

2005

.....
ANNUAL REPORT



Helping to eliminate poverty and achieve sustainable development
through public-private partnerships in infrastructure



PPIAF assistance can support activities in a variety of sectors: roads, ports, airports, railways, electricity, telecommunications, solid waste, water and sewerage, and gas transmission and distribution.

Photographer: Yosef Hadar
World Bank Database

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PPIAF at a Glance



PPIAF AT A GLANCE

The Public-Private Infrastructure Advisory Facility (PPIAF) is a multidonor technical assistance facility that helps developing countries improve the quality of their infrastructure through public-private partnerships (PPPs).

Launched in July 1999, PPIAF was developed as a joint initiative of the governments of Japan and the United Kingdom, working closely with the World Bank.

PPIAF is owned and directed by participating donors, which include bilateral and multilateral development agencies and international financial institutions.

PPIAF was built on the World Bank Group's Infrastructure Action Program and has been designed to reinforce the actions of all participating donors. It is governed by a Program Council made up of representatives of participating donors and is managed by a small Program Management Unit (PMU).

How PPIAF pursues its mission

PPIAF has two main mechanisms for helping developing countries improve their infrastructure:

- It provides governments with technical assistance for strategies and policies to tap the full potential of private involvement in infrastructure;
- It identifies, disseminates, and promotes best practices on matters relating to private participation in infrastructure.

What support is available

PPIAF can finance a range of advisory and related activities in a single country or across multiple countries. These activities include the following:

- Framing infrastructure development strategies to take full advantage of the potential for private involvement;
- Building consensus on appropriate policy, regulatory, and institutional reforms;
- Designing and implementing specific policy, regulatory, and institutional reforms;
- Supporting the design and implementation of pioneering projects and transactions; and
- Building government capacity to design and execute private infrastructure arrangements and regulate private service providers.

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**PPIAF PROVIDES GOVERNMENTS
WITH TECHNICAL ASSISTANCE FOR
STRATEGIES AND POLICIES TO TAP
THE FULL POTENTIAL OF PRIVATE
INVOLVEMENT IN INFRASTRUCTURE**

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New infrastructure contracts will need to take hold of both the need for operational and economic efficiency and the sociopolitical need to safeguard the interests of the poor.

Photo: Arne Hoel
World Bank Database

PPIAF assistance can facilitate PPPs for financing, owning, operating, rehabilitating, maintaining, or managing eligible infrastructure services. This assistance can support activities in a variety of sectors: roads, ports, airports, railways, electricity, telecommunications, solid waste, water and sewerage, and gas transmission and distribution.

Countries eligible for PPIAF-financed assistance include developing and transition economies as determined by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD).

How to apply for PPIAF support

Applications for PPIAF support may come from any source. For country-specific activities, however, the beneficiary government must approve all requests for support. For multicountry activities designed to directly benefit a small number of easily identifiable countries, the relevant governments must also give written approval for the activity.

An application form for PPIAF support can be downloaded from the PPIAF website (www.ppiaf.org) or requested from the PMU.

Proposals are assessed against the criteria specified in PPIAF's charter, which is available in full on the PPIAF website or on request from the PMU.

How PPIAF delivers services

PPIAF-financed activities make extensive use of consultants, and procurement is governed by World Bank guidelines. More information about procurement arrangements and consultancy opportunities is available on the PPIAF website.

Consistency with PPIAF mission

All activities must be consistent with PPIAF's overarching objective of helping to eliminate poverty and achieve sustainable development through PPPs in infrastructure.

CONTACTS

Program Management Unit

c/o The World Bank
1818 H Street NW
Washington, DC 20433
USA
Tel (+1) 202 458 5588
Fax (+1) 202 522 7466
Email ppiaf@ppiaf.org

East and Southern Africa Regional Coordination Office

Kenya Reinsurance Plaza
P2, off Ragati Road, Upper Hill
Nairobi
Kenya
Tel (+254 20) 271 4095
Fax (+254 20) 271 4275
Email nairobirco@ppiaf.org

West and Central Africa Regional Coordination Office

15 avenue Nelson Mandela
BP 475
Dakar
Senegal
Tel (+221) 849 4690
Fax (+221) 823 2447
Email dakarrco@ppiaf.org

East Asia and Pacific Regional Coordination Office

World Bank Office Manila
Floor 23 Taipan Place
Emerald Avenue, Ortigas Center
Pasig City
Philippines
Tel (+63 2) 637 5855 or 917 3000
Fax (+63 2) 637 5870 or 917 3050
Email manilarco@ppiaf.org

South Asia Regional Coordination Office

50M, Shantipath
Chanakyapuri
New Delhi 110 021
India
Tel (+91 11) 511 77 801, 511 77 850
Fax (+91 11) 511 77 849
Email southasiarco@ppiaf.org

Outcomes of PPIAF Activities



OUTCOMES OF PPIAF ACTIVITIES

PPIAF's governing body, the Program Council, has emphasized the importance of measurable outcomes from PPIAF's technical assistance. Accordingly, all applicants for PPIAF funding are required to identify short-, medium-, and long-term goals for their activities. These goals are used to measure progress toward the intended objectives.

The impact of PPIAF's portfolio, though only six years old at the end of fiscal 2005, can already be identified:

- Innovative transactions have been designed.
- Institutions related to private participation in infrastructure have been established and strengthened.
- Legislation has been drafted and passed.
- Regulators and policymakers have been trained.

- The public has been educated and consensus built around the agenda for private participation in infrastructure.

During fiscal 2005 (July 1, 2004, to June 30, 2005), the Program Management Unit (PMU) made special efforts to scale up the monitoring of PPIAF's growing portfolio of technical assistance activities (Table 1) and their emerging outcomes. As a result, we are able to report more outcomes in every category than we did for fiscal 2004.

Some examples of the impact of PPIAF funding are highlighted here, and more success cases are documented in the Regional Overviews section, beginning on p. 28.

TABLE 1
Outcomes of PPIAF Activities: Inception to June 30, 2005

	Completed	Pending	Inactive	Total
Facilitating PPP transactions	44	28	9	81
Developing PPP sector reform strategies	21	15	3	39
Helping pass PPP legislation and regulations	24	17	6	47
Strengthening/creating regulatory institutions	30	15	2	47
Capacity building and training workshops/ total attendees	176/15,500			

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IMPROVED MONITORING OF THE PORTFOLIO ALLOWS US TO REPORT SUBSTANTIAL INCREASES IN THE OUTCOMES OF PPIAF ACTIVITIES

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Transactions

Since its creation in 1999, PPIAF has facilitated the design of 81 PPP transactions (12 new transactions in fiscal 2005), including:

- The issuance (in October 2005) of a 25-year concession to run the Kenya–Uganda Railway, following PPIAF financing to the two countries in 2001 and 2002;
- The successful negotiation and commissioning of the \$2 billion Phu My 2-2 power project in Vietnam under a build-operate-transfer (BOT) license, the first BOT put out to international competitive bidding;
- The successful implementation of projects involving small and medium-sized enterprises in the management of water systems in three small Ghanaian towns (the program will be rolled out to more than 300 small towns in the country); and
- The sale of eight-year power contracts in Brazil at a public auction designed to lower energy prices.

Institutions

Since its inception, PPIAF has helped fund the creation or strengthening of 47 institutions dedicated to the sustainable growth of private participation in infrastructure. Seven of these initiatives were added in fiscal 2005. Examples include:

- The establishment of a regulatory body, the Contract Administration Unit in Cambodia, to regulate public and private water utilities to improve water provision to the poor;

- Strengthening of the Communications Regulatory Commission of Mongolia with technical assistance to outline regulations concerning interconnection obligations and guidelines for approval;
- The formation of new regional forums for utility regulators in East Asia and the Pacific and in Central Asia; and
- The creation of the Telecom Regulatory Board in Afghanistan, which is now operational.

Legislation

Since its inception, PPIAF has funded the drafting of 47 sets of laws and regulations related to cross-sectoral reform strategies or for individual infrastructure sectors such as ports, power, telecommunications, and water supply and sanitation. Examples include the following:

- In fiscal 2005 the Government of Swaziland established an enabling national transport policy. PPIAF support also helped develop a privatization policy for divestiture of the national railways and the enactment of railway legislation, which is currently underway.
- PPIAF assistance supported the Government of the Russian Federation in drafting implementing rules and regulations for a universal access strategy in telecommunications, which led to an executive decree promulgating the law.



Water supply and sanitation and solid waste management are among PPIAF's priority sectors.

Photo: Dominic Sansoni
World Bank Database

- In Cambodia, PPIAF funding has assisted with the creation of an enabling cross-sectoral framework for PPPs, which includes a draft concessions law and accompanying regulations.
 - PPIAF funding has helped Afghanistan draft a sector regulatory framework and provided early inputs into a new telecommunications law, which is now awaiting Cabinet approval. The new legislation will help Afghanistan rebuild its telecommunications network, which was left dilapidated after the war in 2002.
 - In Cambodia, PPIAF provided technical assistance to articulate an output-based power sector policy, which has now been adopted by the government.
 - In Algeria, a PPIAF supported telecommunications sector policy statement has been adopted.
 - In Ethiopia, PPIAF assistance helped articulate a strategy and framework for solid waste management, which is now being implemented.
- 2005, an additional six sector reform strategies have been adopted, and a further four are pending. Sector reform strategies supported by PPIAF include the following:

Reform strategies

As a result of PPIAF-funded strategy recommendations since 1999, 21 countries have adopted or are now implementing 39 reforms in the water, power, gas, telecommunications, and transport sectors. In fiscal

Training of regulators and policymakers

Since its inception to the end of June 2005, PPIAF has funded 176 training courses, workshops, and conferences, attended by more than 15,500 participants. Training courses have primarily focused on regulation.

