign guarantees

- **Contractual Framework**
 - PPP Contract
 - Parties
 - Term
 - Output specification
 - Payment structure
 - Allocation of responsibilities and risks
 - Performance - availability / service quality
 - Penalties for failure
 - Change (variations / change in law / break clauses)
 - Termination / hand-back arrangements
 - Compensation for early termination
 - Applicable law
 - Dispute resolution
 - Design & construction sub-contract
 - Operation / maintenance sub-contract(s)
- **Risk Transfer and Mitigation**
 - Principles of PPP risk allocation
 - Sources of risk / risk register
 - Probability of loss
 - Impact of loss
 - Risk mitigation
 - Risk analysis
 - Pre-signing
 - Site
 - Environmental
 - Construction
 - Usage (demand, traffic, willingness to pay, etc.)
 - Operation
 - Maintenance
 - Obsolescence
 - *Force majeure* (Act of God)
 - Macroeconomic (inflation, interest rates, exchange rates)
 - Regulation / change of law
 - Political
 - Risk Mitigation
 - [Applied to each of the items in § 9.2]
 - Counterparty credit quality
 - Insurance
 - Sponsor guarantees
 - Political-risk / partial credit guarantees / insurance

THE PROJECT CYCLE

- **Project Selection and Feasibility Studies**
 - ●●●
- **Procurement systems**
 - Pros and cons of different systems
 - Restricted competition
 - Negotiated bid / competitive dialogue
 - Unsolicited bids
 - Bid stages
 - Pre-qualification
 - Invitation to bid
 - Technical evaluation
 - Financial evaluation
 - Negotiation
 - Preferred bidder
 - Signing / financial close
 - Public disclosure
 - Bid selection
 - Lowest cost
 - Weighted scoring
 - Other
- **Public-Sector Project Management**
 - Feasibility stage
 - Bid stage
 - Construction stage
 - Operation stage
- **Ex-Post Monitoring**
 - The importance of ex-post monitoring
 - Enforcing performance through monitoring
 - Standard guidelines for ex-post monitoring
 - Process of ex-post monitoring
 - Monitoring authority
 - Performance monitoring
 - Feedback & adjusting
 - Fulfilling obligations
 - Penalties
 - Monitoring results / feedback
 - Developing centralized information and management system
 - Requirement for audited financial statements
 - Evaluation of optional government support
 - Monitoring for sustainable PPP project
 - Report to PPP unit / legislature

- **Advisers**
 - Who uses advisers and what types of advisers are needed?
 - Needed competencies of the advisory sector
 - Guidelines for selection of advisers
 - International v domestic advisers

PRIVATE-SECTOR INVOLVEMENT AND FINANCE

- **Parties**
 - Sponsors / investors
 - Construction contractors
 - Investment funds
 - Others
 - Secondary investors
 - Lenders
 - Lenders' advisers
 - Construction sector
 - International construction companies
 - Domestic capacity (physical / financial)
 - Insurers
- **Involving the Private Sector**
 - Market sounding / project marketing
 - Feasibility stage
 - Procurement stage
- **Sources of Finance**
 - Private-sector banks – domestic
 - Ability to structure and finance
 - Term of loans
 - Depth of market
 - Mechanisms for extending term
 - Private-sector banks – international
 - Financial regulation
 - Currency regulation
 - Currency risk management options
 - Access to security
 - Access to justice
 - Counter-party and country credit risk

- Domestic development banks
- ECAs
- Bilateral development banks
- IFIs
 - Funding
 - **Key Concepts in Financial Analysis**
- Discounted Cash flow (DCF),
- Net present value (NPV)
- Internal rate of return (IRR)
- Return on equity
- Cover ratios
- **Principles of Project Finance**
 - ●●●[needs a lot more filling out!]●●●
 - Refinancing
 - Who initiates and why?
 - What is a refinancing gain?
 - Why should this be shared?
 - How can it be shared?

