

Public-Private Partnerships

A Transformational Development Tool to Improve Access to Reliable and Affordable Infrastructure Services

Workshop Agenda

Rationale: Rapid urban growth is generating significant demand for infrastructure investments in roads, energy, water and sanitation systems, solid waste collection and disposal, housing, and health and education facilities. The World Bank estimates that the annual infrastructure investment needed to keep up with projected growth in developing countries is equivalent to 5.5% of their GDP. For lower income countries, the target is as high as 7% to 9%.

Approximately half of this investment will be required for new infrastructure investments and approximately half for maintenance of existing assets. The lack of basic infrastructure is clearly a major factor constraining economic growth and poverty alleviation in the developing world. While, on average, the public sector in the developing world is spending about 2% to 4% of GDP in infrastructure investment, governments in regions like Latin America and Africa are estimated to be currently investing, on average, as little as 1.6% and 2% of GDP respectively. It is clear that governments in developing countries are not investing enough. This persistent under-investment in infrastructure is having a negative impact on economic growth, living standards, and private sector development. In recent years, developing countries faced with fiscal and capacity constraints have turned to the private sector as a partner in the provision of infrastructure services to help fill this severe investment gap. Since 1990, over 130 countries have transferred the responsibility for the financing, construction, operation, and maintenance of infrastructure projects to the private sector through a wide range of public-private partnerships (PPP). Well structured and properly implemented PPP are an effective and efficient tool not only to mobilize private capital to develop badly needed, economically-viable, public infrastructure, but to also ensure an efficient provision of services and to guarantee long term sustainability. The more than 2,000 infrastructure projects with private participation to date have resulted in the mobilization of about US\$750 billion in investment commitments. Although this is significant, much more is needed, particularly in urban infrastructure services.

Workshop Objectives: To provide a set of principles, tools and an approach to setting up and implementing, with cooperating host governments, a sustainable and transformational program to develop basic infrastructure services through public-private partnerships. Furthermore, this workshop will provide a forum to examine, discuss, and share lessons learned on the following:

- International best practices in designing and implementing broad, multi-year, and multi-transaction public-private partnership programs for infrastructure development;
- Particular features and case studies on PPP programs and transactions in transport, water & sanitation, solid waste, health, education, housing, and industrial parks/special economic zones;
- Advanced and innovative financial and credit enhancement mechanisms to facilitate private financing and investment in infrastructure development;
- Legal, regulatory, and institutional issues, including the role of governmental PPP units;
- The role of USAID, other development organizations in promoting and implementing infrastructure PPPs.

Session	Time	Topics	Presenter
DAY 1: Sunday, May 25, 2008			
Introduction	8:30 – 8:40	Welcome	Joseph Ryan, Associate Mission Director, USAID/Egypt
	8:40 – 9:00	Workshop Introduction & Objectives	David Dod, EGAT
Session 1: Develop “inventory” of ideas related to PPP	9:00 – 9:40	<ul style="list-style-type: none"> Develop “inventory” of ideas related to PPP that the participants are considering or beginning to implement. The inventory would record projects or enabling environment actions that are currently being considered by participants. 	Moderator: Allen Eisendrath, Senior Infrastructure Finance Specialist I&E/EGAT
Session 2: PPP Fundamentals and Recent Trends in Infrastructure PPP	9:40 – 10:15 <i>(all presentations should allow 15 minutes of Q&A)</i>	<ul style="list-style-type: none"> What are PPP? Main PPP/Infrastructure concepts The infrastructure deficit and the rationale for PPP PPP options: Management contracts through concessions/ BOT Potential benefits to undertaking PPP (supported by empirical evidence); challenges to PPP Recent trends in PPP in infrastructure Unique features of infrastructure of Transport (roads, ports), water and sanitation, solid waste, health, housing, and education. 	Allen Eisendrath, Senior Infrastructure Finance Specialist I&E/EGAT
Session 3: Precepts for Successful PPP and lessons learned to ensure truly transformational and sustainable infrastructure development through PPP programs. The PPP Transaction Life Cycle	10:15 – 11:00	<ul style="list-style-type: none"> Precepts for successful PPP transactions <ul style="list-style-type: none"> Alpha to Omega (beginning to end) Well structured bankable transactions Multiple PPP program approach vs. one-off transactions Vigorous, open, and transparent competition Lessons learned from key USAID projects. The importance of a broad, institutional, multi-year/multi-transaction approach to infrastructure development through PPP. The PPP Transaction Life Cycle: <ul style="list-style-type: none"> Project feasibility/Project Prioritization: The “value for money” and “public sector comparator” concepts. Public Sector Risk Exposure and PPP Phase 1: PPP Transaction Design: Don’t compromise on time; due diligence and transaction design must be done right Phase 2: PPP Transaction Implementation: from to bidding documents through financial closure. 	Patricio Mansilla and Mauricio Gutierrez (Chemonics)