Workshops and conferences have focused on a broad range of issues around sector reform and private sector participation across all the infrastructure sectors.

Participants have included government officials, donor advisers, journalists, regulators, consumer representatives, labor representatives, nongovernmental organizations, investors, operators, and financiers. Such workshops allow stakeholders to exchange views and to build consensus around reform programs being articulated and implemented.

In fiscal 2005, PPIAF provided support to 35 training courses, workshops, and conferences, which attracted 2,100 participants. The results of many of these events, along with the toolkits, papers, and case

studies are available through PPIAF's website (www.ppiaf.org). Examples of such activities are listed below:

- A pan-African conference on the role and experience of private participation in infrastructure (PPI) in Sub-Saharan Africa was held in Cape Town in June 2005.

The conference provided an important forum for policymakers, regulators, private sector operators, and donors to exchange views on the record of PPI in Africa to date and explore options for enhancing existing models to achieve more effective results.

- A pioneering infrastructure regulatory conclave in New Delhi, attended by a wide cross-section of stakeholders, will feed into an initiative of the Confederation of Indian Industry—the apex association of Indian business—to prepare regulatory position papers for key infrastructure sectors.

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PPIAF TOOLKITS AND THE RESULTS OF WORKSHOPS AND COURSES ARE USED TO
INFORM THE PUBLIC DEBATE ON THE ROLE OF PPPs IN INFRASTRUCTURE

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Dissemination of emerging lessons

PPIAF disseminates the results of its workshops and conferences, along with the toolkits, papers, and case studies used to inform the public debate about the role of PPPs in infrastructure service provision.

Its website (www.ppiaf.org) has become a resource for the development community, providing access to many PPIAF-funded reports, branded products, and activity summaries (“Gridlines”). Toolkits draw together emerging best practices on issues relating to PPPs, focusing on a single sector or on a theme that cuts across several sectors.

- In fiscal 2005 the home pages for toolkits together attracted more than 42,500 visits, with each toolkit being downloaded at least 3,800 times.
- A major toolkit on private participation in water infrastructure is in press and will be the focus of further capacity-building programs, as well as other initiatives to integrate its lessons into regional water sector programs.
- *Connecting East Asia: A New Framework for Infrastructure*, a flagship study on the region’s infrastructure strategy, was completed. (<http://siteresources.worldbank.org/INTEASTASIAPACIFIC/Resources/Connecting-East-Asia.pdf>)



In the transport sector, PPIAF will emphasize activities that focus on the needs of the poor, such as rural roads and urban transport.

Photo: Tran Thi Hoa
World Bank Database

Program Council Chair's Report



EXPERIENCE AND EMERGING OPPORTUNITIES DRIVING STRATEGIC ADAPTATION TO CHANGING PPP ENVIRONMENT

PPIAF was launched in 1999 in recognition of the central role that infrastructure plays in the development agenda and as a major contributor to growth, poverty reduction, and achievement of the UN's Millennium Development Goals (MDGs). It helps support the World Bank Group's Infrastructure Action Program and is designed to reinforce the actions of all participating donors.

In the past year, the Gleneagles Summit and the establishment of the Infrastructure Consortium for Africa have further increased awareness of the importance to growth of sustainable infrastructure development. Yet at the same time, infrastructure investment in many developing countries continues to fall, driven by declining public as well as private investment.

More than private finance is needed

The experience of the past decade has taught us that the private sector will not be able to provide a complete solution to the financing gap, even though the private sector continues to be an important contributor to global infrastructure development (accounting for approximately 20 percent of total annual infrastructure investment in developing countries in recent years).

This should not necessarily be an overriding concern. Finance is not the private sector's most important contribution—efficiency gains, access to management expertise, and the introduction of new technologies are the real benefits of private sector participation in infrastructure provision.

MOST COUNTRIES NOW NEED TO CORRECT FOR HUGE INFRASTRUCTURE DEVELOPMENT GAPS

As a consequence, most developing countries now face the challenge of correcting for huge infrastructure gaps that threaten growth and the achievement of social and economic development goals.

The infrastructure investment needed to keep up with projected growth in the developing world is estimated to be equivalent to 5.5 percent of developing countries' gross domestic product (GDP) annually. For low-income countries, the target could be as high as 8–9 percent. Approximately half of this investment will be required for new infrastructure investments, and about the same again for maintenance of existing assets.

At the same time, the past decade has provided us with some tough lessons showing us that none of these benefits are guaranteed; their realization depends on the creation of a sound regulatory and policy environment for PPP.

Where these features do not exist, countries will face much more difficulty raising private capital without appropriate risk mitigation. Risk management mechanisms are likely to take various forms. In the short to medium term, PPP structures that blend public money with user revenues are likely to grow. Management contracts and their variants (non-equity models, investment management contracts, and

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PPP STRUCTURES THAT BLEND PUBLIC MONEY WITH USER

REVENUES ARE LIKELY TO GROW

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so on) are likely to gain prominence over long-term concession contracts. Subsidies are likely to be important to affordability, but they will only be effective if they are transparent and dependent on performance.

New contracts will need to take hold of both the need for operational and economic efficiencies and the sociopolitical need to safeguard the interests of the poor. Experience with a number of PPIAF-funded activities has shown that extensive social intermediation and involvement of local communities in the early stages of projects intended to benefit them substantially increase the likelihood for success, as well as sustainability.

And finally, regulatory systems will need to be responsive to this new risk-sharing model, in particular by acknowledging the tradeoff between high-powered incentive schemes, such as price-cap mechanisms, and cost-of-service regulation, for which the informational requirements are much lower.

Changes bringing new opportunities

In the coming years, the PPP market is likely to differ in other respects too, and opportunities may arise in the following areas:

- **More prominent role for local and regional investors**—There are at least two important reasons for this. First, increased wariness by foreign operators to deal with risks will likely create opportunities for local and possibly regional investors and operators in larger and medium-scale projects.

And second, there is increasing recognition both by policymakers and multilateral donors that public utilities are not well suited to providing services in small, remote towns and rural areas and that more must be done to encourage

small-scale local service providers to play an important role in service delivery in areas not reached by public utilities.

- **Support to regional projects**—Infrastructure has an important role to play in fostering more effective and widespread regional integration, and it is extremely well suited to it, since providing infrastructure services across geographic boundaries allows for economies of scale that may not otherwise exist in a country with a small, scattered, and low-income population.
- **Support to subnational levels in response to decentralization**—Responsibilities for basic infrastructure services are in many cases being devolved to local governments, which play an essential role in implementing network infrastructure in many sectors and in delivering services. Subnational governments will thus be called upon more often to be the formal partner of private infrastructure providers.

PPIAF's excellent record since its inception in 1999, the strong growth in demand for its services over the past year, and its responsiveness to a substantially changed PPP market augur well for it in the years ahead.

PPIAF's successes are borne out by an independent review of the program, commissioned by the Program Council in 2005, which gave a strong endorsement of the program. I am confident that PPIAF is well placed to play a meaningful role in supporting governments in addressing many of the challenges and opportunities in the PPP arena.

Katherine Sierra
Program Council Chair



The PPP market is likely to see a more prominent role for local and possibly regional investors in medium scale and larger projects.

Photo: Arne Hoel
World Bank Database

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Program Manager's Report

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STRONG PROGRAM ENDORSEMENT, GROWING INTEREST IN RANGE OF PPP OPTIONS

The past financial year yielded strong growth in demand for country-based technical assistance and a greater interest in support around a wider range of public-private partnership (PPP) options. Program operations have also been significantly revamped to improve monitoring of activities, and a renewed focus on outcomes has been achieved.

Increase in value of activities

In fiscal 2005 PPIAF provided funding for 82 new activities worth a total of \$17.4 million, a 22 percent increase over the previous year.

At the end of the fiscal year, the portfolio included 412 closed and active activities. Of these, 48 were global best-practice activities and 76 were regional initiatives.

Since PPIAF's inception, activities have been conducted in 94 countries, for a total value of \$93.5 million. This funding has mobilized an additional \$57 million from co-financing contributions of other donors and governments.

Steady performance in the regions

Among the regions, Sub-Saharan Africa (25 percent) and East Asia and Pacific (18 percent) accounted for the largest share of funding. Africa (23) had the largest number of activities, closely followed by East Asia and Pacific (15).

Support for water and energy projects remained fairly high, in line with PPIAF's objective to support activities that are more directly linked to poverty reduction and the achievement of the MDGs.

Measuring outcomes

But PPIAF is not just concerned with the volume of activities—outcomes matter. This has been discussed in more detail in this annual report, but I am pleased to provide some summary figures here.

Since its creation in 1999, PPIAF has facilitated the design of 81 PPP transactions, the creation or strengthening of 47 institutions, and the drafting of 47 sets of laws and regulations.

Twenty-one countries have adopted or are now implementing 39 different sector reforms in the areas of water, power, gas, telecommunications, and transport that will improve the quality of life of the poor.

Over this time PPIAF has also funded 176 training courses, workshops, and conferences, attended by more than 15,500 participants.

Strategic review and strategic framework

These changes in fiscal 2005 were accompanied by further good news. An independent review of the program, commissioned by the Program Council, provided a strong overall endorsement of the program while also suggesting areas for further operational strengthening (see the executive summary of the independent strategic review in Annex II).

In response to the recommendations of this strategic review, the Program Management Unit (PMU) prepared PPIAF's medium-term strategic framework (fiscal 2006–08), which seeks to balance the essentially demand-driven approach that has been the hallmark of PPIAF's business model with a renewed emphasis on track records and outcomes. The strategic framework was endorsed in full by the Program Council at its annual meeting in Manila, in May 2005.