- **IFI Risk Guarantees and other Facilities**

PPP SECTORS

- **Transportation**
 - Roads / bridges / tunnels
 - Rail / mass transit
 - Ports
 - Airports
- **Social Infrastructure**
 - Schools
 - Hospitals
 - Prisons
 - Public housing
 - Public buildings (administration)
 - Military equipment
- **Water & Sanitation**
 - Water supply / distribution
 - Sanitation

CASE STUDIES

3 October 2008

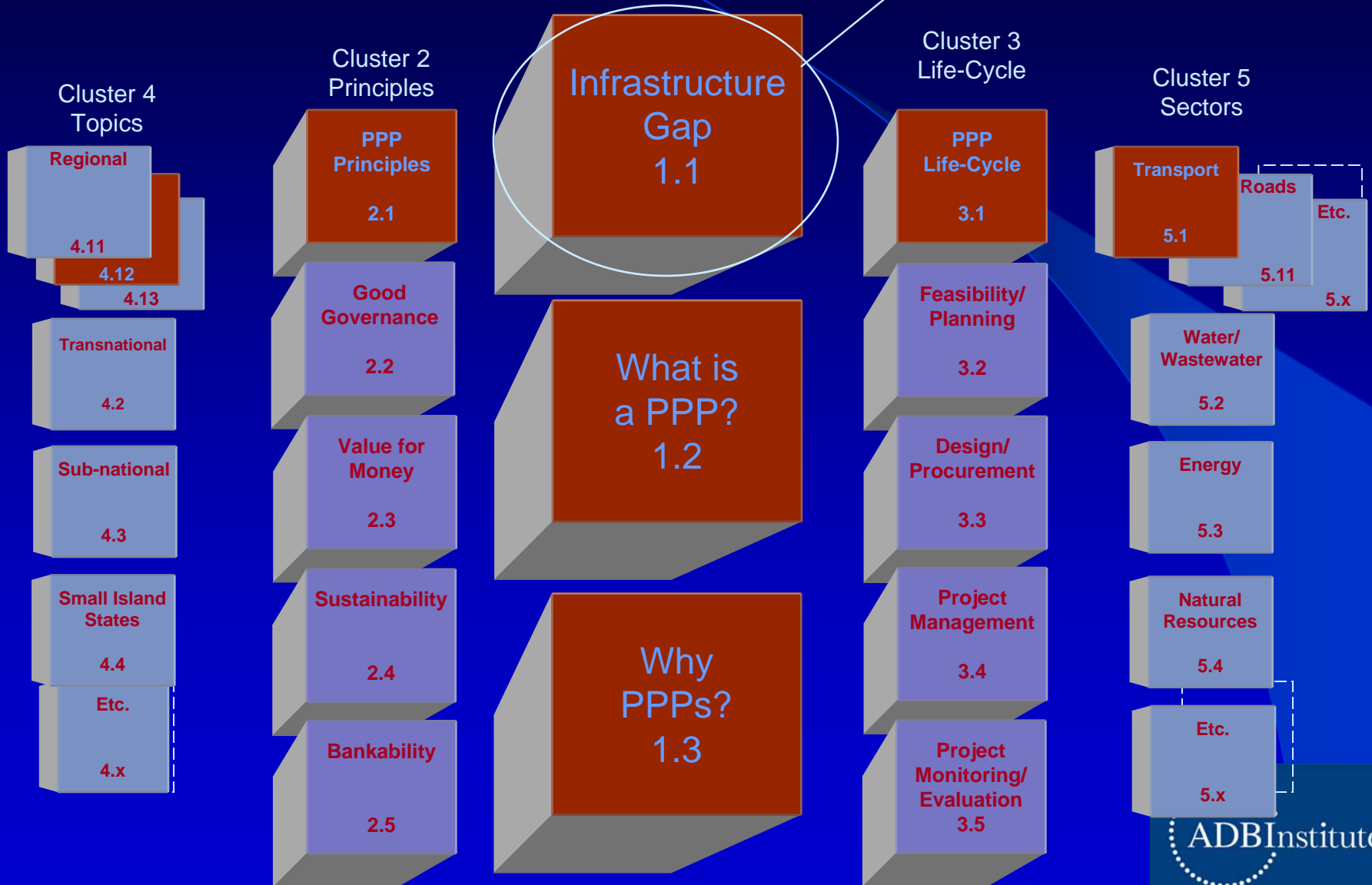
OUTLINE IN GRAPHIC FORM – MP3IC – 100 level series



