



Private Sector Participation in Infrastructure Financing in the Western Balkans

WBIF Steering Committee

Luxembourg 09.12.2014

Western Balkans
Investment Framework **WBIF**

PSP in the WBIF region: taking stock

- PSP is a useful tool for project delivery, bringing additional skills and funding sources
- PSP is no panacea to fiscal issues, especially when ability to pay and affordability are key concerns
- Will probably target no more than 5 to 10% of public investment needs over time
- Some practical experience in the region, mostly in energy and transport, but implementation capabilities are still patchy
- WBIF-funded EPEC study now complete: review of legal and institutional frameworks; development of a project preparation tool

Summary Review
of the legal and institutional Framework
for PSP
in Western Balkans Countries

Legal Frameworks for PSP in the WB / EPEC Study

- All countries have legislation in place to allow PSP in infra delivery
- Only Montenegro and B&H do not cater for authority-pay projects (but new law in preparation in Montenegro and authority-pay projects feasible in both B&H entities)
- Secondary legislation in place in most countries
- Procurement: some adjustments needed in Serbia and Montenegro. March 2014 public procurement directives to be transposed everywhere.
- Governing Law: usually domestic; foreign optional only in B&H, Kosovo* and Montenegro.

*This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

Institutional Frameworks for PSP in the WB / EPEC

- Dedicated PPP units in all countries, bar Montenegro
- Various structures: from ministerial division to fully fledged agency
- Main tasks: policy and legislation development, PPP promotion, best practice dissemination, data collection
- Limited involvement in training: Croatia, Former Yugoslav Republic of Macedonia and Kosovo only
- No significant involvement in project/programme preparation except in Kosovo
- Primarily a support role with limited project or quality control roles

Regional PSP Market and Potential Pipeline Estimates

Regional PSP Market: 1998-2013

- WB6 + Croatia: 39 projects closed for 2.6 bn total investment
- Average project is 66 mn but 9 larger projects (100 mn or more) account for 2.3 bn and 26 smaller (25 mn or less) for 157 mn.
- Geographic distribution: activity everywhere but great disparities

| | HR | fYROM | MNE | ALB | KOS | SER |
|--------|-------|-------|------|-------|-------|------|
| Number | 19 | 9 | 5 | 3 | 2 | 1 |
| Value | 1.5bn | 129mn | 92mn | 729mn | 104mn | 47mn |

Source: EPEC dataset completed by IFICO research

Regional PSP Market: 1998-2013 / 2

- Sector distribution: Social sector much ahead by numbers of projects but Transport and Energy dominate by volume
- Transport projects: 3 motorways, 4 air terminals, bus station
- Energy: HPP generation
- Social: education, Gov buildings, municipal and community

| | TRA | ENER | ENV | SOC | TELECOM |
|----------|-----|------|-----|-----|---------|
| Projects | 28% | 8% | 5% | 54% | 5% |
| Value | 51% | 27% | 12% | 8% | 2% |

Source: EPEC dataset completed by IFICO research

Regional PSP potential Pipeline

- 57 potential projects (including Croatia) identified (various stages of development) but no reliable data on project value
- Strong pipeline in Transport, Energy (generation) and Social
- But traditionally high casualty rate in the region (50%+)
- Possibly 20 projects to reach closing in the next 5 years (ex Croatia)

| | ALB | BiH | fYROM | HR | KOS | MNE | SER | Total |
|-------|-----|-----|-------|----|-----|-----|-----|-------|
| ENE | 2 | 2 | 1 | 0 | 0 | 1 | 1 | 7 |
| TRA | 2 | 5 | 3 | 2 | 5 | 1 | 9 | 27 |
| ENV | 1 | 0 | 1 | 0 | 1 | 0 | 2 | 5 |
| SOC | 0 | 1 | 1 | 10 | 6 | 0 | 0 | 18 |
| Total | 5 | 8 | 6 | 12 | 12 | 2 | 12 | 57 |

Dataset compiled by EPEC and additional IFICO research but no claim to comprehensiveness

Introduction
to
EPEC's PPP Project Preparation Tool

Aim of the Tool?

- For contracting authorities:
 - Spot potential areas of weakness and address them early enough in the process
 - Develop a structured approach to PPP preparation
- For other PPP market stakeholders (e.g. PPP units, IFIs, financiers):
 - Gain/share an overall understanding of the preparation status of a number of projects (pipeline)

Key characteristics of the Tool

- A preparation status assessment tool, not a tool to assess the quality of projects or a project management tool
- By reference to a typical good-practice PPP project development process (i.e. EPEC Guide to Guidance)
- Based on the answers provided by the contracting authority itself to a structured list of questions
- Follows a sequential approach from early identification up to the launch of the procurement process
- Highlights interdependence amongst topics
- Can be utilised for a broad range of projects

How does the Tool work in practice?