The framework primarily lays out a plan for allocating PPIAF outreach and dissemination efforts to

- **Countries where PPIAF resources have the highest potential to make an additional meaningful contribution**—A key element in

this proposed strategic framework is to monitor and target our outreach efforts by the relative “reform-mindedness” of countries, defined by a combination of their institutional capacity, political stability, and commitment to reform.

- **Sectors that have a clear and direct impact on the needs of the poor**—The sectors that provide essential services that directly affect the poor are water supply and sanitation, electricity, and solid waste. Within the transport sector, the emphasis will be on activities that focus on the needs of the poor, such as rural roads and urban transport.
- **Activities that are more closely linked to specific PPP transactions and supporting reforms**—In addition to the increased focus on support for the transactions, outreach efforts will prioritize downstream activities more directly related to specific PPP initiatives. Broad sectoral reviews or regulatory activities that are only loosely connected to specific PPP initiatives will be subjected to more scrutiny.

Strong pro-poor focus

In addition to these considerations, given the significant economic benefits that can arise from regional integration, PPIAF will ensure that cross-border activities continue to receive adequate funding support. In deciding between various potential cross-border activities, PPIAF will prioritize those that reflect the effective demands of priority countries, sectors, and activity types, as defined above.

Finally, and most importantly, the strategic framework emphasizes a greater focus on poverty alleviation. PPIAF will give priority to countries, sectors, and types of activities that directly support poverty-alleviating infrastructure strategies.

Further, we will seek to ensure that all activities that potentially affect service or pricing levels—be it sector restructuring, transaction design, or economic regulation—explicitly assess the potential poverty implications and that the terms of reference for all activities take explicit account of accessibility and affordability issues.

PPIAF will strengthen the scope and depth of the impact of its poverty-alleviating activities by giving priority to essential services that more clearly and directly help meet the needs of the poor. Monitoring of poverty reduction will become a core component of the enhanced monitoring and portfolio management responsibilities of regional program leaders.

Exciting challenges ahead

PPIAF is expecting another very productive year in 2006. This is because of strong demand for PPIAF assistance associated with further recovery in the PPP market and in part because of the impact of various operational changes already introduced as well as others currently in the works.

The opening of new offices in Delhi, India, Dakar, Senegal, and Manila, Philippines, completed in fiscal 2005, is expected to play a significant role in expanding the PPIAF pipeline in the year ahead.

Fiscal 2006 brings with it new and exciting challenges both for PPIAF and for the PPP market. With the implementation of the proposed strategic framework, PPIAF will, among other things, be well positioned to support emerging challenges and themes in the global PPP market.

These include the development and further refinement of risk-sharing PPP approaches, the determination of favorable outcomes for existing projects under stress, and the development of policies that facilitate meaningful involvement of local investors and operators in PPP projects, large and small.

PPIAF will also strive to contribute to the development of improved regulatory systems that are more responsive to PPP arrangements.

PPIAF will continue to dedicate approximately 15 percent of its annual budget to the identification, promotion, and dissemination of international best practice, focusing proactively on the emerging challenges and themes referred to above.

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MONITORING OF POVERTY REDUCTION WILL BECOME A CORE COMPONENT OF PORTFOLIO MANAGEMENT IN THE REGIONS

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Operationally, the focus will be on the following key issues:

- **Monitoring implementation and outcomes**—The PMU staff will pay more attention to the quality of implementation and emerging outcomes than to pipeline size and flows.
- **Implementation of a new dissemination strategy**—A new senior communications specialist has been appointed and is already taking responsibility for the design and execution of a new strategy.
- **Consolidating partnerships**—Partnerships may vary by type of institution and may range from implementation partnerships with regional development banks, informal consultation

mechanisms, and support to regional entities, especially in Sub-Saharan Africa, that are taking on an increased leadership role in promoting infrastructure development.

- **Greater field presence of PPIAF PMU staff**—To improve our interaction with and responsiveness to client countries, an increasing proportion of PMU staff is based in the field, and more than half of the PPIAF portfolio is now managed through the field offices.

Jyoti Shukla
Program Manager



PPIAF's strategic framework will give priority to countries, sectors, and types of activities that directly support poverty-alleviating infrastructure strategies.

Photo: Ray Witlin
World Bank Database

Operations Overview



OPERATIONS

FUNDING FOR 82 ACTIVITIES WORTH \$17.4 MILLION APPROVED

From its inception in 1999 through June 30, 2005, PPIAF provided 412 grants worth more than \$93 million. This section summarizes PPIAF's fiscal 2005 portfolio overall, provides some details on regional performance, and highlights some completed activities that have yielded encouraging downstream impacts.

The fiscal 2005 portfolio: an overview

PPIAF funded a range of activities in all eligible sectors and across all developing regions in its sixth year of operation. By June 30, 2005, the PPIAF portfolio included activities in more than 94 countries, and 76 regional activities. In fiscal 2005 alone, PPIAF approved funding for 82 activities, for a total value of \$17.4 million, a 22 percent increase over fiscal 2004. Additional co-financing of about \$15.4 million was mobilized from other donors and through contributions from governments.

Geographic focus

Countries eligible for PPIAF assistance are those classified as “developing countries and territories” by the OECD's Development Assistance Committee, in its list of aid recipients. Among the regions, Sub-Saharan Africa accounted for the largest share of activities and funding in fiscal 2005, followed by East Asia and the Pacific. South Asia region witnessed the largest percentage growth both in the number of activities and in funding from the previous fiscal year.

Sector focus

PPIAF activities help pave the way for private involvement in the financing, ownership, operation, rehabilitation, maintenance, and management of an

eligible infrastructure service, as well as support for the regulation of such activities. The activities cover a broad spectrum of contracting approaches, from management contracts and leases to concessions and divestitures, across a range of eligible infrastructure sectors, including

- **Water**—water, sewerage, and solid waste;
- **Energy**—electricity generation, transmission, and distribution and natural gas transmission and distribution;
- **Transport**—roads and urban transport, ports, airports, and railways; and
- **Telecommunications.**

Activities covering more than one sector accounted for the largest number and value of approvals, reflecting PPIAF's continued emphasis on systematic approaches that transfer lessons and experience across sectors (Table 2).

These multisector activities included capacity-building exercises for regulators of infrastructure services; policies for improving the investment environment for infrastructure across sectors; and strategies for increasing competition in network services, such as power, railroads, and telecommunications.

Activities in the power, transport, and water and sanitation sectors accounted for the next largest shares, both by number and by value of approvals. This is in line with PPIAF's poverty focus to prioritize sectors important to the achievement of the Millennium Development Goals (MDGs).

Type of activities

Although many PPIAF activities involve more than one type of output or deliverable, they are classified by their primary deliverable into one of six distinct categories (Figure 1). This categorization demonstrates the broad range of PPIAF assistance, ranging from support to “upstream” activities, such as the design of sector reform strategies, to support for “downstream” activities such as work on a specific PPP transaction.

FIGURE 1
Type of Activities

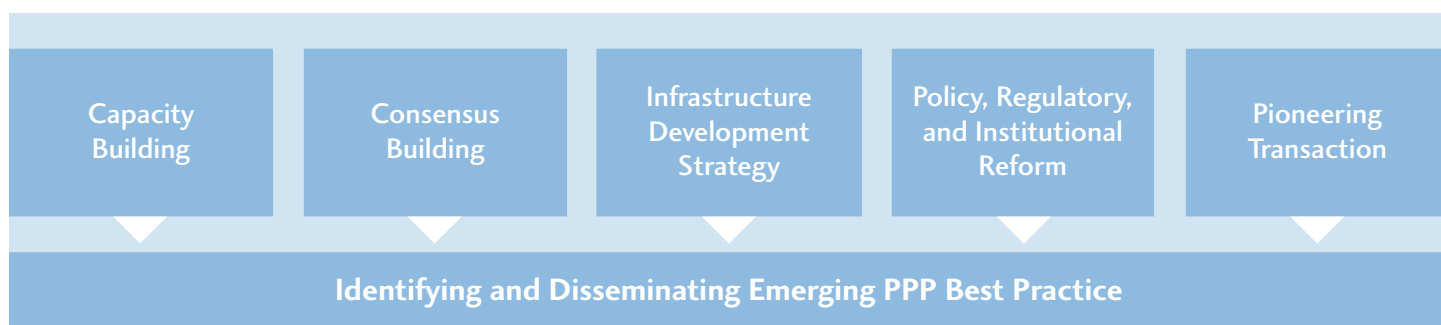


TABLE 2
Funding by Sector, Fiscal 2005

Sector	No. of Activities	Funding US\$ '000	Share of Activities (%)	Share of Funding (%)
Energy	16	3,664	20	21
Multisector	33	6,409	40	37
Telecommunications	3	796	3	5
Transport	16	3,362	20	19
Water and sanitation	14	3,172	17	18
Total	82	17,403	100	100

TABLE 3
Funding by Deliverable, Fiscal 2005

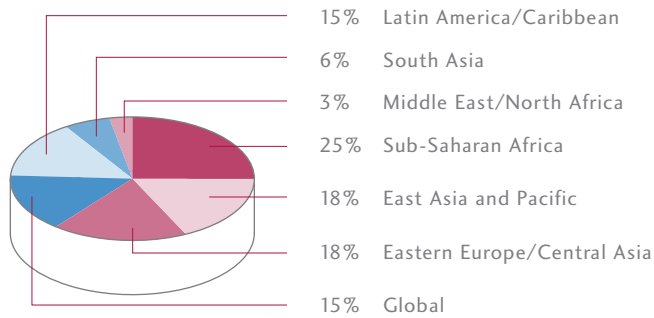
Sector	No. of Activities	Funding US\$ '000	Share of Activities (%)	Share of Funding (%)
Capacity building	8	1,292	10	7
Consensus building	9	1,135	11	7
Emerging best practices	11	1,552	13	9
Infrastructure development strategies	35	8,202	43	47
Policy, regulatory, and institutional reforms	14	3,573	17	21
Pioneering transactions	5	1,649	6	9
Total	82	17,403	100	100