Session	Time	Topics	Presenter
Break – coffee/tea	11:00 – 11:15		
Session 4 – The Partnership at Work: Contract Management, Regulation and Post-Transaction Issues	11:15 – 12:00	<ul style="list-style-type: none"> • The State as a Competent Counterpart • Project Execution Phases and Options for Monitoring • Outline of government monitoring procedures during construction of facilities • Regulation and Disputes • The Opportunistic Renegotiation • Transition and Termination • Lessons Learned 	Jill Jamieson (BearingPoint)
Lunch	12:00 – 13:15		
Session 5 – Fostering Private Sector Participation in the Transport Sector			
The USAID/Peru PPP Program Case Study 1: The Amazon North and Amazon Central highway concession in Peru	13:15 – 14:00	<ul style="list-style-type: none"> • The USAID/Peru PPP Program: A broad, multi-year, multi-transaction institutional approach to infrastructure development through PPP • The project design and implementation process • Structuring innovative project financing approaches, including long-term financing through simulated bonds and shadow ratings; credit enhancement mechanisms to facilitate access to local/international capital markets • Main elements of the concession contract: defining the rights and responsibilities of the public and private sector parties • Identifying main project's risks and designing risk mitigation mechanisms • Techniques to mitigate construction risk • Restoring the economic equilibrium • Penalties, contract termination, and dispute resolution • The importance of well-structured bankable PPP contracts 	Patricio Mansilla and Maria Paula Vargas (Chemonics)
Break – coffee/tea	14:00 – 14:15		

Case Study 2: The concession of a new container terminal in the Port of Callao in Peru	14:15 – 15:00	<ul style="list-style-type: none"> • The rationale for PPP in the port of Callao • Building support for PPP transaction implementation • Identifying project's risks / designing risk mitigation mechanisms • The PPP/concession agreement: Key elements and contractual issues • Economic competition and mitigation of demand and commercial risk • Pre-qualification and bid evaluation criteria • The importance and benefits of vigorous, open, and transparent competition • Demonstration effect of the initial successful transaction: subsequent PPP transactions in other ports 	Patricio Mansilla (Amazon North)
Case Study 3: Bulgaria Airports PPP	15:00 – 15:45	<ul style="list-style-type: none"> • Project background • Project development lifecycle • Transaction structure • Regulatory approach • Bidding framework • Outcomes for the Airports and for PPP in Bulgaria • Critical success factors and Lessons learned 	David Spira (BearingPoint)
Site Visit to Sokhna Port and North-West Gulf of Suez Special Economic Zone	16:00 – 18:00	<ul style="list-style-type: none"> • Tour of the nearby Sokhna Port, under private operation through a PPP contract. • Site visit and introduction to the North-West Gulf of Suez Special Economic Zone in Sokhna, currently being tendered through PPP 	Hosted by Sokhna Port and the Main Development Company for Suez Economic Zone