- An Excel spreadsheet
- The questionnaire is the heart of the Tool
 - “green-coloured” questions focus on process
 - “yellow-coloured” questions focus on key results
- Possibility to record inputs for the same project at different preparation levels and several projects
- The overall assessment page offers a very summarised view on the project preparation status
- Available in English and Croatian

Conclusion and “take-aways”

- A tool to assess, strengthen and share information about the preparation status of PPP projects
- Designed and developed by the EPEC Team
- Discussed and tested with a number of EPEC Members (Croatia, Lithuania, Poland, Portugal, Scotland)
- Available to be used by any interested entity
- First version will be updated based on user feedback

Snapshot of the questionnaire

QUESTIONNAIRE PAGE

Now working on project: **Example1_2014-1-1**

RETURN TO
MAIN MENU

GO TO OVERALL
ASSESSMENT PAGE

STORE THIS PROJECT
IN THE DATABASE

NOTE: The symbol ∞ is used to signal to the user the interdependence of the question with other sections of the questionnaire marked in bold.

Selecting and defining the investment
Click to know more about this topic

Developing the PPP project

Assessing the PPP option against alternative project delivery options
Click to know more about this topic

| | |
|--|------------------------------------|
| Has the PPP option been compared against alternative private and public project delivery options? | <input type="button" value="YES"/> |
| If yes: | |
| Is there a mandatory approach to carrying out this comparison assessment? | <input type="button" value="YES"/> |
| If yes, has this approach been applied? | <input type="button" value="YES"/> |
| Has the assessment involved a comparison of the overall long-term cost of various project delivery options of similar scope and service requirements? | <input type="button" value="YES"/> |
| Has this assessment valued the impact of risks associated with each project delivery option? | <input type="button" value="YES"/> |
| Has this assessment considered qualitative factors for each project delivery option, such as scope for flexibility, opportunities for innovation, management and organisational consequences for the Authority, commencement of service? | <input type="button" value="YES"/> |
| Has this assessment been based on evidence available from previous projects? | <input type="button" value="YES"/> |
| ∞ Has the assessment included the level of competition in the market for each project delivery option ? (see Market sounding and bankability analysis) | <input type="button" value="YES"/> |
| ∞ Have the capacity and resources of the project team to manage each project delivery option been assessed? (see Setting up a project team and a governance structure) | <input type="button" value="YES"/> |
| ∞ Has the timetable of each project delivery option been assessed with respect to the required deadline? (see Developing a plan and a timetable) | <input type="button" value="YES"/> |

Budgeting, accounting and statistical treatment
Click to know more about this topic

| | |
|--|------------------------------------|
| Has an assessment of the impact of the project on the Authority's budget been carried out in accordance with the Authority's own budgeting rules? | <input type="button" value="YES"/> |
| Has an analysis of the likely accounting treatment of the project in the Authority's financial statements been carried out? | <input type="button" value="YES"/> |
| Is the country subject to Eurostat's European System of Accounts? | <input type="button" value="YES"/> |
| If yes, has an analysis of the likely statistical treatment of the project (in accordance with Eurostat rules on PPPs and concessions) been carried out? | <input type="button" value="YES"/> |
| ∞ If yes, has this analysis been performed with the support of the Advisers or the national statistical office? (see Setting up a project team and a governance structure) | <input type="button" value="YES"/> |

Illustrative sample of questions

Has the PPP option been compared against alternative private and public project delivery options?

If yes:

Is there a mandatory approach to carrying out this comparison assessment?

If yes, has this approach been applied?

Has the assessment involved a comparison of the overall long-term cost of various project delivery options of similar scope and service requirements?

Has this assessment valued the impact of risks associated with each project delivery option?

Has this assessment considered qualitative factors for each project delivery option, such as scope for flexibility, opportunities for innovation, management and organisational consequences for the Authority, commencement of service?

Has this assessment been based on evidence available from previous projects?

∞ Has the assessment included the level of competition in the market for each project delivery option ? (see **Market sounding and bankability analysis**)

∞ Have the capacity and resources of the project team to manage each project delivery option been assessed? (see **Setting up a project team and a governance structure**)

∞ Has the timetable of each project delivery option been assessed with respect to the required deadline? (see **Developing a plan and a timetable**)

Snapshot of the overall assessment page

| ACTIVITY | STATUS |
|---|---|
| Selecting and defining the investment |  |
| Readiness to start preparing the project as a PPP | |
| Managing and planning the process |  |
| Developing the PPP project | |
| - Developing the affordability analysis |  |
| - Developing the risk analysis |  |
| - Performing market sounding and bankability analysis |  |
| - Assessing the PPP option against alternative project delivery options |  |
| - Budgeting, accounting and statistical treatment |  |
| Preparing for procurement |  |
| Readiness to procure the project | |
| All areas in the relevant activity are likely to be complete |  |
| Some areas in the relevant activity may still need to be completed |  |
| Many areas in the relevant activity may still need to be completed |  |
| No areas in the relevant activity are currently completed |  |

Conclusions and Next Steps

Options for WBIF

- Main needs: capacity building and pipeline development
- Address both regional and local levels; support to small projects too
- Capacity building targets:
 - Project Readiness Assessment Tool Roll-out
 - Production of Guidance Documents: practical manuals focussing on key stages of project identification and evaluation and of preparation and tendering
 - Preparation of Standardised Documents: RFQ, ITT, TS for mid size social projects
- Pipeline development:
 - Review of existing pipeline with PPR Tool
 - Part funding of Project Advisory costs for flagship projects?



Thank You

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