TABLE 4
Growth in Overall Portfolio

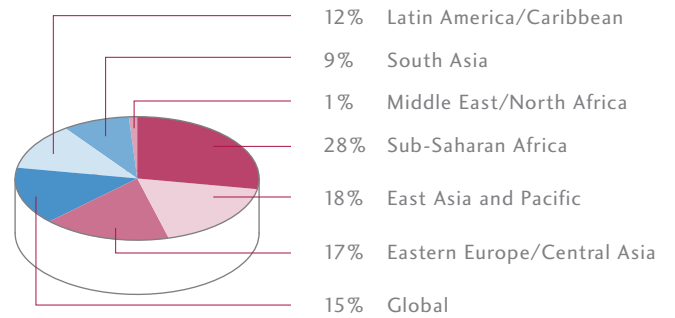
Fiscal Year	Funding in US\$	No. of Activities
2000	\$15,598,247	74
2001	\$18,683,007	74
2002	\$13,256,860	59
2003	\$14,304,305	60
2004	\$14,220,760	63
2005	\$17,403,203	82

FIGURE 2
Distribution of the PPIAF Portfolio, Fiscal 2005

BY REGION

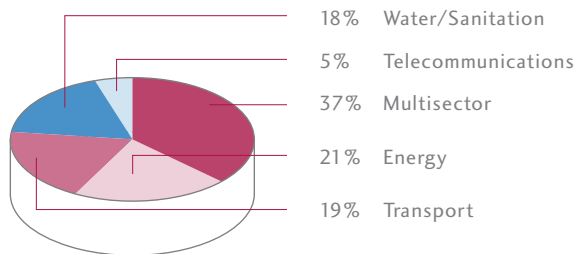


Share of ACTIVITIES

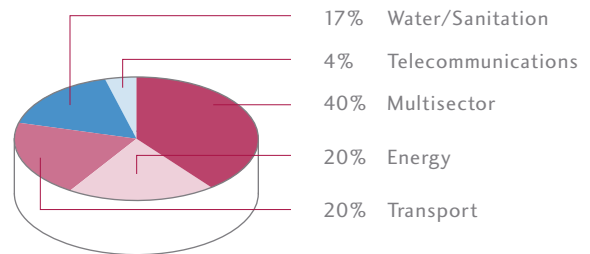


Share of FUNDING

BY SECTOR

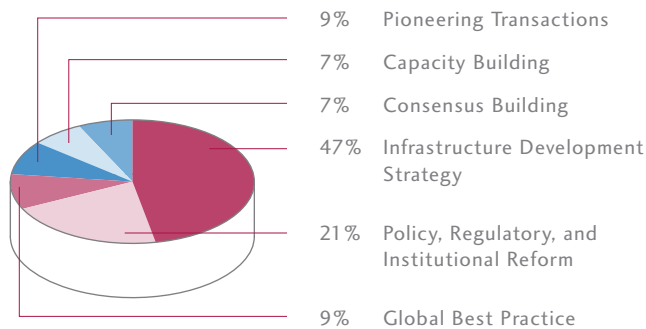


Share of ACTIVITIES

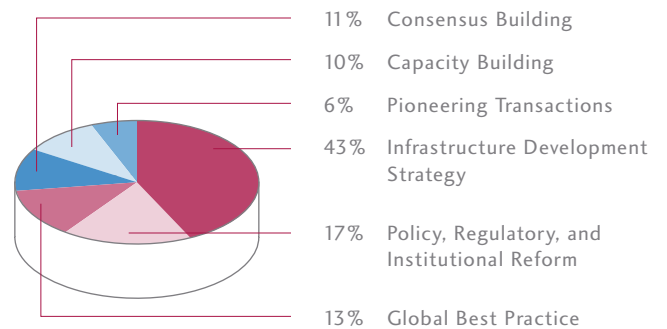


Share of FUNDING

BY PPIAF DELIVERABLE



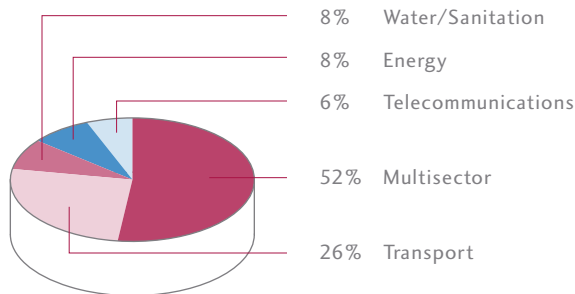
Share of ACTIVITIES



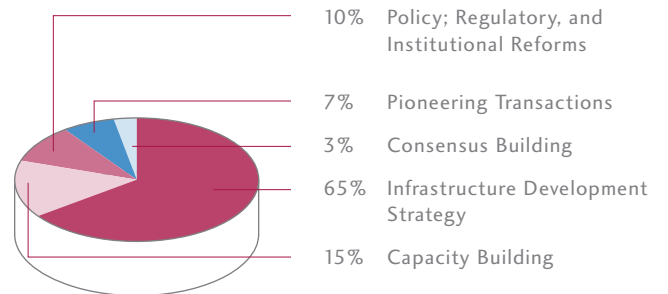
Share of FUNDING

FIGURE 3
Regional Distribution by Sector and Type of Activity, Fiscal 2005

SUB-SAHARAN AFRICA

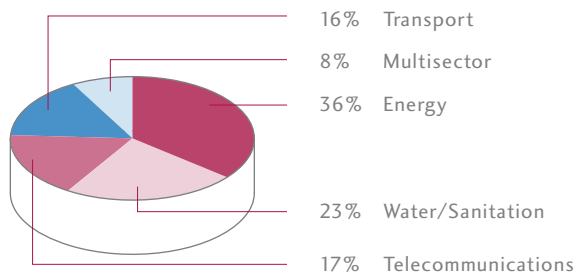


Sectoral ALLOCATION

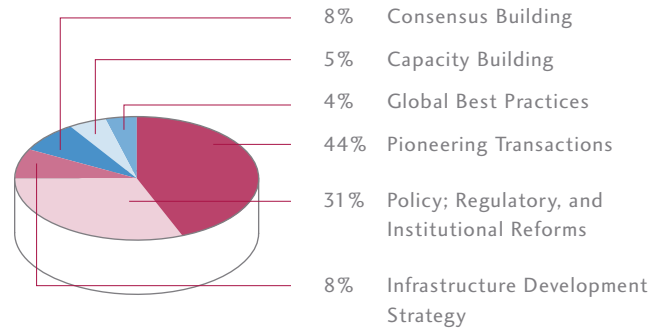


Nature of ACTIVITIES supported

EAST ASIA AND PACIFIC

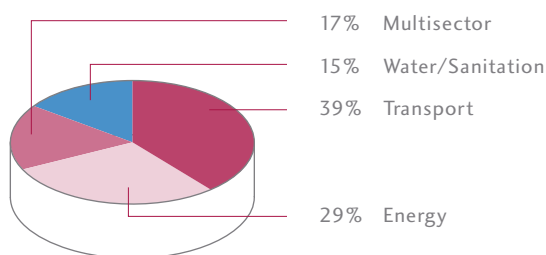


Sectoral ALLOCATION

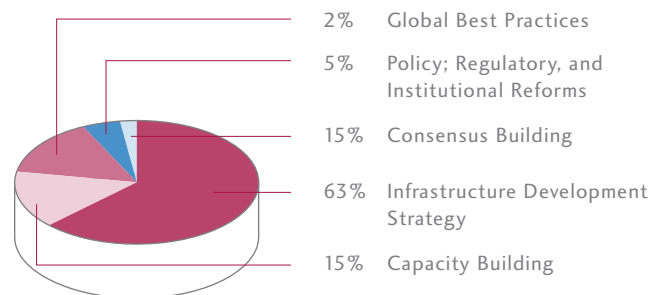


Nature of ACTIVITIES supported

EASTERN EUROPE AND CENTRAL ASIA



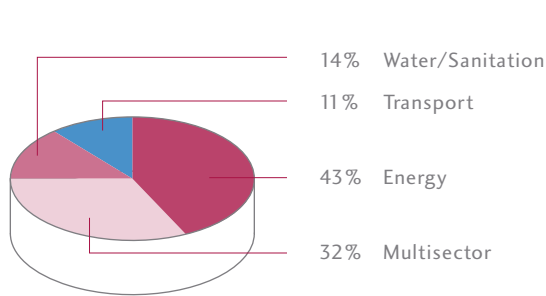
Sectoral ALLOCATION



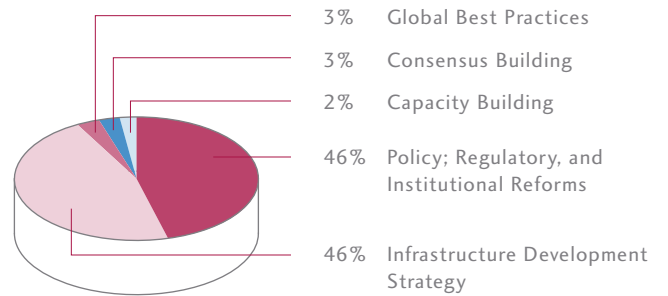
Nature of ACTIVITIES supported

FIGURE 3 (Concluded)
Regional Distribution by Sector and Type of Activity, Fiscal 2005