Sample Curriculum 1: Senior Transportation Official

Prototype CLC

Cluster 1 OVERVIEW



Multi-Volume PPPI Publication

A multi-volume print publication - the "Global PPPI Capacity Building Sourcebook", will be developed in parallel to the PPPI core learning program, and is planned to be launched at PPPI Days 2009.

The Publication will be a text-based reference for the PPPI core learning program and MP3IC capacity building activities.

PPPI Knowledge Portal

The PPPI Portal will contain

- the *PPPI core learning program*
- an *on-line dialogue exchange with PPPI practitioners* to enable regional and global experience sharing on policy approaches and pragmatic design and implementation issues
- a *Global GDLN PPPI Video Dialogue series* that will enable an exchange between global and regional PPPI leads and experts on PPPI issues not currently captured in text publications

GDLN PPPI Video Dialogue

PPPI dialogue issues may include:

- Implications of current financial crisis for infrastructure investment and PPPs in emerging markets
- PPP Strategies for PPP's in fragile/post-conflict states
- PPP Strategies for PPP's in small island states
-

PPPI Readiness Scorecard

The PPPI Readiness Scorecard will compare the policy, institutional, and technical “PPPI Readiness” of DMCs globally:

- to design and execute PPPI programs, and
- to successfully attract private capital into well-planned bankable projects

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To be initially offered in 4 languages – English, French, Spanish & Russian

MP3IC: Partners

Core Partners

ADBI

WBI

MIF IADB

Content Partners

PPIAF

AfDB

EIB

PPP Associations (PPP UK,
KDI, PPP Assoc in
Australia, among others)

PPPI Network

Others to be confirmed

MP3IC: Strategic Design

- Alignment with ADB Strategy 2020
- Alignment with Donor Coordination and Harmonization Agenda
- Phased Approach
- Governance Framework
 - Multilateral Management and Implementation Framework
 - Globally Validation and Quality Assurance through Expert and Peer Review, and Practitioner and Target Audience Consultation
- Sustainable Business Model

Phased Approach

Phase 1, to Dec 2008

Target Audience Needs Assessment

PPPI Practitioner Survey, Selected Surveys and Focus Group Discussions linked to PPP activities across subregions and DMC countries globally

“Prototype” is presented at PPPI Days 2008 conference to PPPI stakeholders worldwide.

This prototype is the product of an informal collaboration between the core MP3IC partners (AdBI, WBI, and IADB-MIF) to test modalities of inter-agency cooperation and to derive lessons from piloting the MP3IC Core Learning Program (CLP) methodology.

