Presentation Outline

• Infrastructure and economic development
• A feasible option for certain conditions: Public Private Partnerships (PPP)
• The World Bank Toolkit for PPP in Roads and Highways
• Risks and forms of private sector participation
• Discussions
Economic Development and Infrastructure

GNI ($/pop)

GNI = 1.39 PRD
R squared: 0.76
98 countries

Source: Queiroz and Gautam
PPP in Transport Projects, 1990-2011: $310 billion

- Roads: 51.7%
- Ports: 19.5%
- Railways: 17.9%
- Airports: 10.9%

Source: World Bank and PPIAF, PPI Project Database.

http://ppi.worldbank.org
To assist transport sector policy makers in implementing procedures to promote private sector participation and financing in roads

Can serve as a manual for the public and private sectors

Available in English and Russian at: http://go.worldbank.org/P2XMGNYLD0
The Six Modules of the Toolkit

Additional Tools: Glossary, Site Map

Link to the Toolkit: Toolkit
**Toolkit Financial Models**

**Purpose**
- Better understanding of key input parameters which affect the financial viability of a PPP project
- Facilitate the computation of indicators of the financial feasibility of a PPP project, such as FIRR, ROE, ADSCR (thus demystifying such calculations)

**Limits**
- Simplified financial models
- Specific project assessment requires detailed financial models prepared by experienced financial practitioners
## Road Concession Options and the Distribution of Risks

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<thead>
<tr>
<th>Option</th>
<th>Construction</th>
<th>Demand</th>
<th>Performance</th>
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<tbody>
<tr>
<td>Traditional</td>
<td>Public</td>
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<td>Outsourcing</td>
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<td>PBC</td>
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<td>Tolls</td>
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<td>Shadow Tolls</td>
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<td>Availability</td>
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<tr>
<td>Fees</td>
<td>Private</td>
<td>Pri/Pub</td>
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<tr>
<td>Hybrid</td>
<td>Private</td>
<td>Pri/Pub</td>
<td>Private</td>
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</tbody>
</table>
Allocation of risks

High

RISKS TO PUBLIC SECTOR

Low

RISKS TO PRIVATE SECTOR

High

- Force Account
- Traditional Outsourcing
- Performance-based Contracts
- Availability Payments
- Shadow Tolls
- Toll Road BOT
- BOO

Decreasing Public Risks, Increasing Private Risks
I'm sure glad the hole isn't in our end...
Cesar Queiroz
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How can the goals of a complex PPP project be achieved?

- Careful selection of the project
- Due consideration of economic, financial, social, and environment aspects
- Realistic expectations, including deadlines
- A dedicated and well prepared team
- PPP agreement satisfactory to stakeholders, including a fair distribution of risks
- Transparent, competitive selection of the concessionaire
Main stages to launch a PPP project

- Stage 1: Identification, Prioritization and Selection of the PPP Project
- Stage 2: Due Diligence and Feasibility Studies: includes activities and studies to ensure the selected project is well designed and can be successfully tendered and implemented
- Stage 3: Procurement: includes prequalification of bidders and the bidding and bid evaluation processes, and a section on Unsolicited Bids
Main stages to launch a PPP project

- Stage 4: Contract Award: gives advice on dealing with the preferred bidder(s)
- Stage 5: Contract Management: deals with the construction and operation periods of a project including transfer back if relevant – BOT, but not BOO

Reference: Toolkit **Module 5**
Development of PPP projects

PPP PROJECT DEVELOPMENT THROUGH TOOLKIT MODULES

- Modules 1 & 2: Sets the broad framework
  - PPP or not
  - Types of PPP Concepts Characteristics

- Module 3: Road Sector Planning
  - Public sector programs and projects
  - Preliminary identification of potential PPP projects

- Module 4: Draft Standardized Contracts

- Module 5: Specific Project Implementation
  - Stage 1: Identification, Prioritization and Selection (Multi Criteria / Value for Money)
  - Stage 2: Due Diligence and Feasibility Studies (Feasibility Study / Consultation / Market Sounding)
    - Packaging / Draft Tender Documents / Prepare Bankable Projects
  - Stage 3: Procurement (PQ and bidding)
  - Stage 4: Contract Award
  - Stage 5: Contract Management
World Bank Partial Risk Guarantees

- PRGs cover private lenders against the risk of a government failing to perform its contractual obligations with respect to a PPP project.

- Such risks may include: currency inconvertibility/non-transferability, expropriation, war and civil disturbance, minimum revenue guarantees, change of law and regulations, non-allowance for agreed tariff adjustment formula.

- Details available at: www.worldbank.org/guarantees
References

• Toll Roads and Concessions

• How to Hire Expert Advice on PPP

• Labor Issues in Infrastructure Reform
  www.ppiaf.org/Reports/LaborToolkit/toolkit.html

• Toolkit for PPP in Roads and Highways
  http://ppiaf.org/documents/toolkits/highwaystoolkit/

• Concession Law Reform – EBRD
  http://www.ebrd.com/country/sector/law/concess/

• European Commission Communication on Public Private Partnerships
References (cont’d)

• Road Infrastructure and Economic Development: Some Diagnostic Indicators  http://go.worldbank.org/T6Q3BI430

• Workshops on the Toolkit for PPP in Roads and Highways: New Delhi, Brasilia, Kiev, Moscow  http://go.worldbank.org/AWEUWI4CN0
  http://go.worldbank.org/MK2FZ3NQL0

• Worldwide Trends in Private Participation in Roads

• Seminar on Legal, Economic, and Implementation Issues in PPP Projects, Warsaw, June 17-18, 2008  http://go.worldbank.org/FII0BYIDP0

• Competitive Selection of Private Partners and Use of Standard Bidding Documents, June 2008
Cesar Queiroz, former World Bank Highways Adviser, is an international consultant on roads and transport infrastructure. His main expertise is in public-private partnerships, road management and development, performance-based contracts, port reform and rehabilitation, improving governance, quality assurance and evaluation, research, teaching and training. Between 1986 and 2006, he held several positions with the World Bank, including Lead Highway Engineer and Principal Highway Engineer. Prior to joining the World Bank, Cesar was the deputy director of the Brazilian Road Research Institute in Rio de Janeiro. He holds a Ph.D. in civil engineering from the University of Texas at Austin, a M.Sc. in production engineering from the Federal University of Rio de Janeiro, and a B.Sc. in civil engineering from the Federal University of Juiz de Fora, Brazil. Cesar has published two books and more than 130 papers and articles. His recent assignments include infrastructure advisory services to Russia, Brazil, Latvia, Lithuania, Poland, Ukraine, Philippines, Uganda, Sri Lanka, India, Egypt, Colombia, Laos, Mozambique, Saudi Arabia, Tunisia, Sweden and Norway. He is currently a visiting professor at the University of Belgrade, Serbia, and has lectured at George Washington University since 1996 on private participation in infrastructure.