LATIN AMERICA AND THE CARIBBEAN

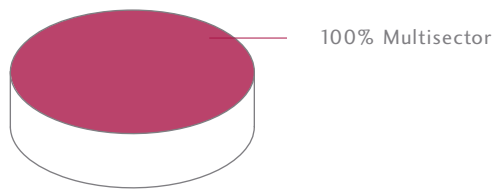


Sectoral ALLOCATION

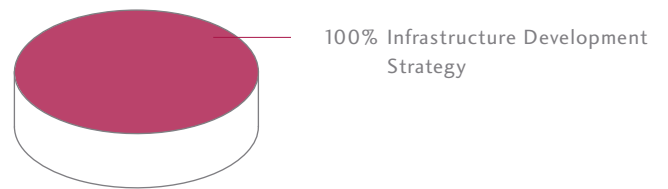


Nature of ACTIVITIES supported

MIDDLE EAST AND NORTH AFRICA

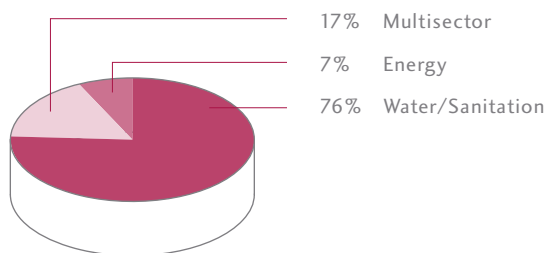


Sectoral ALLOCATION

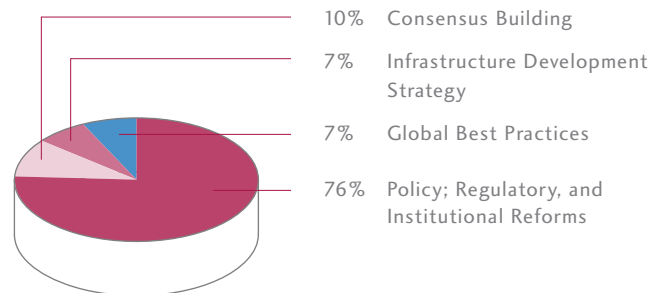


Nature of ACTIVITIES supported

SOUTH ASIA



Sectoral ALLOCATION



Nature of ACTIVITIES supported



PPIAF provided \$3.17 million for 14 activities in the water and sanitation sector in fiscal 2005. This was 18 percent of total funding.

Photo: Tomas Sennett
World Bank Database

Regional Overviews



SUB-SAHARAN AFRICA | SOUTH ASIA | EAST ASIA AND PACIFIC
EASTERN EUROPE AND CENTRAL ASIA | LATIN AMERICA AND THE CARIBBEAN
MIDDLE EAST AND NORTH AFRICA | GLOBAL

Sub-Saharan Africa

NEW STRATEGY TO RESPOND TO THE REGION'S CHALLENGES

AND EMERGING POTENTIAL

Sub-Saharan Africa (SSA) remains a challenging region for public-private partnership (PPP) projects. Infrastructure access levels and customer affordability levels are generally lower in SSA than in other parts of the globe, as are government capacities to conclude and co-finance sustainable PPP projects. Moreover, all forms of political risk are perceived by international operators and financiers to be high. As a result, Africa continues to experience low levels of PPP investment.

Strategic outreach and dissemination

Toward the end of fiscal 2005, PPIAF developed a regional strategy for Africa, in an attempt to respond to the specific challenges and constraints that characterize the region. The essence of the regional strategy is to operationalize the overall PPIAF strategy of remaining demand driven but to use outreach and dissemination strategically to encourage demand for PPIAF-supported activities that better reflect the current realities of the African PPP market.

CENTRAL ROLE FOR PPIs IN 10-YEAR NEPAD AGENDA

There is nevertheless reason for some optimism. First, African governments have begun a gradual but distinctive shift toward acceptance of the PPP model. Much of this change in attitude has been due to the new perspective adopted by influential regional organizations in Africa on the need for such projects.

The New Partnership for Africa's Development (NEPAD) helped drive this sea change in attitudes by insisting that Africa's regional economic communities (RECs) develop 10-year investment plans that give central roles to PPP.

At the same time, the G8's special new focus on African infrastructure and the establishment of the Infrastructure Consortium for the continent are likely to give further momentum to these developments.

Among other things, this means supporting proposals for simpler contractual forms of PPP that emphasize operational efficiency rather than capital investment, projects involving local operators and investors, and consultations that involve extensive community engagement. It also means managing the portfolio in ways that will allow PPIAF's Africa team to better understand emerging trends in the market so that outreach and dissemination can remain responsive to changing market realities.

Active year with good outcomes

The past financial year was PPIAF's most active year in its history in the region, with more activities approved than in any previous year and a 40 percent increase in funding commitments over those of 2004.

In fiscal 2005, PPIAF's upstream policy work and option studies began to show some positive downstream results, with work on significant PPP transactions initiated with PPIAF assistance in Swaziland (rail), Ghana (bus), Tanzania and Zambia (the Tazara Railway), and South Africa (the country's first independent power producer).

At the same time, PPIAF began to capitalize on the new attitudes toward PPP by making special outreach overtures to these regional actors. As a result, NEPAD

and RECs such as the Economic Community of West African States and the Southern African Development Community approached PPIAF for support during 2005—the first time that RCO links with regional organizations have been forged.

SNAPSHOTS

GHANA: Strengthening participation of SMEs in small-town water provision

A PPIAF-funded activity led to successful pilot projects involving small and medium-sized enterprises (SMEs) in the management of small-town water systems in three Ghanaian towns.

Communities and district water boards have long been interested in such partnerships, but they lacked the capacity to negotiate contracts with local SMEs involved in water service delivery. This lack of capacity saw community-managed water supply systems in many of Ghana's nearly 300 small towns (pop. 5,000–40,000) fall into disrepair.

Successful pilot and BOT projects

Ghana Community Water and Sanitation Agency, the body that oversees these transactions, approached PPIAF for funding for a two-phase study to review the potential for a stronger and more productive role for local SMEs in small-town water service provision and to draft the necessary legal and advisory tools to strengthen the capacity of water boards to negotiate such contracts.

The assistance also provided for identification and funding of pilot projects, and two were developed—in the towns of Enchi (pop. 9,000) and Wassa Akropong (pop. 6,000). The operators were engaged for 5 years, and communities participated in the tendering process and in deciding the management arrangements.

The activity also supported the preparation of an operating license to allow a private firm to build, own, and operate a water system for the 5,000 residents of the town of Dzemeni. The license requires that the private firm invest in a new system with its own resources, as the town's inhabitants used to fetch water from a polluted lake or from the neighboring community 9 miles away. The community expressed enthusiastic support for the BOO/BOOT project.

Nationwide rollout

By-laws were developed during the pilots to strengthen the capacity of water boards to contract with the private sector. Training and monitoring manuals set out the steps for procuring a community-private partnership for small-town water supply and provide a guide for monitoring the performance of the system and the operator.

The management models supported by this PPIAF-funded activity are important improvements on traditional community-driven approaches in Ghana, and a national workshop to start replicating these successes in other small towns has been held. These lessons will serve as a stepping stone to models that involve even greater investment and risk-taking on the part of the private operators.



Kenya and Uganda announced the winner of a 25-year railway concession in October 2005. Signing of the concession is expected early in 2006.

Photo: Guiseppe Franchini
World Bank Database

KENYA: 25-year rail concession announced in East Africa

The governments of Kenya and Uganda announced in October 2005 the winner of a 25-year concession to run the Kenya–Uganda Railway, following upstream PPIAF financing to the two countries in 2001 and 2002.

Sheltam Trade Close Corporation of South Africa, a firm associated with the Comazar Group, the largest private rail operator in Africa, won this concession, which has been characterized as the most ambitious privatization transaction in East Africa. Nine firms were short-listed for the bidding, and two competed for the final award of the concession, which is expected to be signed early in 2006.

The concession is expected to reverse the loss-making pattern of the railways. Kenya Railways alone

is hemorrhaging \$3.2 million a month. The concessionaire is expected to invest \$280 million in rehabilitation of existing assets and another \$42 million in new rolling stock. The firm will pay the governments 11 percent of revenue plus an annual concession fee of \$2 million.

PPIAF assistance to the Ugandan government helped the country develop a privatization strategy for its railways that was approved by Cabinet in 2001.

PPIAF also assisted the Kenyan government in developing a framework for independent regulation of its rail sector in 2002. The findings of this study were incorporated into the advisory mandate given to the International Finance Corporation, the lead transaction adviser for this concession.

SWAZILAND: Draft railway Act ready for Parliament

PPIAF assisted in developing a framework for independent regulation in the rail sector that led to a draft Swaziland Railway Act of 2004—replacing the inadequate legislation drafted in 1962—and regulations that the government can adopt.

PPIAF support went toward formulating a regulatory strategy for the rail sector, providing an organizational structure for the proposed agency, and developing a detailed legal framework to implement the proposed regulatory strategy.

This work followed Swaziland’s implementation of a policy to privatize 16 of its 45 public enterprises. These key infrastructure enterprises have been responsible for service provision in water, electricity, telecommunications, and transport, including airports and railways.

The Government of Swaziland has expended significant effort and resources toward privatizing Swaziland Railways and has now decided on a unitary concession. It has also put into place a national transport and privatization policy that supports the privatization of Swaziland Railways, as well as other state-owned companies.

Additional funding for the concession

Additional PPIAF funding will assist the government in finalizing the concession, including preparing a concession strategy that meets the objectives of the government and the expectations of stakeholders. To attract serious bidders, an information memorandum will be prepared to provide a balanced description of the benefits and risks of the concession to help investors make valid proposals.