Phases 2-4, 6-month phases beginning Jan 2009

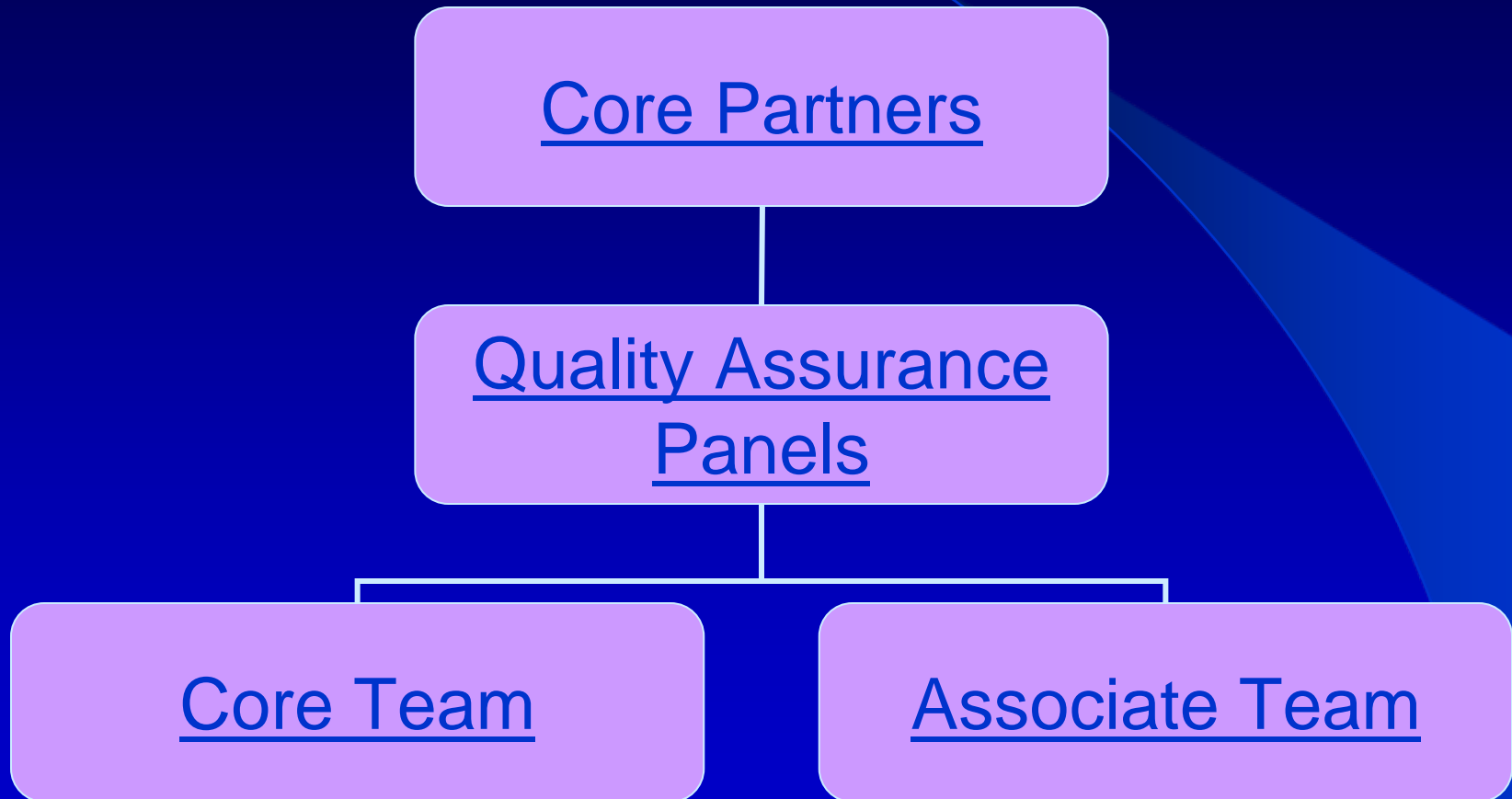
Full-scale development and delivery phases for MP3IC

*During CLP development Phases 2, 3 and 4, MP3IC CLP will be developed, maintained and upgraded through research scanning and knowledge capture by the MP3IC PPPI Core and Associate Teams in collaboration with the global PPPI network. The MP3IC PPPI Core and Associate Teams will transform knowledge captured into **knowledge products presented in engaging non-technical user friendly formats and language specifically designed to meet the CBT requirements of the target audience.***

