Confederation of International Contractors' Associations
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Small projects implementation

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Project diversity

Funding and financing

Local needs for small size investments

The existing skills and abilities

Contract types

What is the support needed

Conclusion
Project diversity

Projects are covering a large variety of fields, e.g.
Agriculture, Water, Sanitation, Energy, Housing, Education, Health, Transport...

Projects are different:
- By their size: most of the projects are small size ones (80% of investment)
- By their owner: State, local administration, SOE, private sector, ...
- By their funding: paid for by Public Authorities through taxes or paid for by final users through tolls or similar invoicing method
- By their technical life cycle (infrastructure projects are lasting much longer that IT ones)
- By their impact on people: immediate or long term or both
- By the way they can be financed (internationally or locally)
- By their maintenance and operation costs
Funding and Financing: two totally different concepts

Financing describes how the monies can be raised (loans, equity, bonds, grants)
- Loans have to be reimbursed, with interest
- Equity needs to be remunerated, and back to the initial investor
- Bonds need to be reimbursed (principal and interests)
- Grant: no need to reimburse, except socially

Funding describes how the financing is to be reimbursed
- Tax payer: the Public Authority raises taxes on the population and pays the SPV in case of PPP contracts. The SPV repays the loans, the bonds and provides dividends to remunerate the equity investors.
- In traditional procurement, Public Authority pays contractor and operator
- User payer: the service provided by the operator is paid for by the user

Funding with a combination of tax payer and user payer is very frequent. The amount financed by the Public Authority through taxes should bear the economic extracost of opportunity cost of public funds (10% to 30%)

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Local needs for small size investments

Although coordination with large projects is needed, most of the projects in developed countries are small size projects. Large projects contribute to less than 15% of the total investment. In developing economies, small projects account for 90% of investment.

Achieving SDGs requires a large number of local small projects in coordination to a few more important ones.

PfPPP projects and Pf traditional projects can be better tailored at a local level, with the participation of all stakeholders and better evaluation of the affordability of the project by the population. Funding decision would be facilitated.

Small size projects can be achieved by local contractors and local construction processes, at local costs, at least for a large part of the projects.

Improving the local quality of life and maintaining the population in their living environment by improving their life conditions require many small projects.
The existing skills and abilities

Local skills in terms of construction
As it has been demonstrated many times by countries and NGOs, the local contractors have the ability to develop and build small projects.

External skills may be needed for global planning, organisation, additional support for engineering, and additional help for work monitoring.

Local funding and financing
There is today enough local money ready to be invested in small (or large) projects, provided that the main conditions for return are met:
- Stability of the investment climate
- Legal conditions well defined
- Predictability of the main parameters of the contract
- Rather short duration of the contract
- Fairness of the toll policy
- Close monitoring of the contract by local authorities including anti-corruption process

Local banks are now able to lend money
Local investors are ready to invest in their own countries.

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Contract types

Scope of the contracts
- Engineering could be included, or not
- Construction and Maintenance should be included
- Operation should be included, except for services requiring high level specialists (medical activities, surgery, high level teaching,...
- Financing for a short period (5 to 10 years)

Local funding and financing
- If the funding is provided by the end user, the contractor may be at risk on the revenues, partial risks or no risks; it is possible to select the most appropriate solution according to the situation.
- If the funding is to be provided by the public authority, the contractor may create an SPV and borrow the money, with or without a direct credit agreement
- The financing is to be raised locally, in local currency, at local banks or local subsidiaries of international banks, and/or at development banks if they develop a structure for small credits

Amounts to be considered
Intermediate between the « tontine » process and large projects, i.e. in the range of 100 000 € to 5 000 000 €.
What is the support needed

From development countries
- Identify and advertise the pipeline of projects
- Select the project which best meets the needs of the population or which brings economical growth

From developed countries
- Transfer project management knowledge for the entire project period: from the sponsor idea up to the management of the project under operation. This is the road towards PPPs development
- Project development for a bankable project is not taught at school but on the ground
- Budget: a project development costs a minimum of 50,000 euros in advisory support, excluding legal.

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Conclusion

Countries are now ready to develop their own way for implementing projects
In developing countries,
- IFIs may propose financial support for studies, through Project Preparation Facilities

Project pipelines can only exist if the projects are small projects. Transaction costs could be reduced if there is a true pipeline of projects

Local lenders may need some support to structure long term finance, even if the long term is only five to ten years.

Training is a crucial part of Global Responsibility
Local Contractors may need technical support, and companies members of CICA could help the local contractors to structure their bid and work methodologies

Long-term vision and approach
Local companies: have to develop themselves with the help of more experienced companies (cooperation through JV could be a way of achieving this goal