AFRICA: Conference on PPI and the poor

More than 200 policymakers, financial experts, civil society representatives, and private sector players gathered in Cape Town in June 2005 for a PPIAF- and World Bank–sponsored conference, “PPP and the Poor.”

Africa’s huge infrastructure needs are estimated to require twice the current investment of \$10 billion per year if the continent is to accelerate economic growth and show faster progress toward the MDGs. Yet the challenge of improving roads, telecommunications, ports, power supply, and water supply and sanitation requires not only larger commitments by African governments and their international partners but also innovative financing and management approaches that leverage the private sector.

The conference was opened by South Africa’s minister of finance, Trevor Manuel, and built on lessons from two earlier PPIAF-funded conferences devoted to private provision of infrastructure services for the poor (London, 2000; Manila, 2002).

The conference on Africa was timely, as it engaged African countries in a more proactive dialogue on infrastructure as they strive to implement their Poverty Reduction Strategy Programs and to make progress toward achieving the MDGs.

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“WITHOUT SIGNIFICANT INVESTMENT IN INFRASTRUCTURE, IT’S
IMPOSSIBLE TO ATTAIN THE MILLENNIUM DEVELOPMENT GOALS. WE MUST
PAY ATTENTION TO PRIVATE PARTICIPATION IN INFRASTRUCTURE, AND WE MUST
PAY ATTENTION TO AFFORDABILITY.”

— Nigeria’s Minister for Power and Steel Liyel Imoke speaking at the conference

.....

AFRICA: Guidebook for telecommunications regulators

Telecommunications regulators and operators in Africa now have a guidebook to facilitate private participation in the sector. The PPIAF-funded manual has a users’ guide on preparing, negotiating, and concluding interconnection agreements. It provides a model (on CD-ROM) for bottom-up determination of interconnection prices and outlines the principles underlying this approach.

As African telecommunications markets open, disagreements between operators about interconnection prices are posing a challenge for regulators. The main reason is that regulators rarely have reliable guides to best practice in this area.

The telecommunications guidebook—available in both English and French—is helping sector players agree on tariff regimes and deal with interconnection disputes on the basis of rigorous cost models. This resource provides regulators and operators not only with a decision support tool but also with a better understanding of the logic of regulating a sector that is open to competition.

Quicker negotiation of agreements

By overcoming this major hurdle, the guide is expected to reduce the time that new entrants spend in negotiating interconnection agreements before starting operations or the time existing operators spend in renegotiating such agreements.

More than 1,400 copies of the guide have been distributed, largely to regulators. Training sessions on effective use of the cost model have been held in Algeria, Burkina Faso, Cameroon, Côte d’Ivoire, Tanzania, and Zambia.

The long-term goal is to see the guidebook in use in countries with network and interconnection requirements similar to those in Gabon—countries such as Benin, Burkina Faso, Cameroon, Chad, Tanzania, and Togo—to create well-regulated markets with a good interconnection regime as a foundation for fair competition.

The manual also discusses key issues related to interconnection agreements, such as license conditions, tariff structures, infrastructure capacity, and the policy, legal, and regulatory environment.

Copies of the guidebook are available through the World Bank InfoShop (www.worldbank.org/infoshop).

A PDF version can be downloaded from the PPIAF website (www.ppiaf.org).

South Asia

SCALING UP INFRASTRUCTURE ACCESS AND SERVICES A PRIORITY

Infrastructure access and service delivery continue to be one of the key constraints to economic development and poverty reduction in the South Asia region, which is home to 20 percent of the world's population. Although large investments are needed to bridge this gap, the governments have been able to meet only part of the funding requirements.

The private sector has also filled-in only a limited part of the gap so far, owing to its perception that the political and regulatory risks are high. More recently, however, the governments in the region are becoming interested in exploring various alternative PPP models to scale up infrastructure services. These alternatives include management contracts and other risk-sharing models.

Facilitating enabling environment for PPPs

Fiscal 2005 was a year of consolidation for the South Asia region. Acting on the recommendations of the PPIAF strategic review (see Annex II), the South Asia regional coordination office became operational with locally recruited staff. The office is finalizing a regional strategy and its outreach efforts are resulting in direct relationships with beneficiaries and more responsiveness to their needs and concerns. A proactive collaboration program with development partners is underway.

SAR has had a fairly small portfolio in the past, accounting for about 11 percent of global assistance. PPIAF funded seven new activities in the region in fiscal 2005, up from a mere three in the previous financial year. Total funding support for the seven activities in fiscal 2005 amounted to \$1.10 million.

There is continued demand for consensus building and dissemination of global experience to address the scepticism of various stakeholder groups and build support for private sector participation. A unique PPIAF activity provided support to the apex industry association in India, the Confederation of Indian Industry, in organizing a multistakeholder conference on regulation in April 2005. PPIAF-supported stakeholder workshops in both Pakistan and India contributed to ongoing discussions on promoting PPPs and establishing central PPP units.

The water supply, sanitation, solid waste management, and transport sectors are emerging as focus areas for PPPs in the region.

Strong support for policy, institutional reform

The bulk of the support in SAR has focused on policy, regulatory, and institutional reforms and on formulation of infrastructure development strategies through public-private participation. This reflects the continuing need in the region to explore "upstream" institutional reform issues before embarking on transactions.

PPIAF is helping governments in Pakistan and India prepare reform road maps and pragmatic options for involving the private sector in water supply and sanitation services. PPIAF also continues to respond to demand for transaction support in the region and is assisting with the preparation of a management contract in the water supply and sanitation sector in Mumbai, India.

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“I SEE CONTINUED PARTNERSHIP WITH PPIAF TO BUILD CAPACITY OF THE LOCAL PRIVATE SECTOR IN AFGHANISTAN AND TO IMPLEMENT PILOT AND DEMONSTRATION PROJECTS TO CREATE PPP SUCCESS STORIES.”

— Deputy Minister of Urban Development and Housing Dr. Q. Djallalzada

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PPIAF support of the reconstruction in Afghanistan was enhanced by funding of policy work in the water sector. PPIAF had earlier supported the creation of a regulatory framework in Afghanistan’s telecommunications sector, and the government is proposing to upgrade the telecoms watchdog into a full-fledged independent regulator under the new telecommunications law, which is awaiting Cabinet approval.

Following the consensus-building support and recommendations of the PPIAF-financed study, the Government of Afghanistan has decided to convert the national water authority into a corporation. As highlighted in its recently approved urban water policy and institutional development plan, the government is also considering private sector participation through management contracts.

SNAPSHOTS

AFGHANISTAN: Facilitating private mobile telephone operators

PPIAF funding has helped Afghanistan draft a sector regulatory framework. Using this framework, the government drafted a new telecommunications law, which is now awaiting Cabinet approval. The new legislation will help Afghanistan rebuild its telecommunications network, which was left dilapidated after the war in 2002.

In 2000, the country’s teledensity had dropped to about 2 telephones per 1,000 people compared with 24 per 1,000 in neighboring Pakistan and 68 in Uzbekistan. Although the government strongly supported the opening up of the sector and

competition, the regulatory environment was not conducive to attracting successful private investment.

PPIAF support led to considerable downstream success. A regulatory board within the Ministry of Communication is now operational, and sector growth, supported by the presence of a functioning regulator, has been impressive. Driven by a competitive market and \$200 million in private investment, mobile tariffs have dropped 70 percent over the past 18 months. The mobile footprint now covers as much as 50–60 percent of the country’s population.

SOUTH ASIA: Building consensus for reform

In the past financial year PPIAF supported three initiatives to raise awareness and understanding of reforms necessary to involve the private sector in new infrastructure investments in South Asia.

PAKISTAN—In Islamabad, consultations between key government policymakers and international experts helped develop a broad consensus on the road map for PPP for infrastructure development. Pakistan is now considering setting up a national PPP facilitation unit, along with a project development fund.

BANGLADESH—In Dhaka, international management contractors from five countries presented different approaches to hiring the private sector to improve electricity distribution. The key message was that in many cases, performance-based management contracts have been successful when baseline studies, payment risks, and communication were adequately addressed during the design of the transaction.

Lessons from the forum will inform the design of operations and management contracts that the government plans to announce for the country's southern power distribution zone and for one of the new power generation plants in Bangladesh.

INDIA—In Chhattisgarh, PPIAF is supporting privatization of provincial highways. Under the first phase of this activity, a review of the legal, policy, and regulatory framework to enable PPP in the highways sector has been completed.

In a stakeholder workshop supported by PPIAF, an agreement on the steps for inviting private sector participation in the highways sector was reached. The government has indicated its strong resolve to pursue PPP in the highways sector and has committed to implementing the required policy changes.

The second phase of the program will see the preparation of detailed project reports and contract documents for the highways short-listed for PPP.

AFGHANISTAN: Management contracts for urban water supply

Postconflict Afghanistan faces tremendous challenges in urban water supply and sanitation. Current access to piped water infrastructure is among the lowest in the world—at about 15 percent of the population—and sanitation coverage is even lower. A PPIAF-supported study completed in 2005 assessed the appropriateness of running this sector through private sector management contracts.

The study found that management contracts would be the most suitable mechanism for administering the sector, as attracting deeper forms of private sector participation in the short to medium term would be difficult. There is also broad consensus within the government on this institutional model.

The government will soon be preparing a legal and institutional structure conducive to PPP arrangements, including the drafting of a new Corporatization Decree. The government has sought further PPIAF assistance to convert the incumbent water authority (Central Authority for Water Supply and Sewerage) into a company.



PPIAF's support of the reconstruction in Afghanistan has included help in creating a regulatory framework for the telecommunications sector and a policy for management contracts in the water sector.