DAY 2: Monday, May 26, 2008

<p>Session 1: Private Sector Participation on Industrial Parks and Special Economic Zones</p> <p>Case Study: Industrial Development Authority, Egypt</p>	<p>8:30 – 9:15</p>	<ul style="list-style-type: none"> • New framework for industrial park and zones development • International experience in private sector led development • Public authorities conducive to private sector participation: separation of regulatory vs. development roles • Unique characteristics of industrial estates PPPs, transactions and long-term relationships. <p>The Industrial Development Authority (IDA) is an Egyptian government entity which in 2007 successfully completed PPP transactions with multiple private developers, with technical assistance provided through USAID and TAPR II.</p>	<p>Jose Ceron (BearingPoint) and</p> <p>Industrial Development Authority, Government of Egypt)</p>
<p>Session 2 – PPP Units and their Experience</p>			
<p>Experience of the Ministry of Finance Central PPP Unit</p> <p><i>Plus</i></p> <p>Case Study: Introduction to the Egypt Schools Tender PPP (optional)</p>	<p>9:15 – 10:00</p>	<ul style="list-style-type: none"> • Mission and vision for the Central PPP Unit • Key accomplishments and initiatives • Challenges of the PPP Unit in Program Development • Public sector thoughts and considerations on PPP; obstacles and opportunities for successful PPP Program Development <ul style="list-style-type: none"> • Introduction to Egypt's schools PPP program • Characteristics and options of PPP in education facilities • Current status • Key issues and lessons learned 	<p>Rania Zayed, Director of the MoF Central PPP Unit</p>
<p>Break – coffee/tea</p>	<p>10:00 – 10:15</p>		
<p>The South Africa Public-Private Partnership Program</p>	<p>10:15 – 11:00</p>	<ul style="list-style-type: none"> • The South Africa Public-Private Partnership Program: USAID's program to support the establishment of the Department of Finance Public-Private Partnership Unit to Implement the National and Provincial PPP • Innovative infrastructure project finance for PPP in the health sector. The Inkosi 	<p>Maria Paula Vargas (Chemonics)</p>

Case Study 3: The Inkosi Albert Luthuli Central Hospital (IALCH) PPP in Durban, South Africa		Albert Luthuli Central Hospital (IALCH) in Durban, South Africa was named the Project Finance magazine's African PPP/health care deal of the year/2002.	
Case Study 4: Kosovo PPP Program	11:00 – 11:45	<ul style="list-style-type: none"> • PPP as an engine for growth in Kosovo (development of both the public and private sectors) • Specific challenges for PPP in Kosovo and creative mitigation techniques • Organizing for PPP • Lessons Learned and the project pipeline 	Jill Jamieson (BearingPoint)
Session 3 – Fostering Private Sector Participation in Urban/Municipal Services			
Case Study 1: Morocco's water/sanitation and power PPP program Case Study 2: The water and sewerage concession in Monteria, Colombia Case Study 3: Jordan Electricity Sector PPP	11:45 – 12:30 These will be a series of brief 10-minutes presentations, followed by 5 minutes of Q&A	Topics to be discussed include: <ul style="list-style-type: none"> • One-off transaction vis a vis a multiple PPP program approach • Providing improved water and sanitation services in low-income cities • Balancing investment requirements and minimum service standards with private return on investment • Structuring affordable and socially and politically acceptable tariff increases • Innovative revenue/tariff liquidity and guarantee facilities. • Key water regulation issues and contractual mechanisms for adjusting the economic equilibrium post-transaction • Main contractual elements • Others TBD. 	Allen Eisendrath, Senior Infrastructure Finance Specialist I&E/EGAT Mauricio Gutierrez (Chemonics)
Lunch	12:30 – 13:30		

<p>Session 4: Public Sector Impressions on PPP:</p> <p>Discussion panel and brief presentations by public sector officials</p>	<p>13:30 – 15:00</p>	<p>Discussion Panel of public sector officials from Egypt and other countries in attendance to discuss public sector attitudes towards PPP, key constraints as identified by the public sector, opportunities to overcome such challenges, and thoughts on the most necessary types of TA and donor assistance.</p> <p>Short-form presentations by public sector officials of priority projects and undertakings and discussion of their key development challenges.</p>	<p>Representatives from the Egyptian Government and other public sector officials in attendance</p>
<p>Break – coffee/tea</p>	<p>15:00 – 15:15</p>		
<p>Session 5 – Wrap-Up</p> <p>The role of USAID and other development organizations in supporting PPP.</p> <p>Priority initiatives by the public sector to strengthen PPP programs and their beneficial economic and social impact</p> <p>Closing Remarks by USAID</p>	<p>15:15 – 16:30</p>	<p>Wrap-Up Session:</p> <p>The role of USAID and other development organizations in promoting a broad, multi-year, multi-transaction institutional approach to infrastructure development through PPP. How donor funds could be used to attract/leverage private investment?</p> <p>What should the public sector focus on to improve the effectiveness of its PPP program(s) and transactions?</p>	<p>Brief presentation by moderator, to be followed by panel/round table discussion.</p> <p>Participants: (USAID/Chemonics/BearingPoint)</p> <p>Public Sector Officials</p>