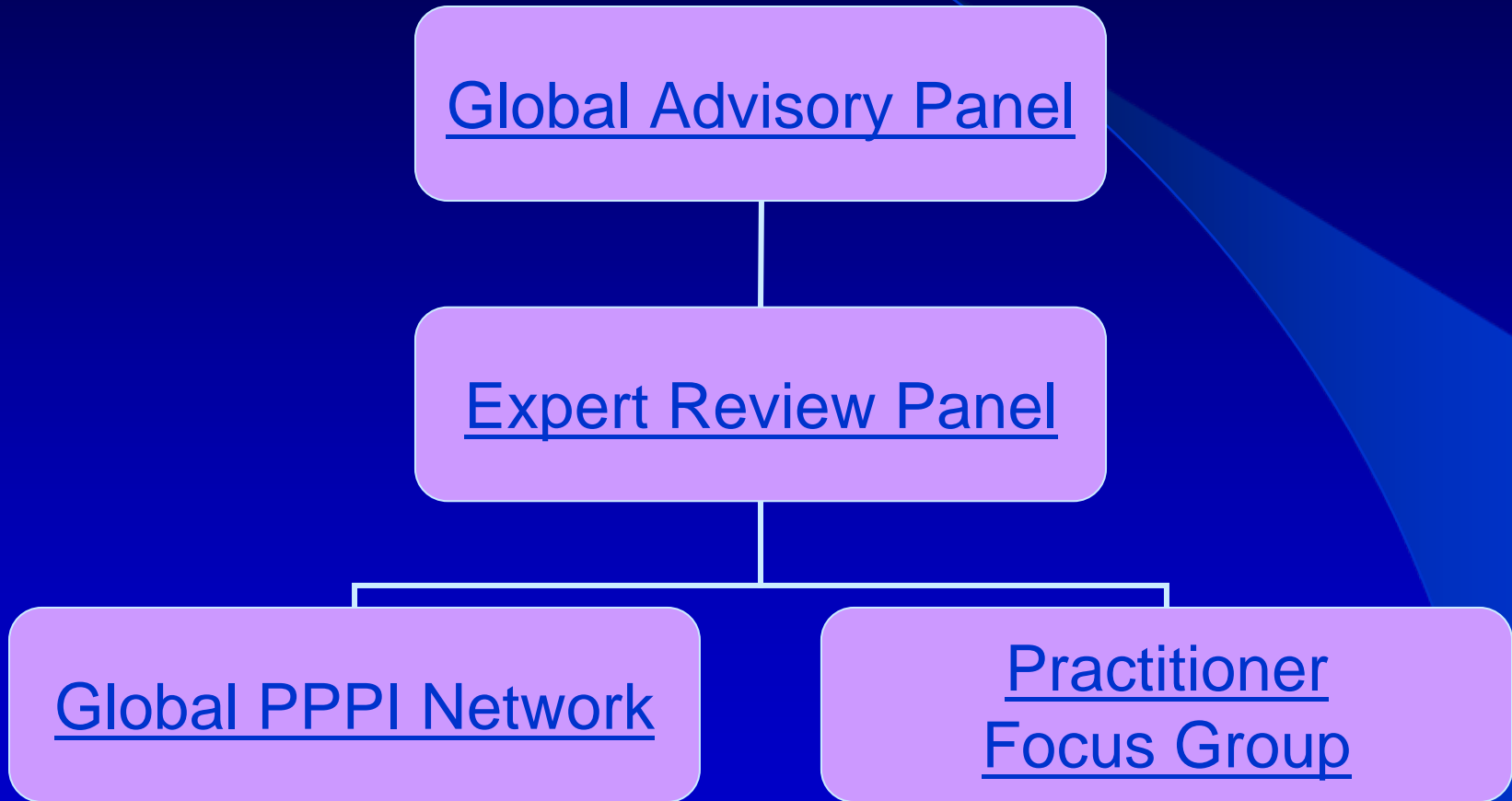
MP3IC: Governance Framework

- Multilateral Management and Implementation Framework
- Global Validation through an intensive level of coordinated Peer Review and Quality Assurance

MP3IC: Management Organization



MP3IC: Peer Review



Sustainable Business Model

Sustainability will be ensured through

1. Fee-based arrangements in specific countries to enable the embedding of the MP3IC Core Learning Program as part of educational programs offered by national and regional training institutes
2. Fee arrangements with a global consortium of accredited higher education institutions that will recognize MP3IC Core Learning Program as credits for relevant diploma/degree programs
3. Transformation of the Global PPPI Network into a revenue-earning co-operative of global PPP units that will sustain the MP3IC Core Learning Program



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