Photo: Alan Gignoux
World Bank Database

INDIA: Enhancing regulatory effectiveness

PPIAF provided support for an Infrastructure Regulatory Conference in New Delhi in April 2005 that was attended by more than 200 participants drawn from industry, the public sector, civil society, consumer advocacy groups, the donor community, and the media.

This multisector consultation, involving various stakeholders deliberating on infrastructure regulation, was a pioneering initiative in India.

The government articulated its commitment to revamping the infrastructure regulatory framework and making it more transparent, autonomous, and

effective. Efficient and cost-competitive infrastructure, which will require substantial investment, is critical to sustaining the country's high economic growth rate.

The outputs of the conclave will feed into an initiative of the Confederation of Indian Industry—the apex association of Indian business—to prepare regulatory position papers for key infrastructure sectors, with the ultimate objective of improving regulatory effectiveness. These position papers, supported by PPIAF, will be presented to the Planning Commission, Government of India.

East Asia and Pacific

SIGNIFICANT PPP CHALLENGES DESPITE RAPID GROWTH AND URBANIZATION

Much of East Asia is growing rapidly, and urbanization in particular is proceeding at considerable speed. This has put pressure on infrastructure services in cities, with much of the demand for services coming from the newly urbanized poor.

Although investment in the region is generally high, including investment in infrastructure, the efficiency of such investment has not always been optimal. Moreover, though aggregate levels of infrastructure access are relatively high for the region as a whole, there is great divergence between countries.

Private investment in East Asian infrastructure peaked in 1997, but it declined significantly thereafter. It is beginning to show modest signs of recovery but remains well below levels reached in the mid-1990s.

The private sector has certainly not disappeared from East Asian infrastructure; however, it is reluctant to make large investments. Survey work has shown that the private sector is keen to invest when policies are more predictable.

Attitudes toward private sector participation in infrastructure provision among governments in the region have begun to change. The underlying infrastructure gap is significant, and many governments are cautiously engaging with the private sector to fill this gap in all sectors.

The experiences from the Asian economic crisis still loom large in the minds of most government officials and investors in many countries across the region. The challenge is to move from supportive rhetoric to actual PPP projects based on firm commercial principles, supported by a predictable policy environment.

However, sociopolitical and legal issues, such as corruption and other risks, as well as capacity problems, remain. This means that the significant challenges associated with private sector participation in infrastructure in this region will need continued attention.



FLAGSHIP STUDY EXPECTED TO SHAPE INFRASTRUCTURE STRATEGIES FOR THE REGION



Infrastructure often means very large projects in both the physical and the financial sense, and equity and debt providers' positions on risk are an essential part of the "bankability" of projects.

Robust and enduring engagement between the various governments and the private sector is needed to address these issues.

PPP transactions in East Asia and Pacific will continue, but the project pipeline will require ongoing support so that projects are delivered that will help meet the region's significant infrastructure needs.

Focus of PPIAF support to the region

PPIAF funding contributed to the development of *Connecting East Asia: A New Framework for Infrastructure*, a flagship study prepared jointly by the World Bank, the Asian Development Bank, and the Japan Bank for International Cooperation, in consultation with regional governments.

This study is expected to shape infrastructure strategies for the region and for individual countries in the years ahead. This overarching strategy document identifies a set of 12 key policy messages that will guide PPIAF's efforts in developing PPP across the region. Of particular importance are

- The need for strong planning and coordination functions at the centre;
- Support to decentralization efforts;
- Creating fiscal space for infrastructure;

- Acknowledging that subsidies can be important if handled correctly;
- Recognizing regulatory independence as an important long-term goal;
- Building local capital markets; and
- Creating predictable policy environments as a precondition to the return of the private sector.

PPIAF outcomes

PPIAF funding for East Asia and Pacific region has been strong in fiscal 2005, with \$3.08 million approved for 15 activities, including support for important pioneering PPP transactions in individual countries and across the region.

The most prominent of these activities was supporting the completion of the project agreements for the large hydro power plant, Nam Theun II, in the Lao Peoples' Democratic Republic, a project that will provide for the power needs of the country and beyond for the foreseeable future.

In the year under review, PPIAF funding went to activities across all sectors, with energy and water supply and sanitation being the most prominent, accounting for nearly 60 percent of total funding for the region.

SNAPSHOTS

VIETNAM: DBL approach to small-town water supply

Two district towns in Vietnam have been identified to pilot a Design-Build-Lease approach that will help fill the huge gap in water provision in the country's small towns. This PPIAF-supported activity has confirmed the appetite for local companies to participate in DBL operations for this purpose and has also validated the willingness of communities and local authorities to participate.

Initial response from the pilot towns confirms that local companies are interested in the DBL approach—more than five firms submitted prequalification documents in the two towns, Lim and Minh Duc. Further, 90 percent of households in the participating towns have agreed to connect to the new water tariff system, despite the increase in tariffs, because there was extensive social intermediation to gain household understanding and involvement.

PPIAF support has helped attract significant additional funding from other donors for construction, supervision, training of bidders, and establishment of a revolving fund for household sanitation.

Valuable experience gained in preparing the pilot project will be applied in the design of the main urban water supply project, in which extensive contracting-out to the local private sector is planned. This project will provide clean water to Vietnam's 560 district towns, only 140 of which have any form of piped water supply. Existing water companies do not have the capacity to meet this need, and the government has been keen to find alternative means of service provision.

THE LAO PEOPLE'S DEMOCRATIC REPUBLIC: Project agreements for Nam Theun II

PPIAF funding helped the Government of Lao PDR complete project agreements for the Nam Theun II Power Project. Major private sector investment is being used for the development, construction, and operation of this trans-basin diversion 1,070 MW hydro power plant on the Nam Theun River, about 250 km east of the capital, Vientiane.

These agreements involving the private sector and the government include a build-own-operate-transfer (BOOT) arrangement. They also cover key aspects of the project, such as the concession agreement; the social development plan, which has been incorporated into the overall project agreements; and the construction, operation, and maintenance contracts.

The agreements also look into the overall financing documents for the project, including documentation

dealing with the government's equity contribution and provision for sovereign guarantees.

PPIAF assistance included a capacity-building component, whereby the legal consultants worked with government representatives to ensure they had sufficient working knowledge and understanding of the concession agreement and the related project and financing documents.

Completion of Nam Theun II will provide both Lao PDR and the region with an efficient supply of electricity. It will also be a significant demonstration to the region of private sector participation in infrastructure. The project is expected to reach financial close early in fiscal 2006.



A new project will use local firms to provide clean water to Vietnam's 560 district towns. Following extensive stakeholder consultation, 90 percent of targeted households have agreed to connect to the new water system.

Photo: Curt Carnemar
World Bank Database

CAMBODIA: Output-based subsidies improving water services to the poor

The Government of Cambodia is taking the initiative to deliver water and sanitation services throughout the country. It aims to provide water and sanitation facilities to about 23 towns through different forms of subsidized, concession-style contracts.

PPIAF funding helped the government set up the Contract Administration Unit to regulate public and private water utilities. The unit also verifies the quality of service provided under innovative output-based aid (OBA) programs to improve water provision to the poor.

Connection subsidies for the poor

The objectives of the government initiative were to build and rehabilitate infrastructure services in peri-urban and rural areas with minimal coverage; to encourage the private sector to undertake projects to mobilize private (and possibly local) finance; and to transfer efficiency gains to customers. The program also aimed to connect poorer segments of society through targeted connection subsidies.

Four towns were selected to use an OBA mechanism through design-build-operate contracts; the other 19 would use design-build-lease (DBL) contracts. The OBA and DBL contracts are for 15 years each and require the operator to make (sometimes large) investments.

The 19 DBL towns received a non-targeted subsidy in the form of a large World Bank International Development Association (IDA) credit for capital expenditures. The four OBA towns received a targeted subsidy based on the performance of the operator, through a \$3.1 million IDA grant.

Under the arrangement, the private operator receives a payment for each connection actually made to poor households deemed unable to pay for the connection. Communities were involved in deciding which households deserved subsidies, and independent consultants were recruited to verify that the connection had been made.

VIETNAM: Increasing power generation through a \$2 billion BOT project

Over the 1995–2000 period, electricity demand in Vietnam increased at a rate of 14 percent per annum. To sustain projected economic growth of about 7 percent per annum, Vietnam needed to increase its electricity supplies at almost twice this rate.

The government adopted a strategy of promoting private sector participation in its electricity sector and requested PPIAF support to implement a major private infrastructure project—the Phu My 2-2.

PPIAF assistance was used to hire legal advisers to help the government negotiate project contracts with the

winning bidder in this build-operate transfer (BOT) power project. The negotiations were successful.

The \$2 billion Phu My 2-2 ranks as the second largest private sector investment for power generation in Vietnam and the first internationally competitive bid BOT. The issuance of this investment license is a significant step forward for the power sector in Vietnam.

MONGOLIA: Tariff policy spurs growth in telecoms sector

Among the major goals of the Government of Mongolia's reform strategy for the telecommunications sector were the promotion of private participation; the development of a tariff policy requiring that tariffs reflect real costs; and the establishment of clear rules for competition. This strategy set the stage for further privatization of the Mongolia Telecommunications Company.

The government approached PPIAF for assistance to strengthen the telecommunications regulatory regime, focusing on the regulatory process, fair competition, privatization, and promotion of foreign and private sector investment.

This work clarified relationships between incumbents and private operators of value-added services and paved the way for the introduction of new service providers. In addition, PPIAF assistance helped develop the regulatory capacity of the Communications Regulatory Council by improving its understanding of regulatory issues and establishing transparent processes.

