



# **Is it Different for PPPs?**

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# Key challenges in PPP project appraisal and selection

- Some projects “are born” as PPPs, before proper feasibility analysis
- Private sector can propose PPP projects not identified as priorities by the public sector (unsolicited proposal)
- PPPs are excluded from the pipeline of appraised projects and are selected outside the budget selection procedures
- MoFs are not fully involved in PPPs appraisal and selection given that they don't require budget resources in the short-term
- Complexity of PPP projects demands specific skills and resources that do not necessarily exist in either procuring agencies or MoFs

# PPP Project Appraisal -- Five key criteria

## 01 Feasibility and economic viability

Does the underlying project make sense, irrespective of the procurement model?

Is the project likely to attract good-quality sponsors and lenders by providing robust and reasonable financial returns?

## 02 Commercial viability

## 03 Value for Money

Is developing the project as a PPP expected to be the way to achieve value for money compared to other options?

Are the project's overall revenue requirements within the capacity of users and the public authority to pay for the infrastructure service?

## 04 Fiscal affordability

## 05 Project Management

Has the contracting agency the authority, capacity, and fiscal resources to prepare and tender the project, and to manage the contract during its term?

# PPP Project Appraisal -- The role of the MoF

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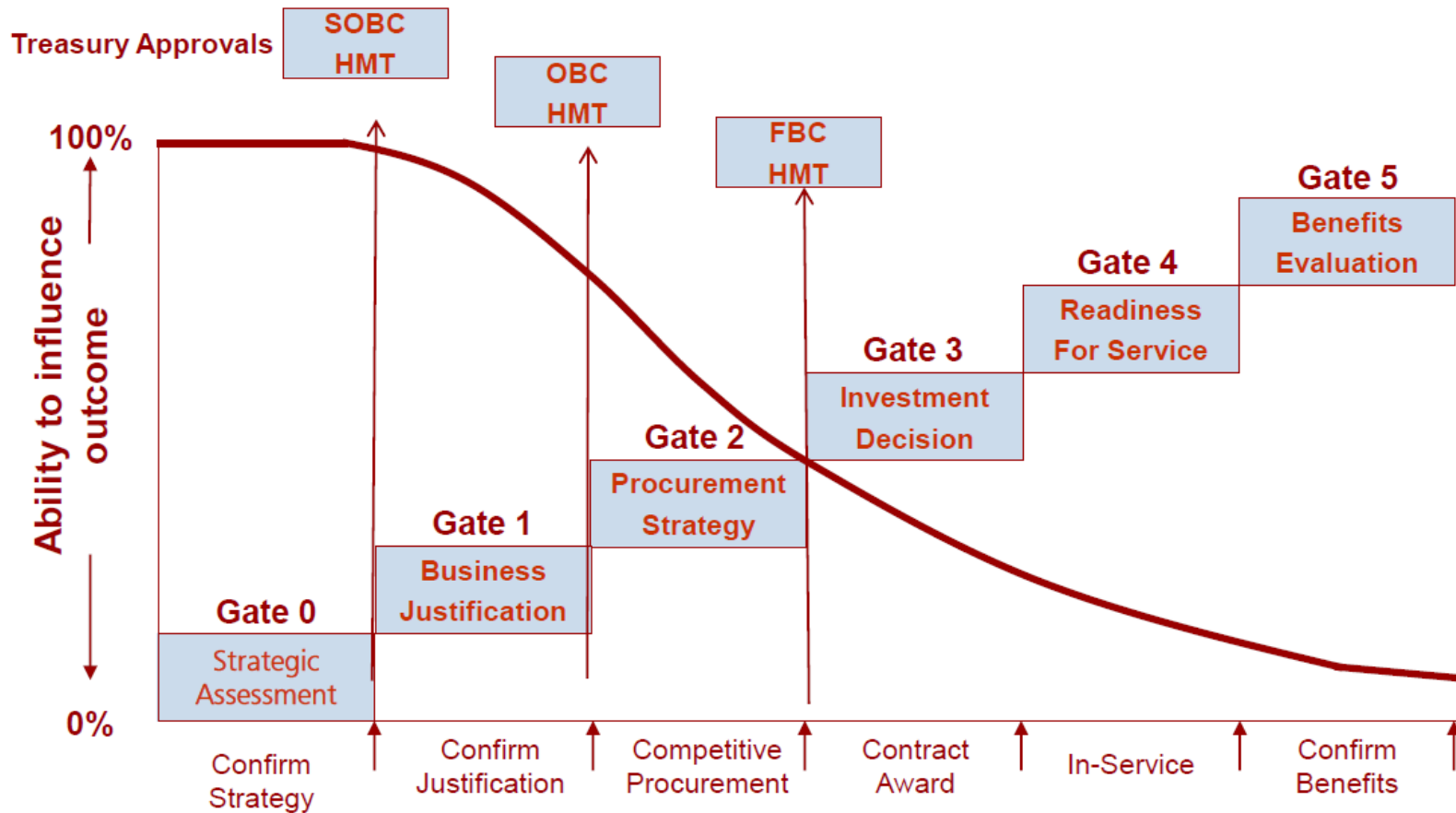
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# PPP Project Appraisal – The role of the MoF

## When to provide input for strategic decisions?

UK Example of Gateway Process for PPPs

### Key stages - Approvals and Assurance



**The sooner the better...**

# PPP project appraisal and selection

## Unsolicited Proposals (USP)

- An estimated 10-30% of global infrastructure projects with private-sector participation in low- and middle-income countries are unsolicited <sup>1/</sup>
- USPs offer potential opportunities for governments, but experience shows they can introduce several challenges
  - diverting public resources away from the strategic plans of the government
  - failing to attract competition
  - leading to opportunities for corruption
- If governments choose to consider USPs, how can they avoid the associated pitfalls and minimize risks?

<sup>1/</sup> Source: World Bank Group's Private Participation in Infrastructure (PPI) Database

# PPP project appraisal and selection

## Unsolicited Proposals (USP)

### 5 key high-level policy decisions to shape a USP policy: <sup>2/</sup>

1. As a general policy rule, shall I allow USPs or not?
2. What should I use USPs for? For a specific project concept, or a specific sector? Or as a complement to the public planning process?
3. How should I incorporate the USP policy in the existing regulatory framework?
4. To what extent should the USP proponent be included in the development of the project?
5. During the procurement phase, how can I enhance competition? In what circumstances could direct negotiation be considered? And shall I provide incentives to the USP proponent?

<sup>2/</sup> Source: World Bank's Public-Private Partnerships Cross Cutting Solution Area (PPP-CCSA),