The council and the infrastructure ministry are now implementing the government's policy of greater private participation in telecommunications, including private provision of services in rural areas.

As a result, the telecommunications sector has seen considerable foreign investment and witnessed tremendous growth. Two national cellular operators, two fixed-line operators, and several VSAT, Internet, and other value-added service providers have entered the market. The market has also grown at a compound rate of more than 25 percent per annum over the past three years.

At the end of August 2004, total fixed and mobile teledensity reached 21 percent, up from 13 percent in 2001. The regulatory environment has also evolved, with interconnection, tariff, and licensing regimes that are conducive to competition.

A follow-on PPIAF activity, Framework for Universal Access to Telecoms Services, is assisting the government in designing a program for public-private provision of telecommunications services to rural communities.

Eastern Europe and Central Asia

NEED TO IMPROVE QUALITY AND ACCESS AS DEMAND INCREASES

Over the years, Eastern Europe and Central Asia region has witnessed the transformation of the economies of 28 low- to middle-income countries, giving them the basic institutional framework of an open economy. But the legacy of central planning remains.

The pressing need in infrastructure is to improve the quality of and access to services. PPIAF foresees continuing demand from this region, especially from the low-income and postconflict countries that want to join the European Union.

Five energy sector activities received support in fiscal 2005. These activities ranged from a study to find the appropriate mix of PPPs for a small-scale generation effort in Belarus to advising the Bulgarian government on key factors in the design of a competitive wholesale electricity market.

Support was also provided to the Central Asia regional Economic Cooperation forum (primarily supported by the Asian Development Bank) in its effort to foster exchange of regulatory decisions in electricity regulation.

DEMAND EXPECTED FOR PPP TRANSACTIONS THAT CANNOT BE MET BY TRADITIONAL SOURCES OF FINANCE

Interest is expected in clearly defined PPP efforts or specific transactions that cannot be met by resources from the European Union, international financial institutions, or other donors active in the region.

During fiscal 2005, funding for activities in Eastern Europe and Central Asia region stood at \$3.1 million for 14 separate activities. Significantly, PPIAF support generated additional co-funding of \$1.2 million from a variety of sources, including recipient governments and the World Bank Group.

PPIAF carried out three activities in the roads sector and two in the railways sector. These activities primarily focused on helping governments design appropriate PPP models based on lessons learned from private participation in roads and rail worldwide.

SNAPSHOTS

ARMENIA: New Act for single multisector regulator

PPIAF funding contributed to the adoption of legislation creating a single multisector regulator in Armenia.

PPIAF initially funded a study to help the Armenian government design an efficient and independent multisector regulatory body to facilitate private participation in the energy, telecommunications, and water supply and sanitation sectors.

The support enabled an organizational review of the Armenian Energy Regulatory Commission and was used to help develop a plan for transforming this entity from

a single-sector watchdog into a multisector regulatory commission for public utilities. The funding provided training and logistical support for the organization, including preparation of an appropriate framework for operating as a multisector regulator.

In addition PPIAF funded a workshop in Yerevan to discuss a draft energy law, part of the final regulatory framework package presented to the Armenian government. The government, in close consultation with stakeholders, drafted the law and implementing rules for the Public Utilities Commission and presented them to the National Assembly for ratification.

TURKEY: Adoption of privatization strategy for power sector

Turkey has embarked on a major reform of its electricity sector to encourage private participation in investment, operations, and management. PPIAF funding helped secure the services of an independent panel of external experts to work with implementing agencies and to assist the government in devising a comprehensive strategy for electricity sector reform and privatization.

These panel members, working closely with their government counterparts, reviewed progress in implementing reforms, assessed the work being done by consulting teams, and advised the government on improvements and modifications.

The work of the panel helped produce broad consensus among implementing agencies and ultimately led to the adoption of the privatization strategy by the High Planning Council.

Under its reforms in the sector, the government has approved a new transmission tariff regime and established the Energy Market Regulatory Authority. It has also unbundled the previously state-owned integrated power utility into separate transmission, generation, and distribution companies, of which the latter two are expected to be privatized.

This strategy will play a critical part in the successful privatization of the electricity sector, a process scheduled to begin with the launch of tenders by early 2006.



PPIAF-funded activities contributed to secondary legislation on universal telecommunications access in the Russian Federation, and to legislation creating a single multisector regulator in Armenia.

Photo: Bunyad Dinc
World Bank Database

THE RUSSIAN FEDERATION: Legislation for universal telecoms access

A PPIAF-funded report on options for universal telecommunications access provided key input to secondary legislation in the sector, issued through an executive order in 2005.

Shortly after passing the Federal Law on Communications, the Government of the Russian Federation requested PPIAF's support to develop a strategy for universal access and rural telecommunications development, as provided in this legislation.

Working with the Ministry of Communication and Information, PPIAF helped prepare a series of reports that constituted the framework for a Universal Service Fund, designed to attract private investors to provide universal service.

A study on strategic options, also funded by PPIAF, showed that mobile operators in many areas had insufficient access to a fixed network and that they would be willing to participate in tenders to provide universal service.

This work helped the government decide how to add universal service provisions to existing legislation. It also helped identify priority areas and provided a method for attracting private investors to provide fixed line services as well as other information services to rural, underserved, and isolated areas.

Latin America and the Caribbean

RISK, PAST EXPERIENCE, STILL KEEPING INVESTORS AT BAY

Repeated political flare-ups in Bolivia, Paraguay, and Venezuela have influenced the gloomy investor perception of the southern cone subregion. But options for private sector participation continue to remain a strong part of the political agenda in Brazil (power, transport), Colombia (ports and airports), and Peru (telecoms and water).

However, the region saw little indication of a return toward the larger infrastructure transactions that defined the late 1990s, because project risks at the policy, political, and financial levels continued to keep investors at bay. Latin America and the Caribbean continues to be the region with the largest number of contracts in distress.

need two to three times its current level of overall investment in infrastructure (approximately 2 percent of GDP) to catch up with Asian countries that once trailed it.

PPPs are key to filling this investment gap, but bringing back the private sector will call for an improved transaction design that balances commercial goals with the interests of the poor and doesn't lumber governments with debt or burdens they cannot sustain.

The major challenge for PPIAF in this region will be to contribute to its infrastructure development goals by incorporating lessons from the past and support for appropriately designed activities. These activities

IMPROVED TRANSACTION DESIGN SHOULD BALANCE COMMERCIAL GOALS WITH THE INTERESTS OF THE POOR

In Central America, where the subregion stands to gain from the newly adopted free trade agreement (CAFTA), progress with transactions has been slow, with a majority of projects being renegotiated. Government attention continues to be geared toward greater involvement of smaller local operators in the provision of water and garbage collection services, mainly in El Salvador, Guatemala, and Honduras.

In the Caribbean region, constraints associated with limited economies of scale have been compounded by the rising cost of imported fuel to the island countries. Domestic energy providers, as a result, have experienced worsening financial conditions, while no public support is in sight for tariff rebalancing.

PPPs key to filling the investment gap

A recent study of the region's infrastructure needs shows that Latin America and the Caribbean would

should include efforts to reduce regulatory risk and to develop effective risk mitigation mechanisms, thus improving the appetite for new PPP schemes. PPIAF is also likely to provide support for high-profile PPP projects under stress as an important element in the overall PPP agenda in the region.

PPIAF funding in Latin America and the Caribbean region was strong in fiscal 2005, with a total amount approved of \$2.6 million for 10 activities, a 17 percent increase on fiscal 2004, and the second highest annual amount approved since program inception.



Peru will use private operators to expand cellular coverage to 640,000 people spread across 7,000 rural communities.

Photo: Bill Lyons
World Bank Database

SNAPSHOTS

PERU: New program to provide 640,000 with cellular coverage

Peru has launched a tender for a project that will use private operators to expand cellular coverage to 640,000 people spread across 7,000 rural population centers in the country. The \$20 million project, whose strategy was drafted with PPIAF assistance, will support Peru's telecommunications reforms, recognized as among the world's most innovative and successful.

Peru started collecting fees from sectoral operators in 1996 for its Fund for Investment in Telecommunications (FITEL) to subsidize expansion of network coverage by the private sector. By the end of 2003, and with World Bank support, the country's pay phone program had provided connectivity, with at least one public pay phone or community telecenter each, to more than 6,000 rural communities.

Despite initial success, the program faced significant unmet demand, with approximately 250 rural and peri-urban communities contacting FITEL to request access to phone services.

To address these needs, FITEL, OSIPTEL (the regulatory agency), and the Ministry of Transportation and Communications asked PPIAF for support to review existing subsidy programs. The aim was to create appropriate second-generation incentives to encourage private sector participation in meeting this demand.

PPIAF assistance helped in the development of a strategy that was presented in September 2004 to the three bodies. The project will expand cellular network coverage by private operators through 81 cellular base stations over 16 economic corridors.

Up to \$11.6 million of the total amount will be funded by FITEL, with the remainder coming from the winning bidders under an output-based aid arrangement.

HAITI: Road maintenance fund for infrastructure

A PPIAF-funded activity is helping the Haitian government provide a sustainable solution for transport sector development through a roads maintenance fund.

The new instrument, which has successfully been implemented in countries in the region and beyond, can be used to contract private firms for road maintenance. It aims at securing sustainable resources for road maintenance, usually through the earmarking of transport-related user charges, such as gasoline taxes.

Another goal is to contract out maintenance activities to private actors, such as construction firms, SMEs, and microenterprises.

Lack of road maintenance is a critical obstacle to the sustainability of transport infrastructure improvement programs in Haiti. Only 5 percent of the country's roads are in good condition, and half of the rural road network has collapsed in the past decade.

Because 65 percent of the population lives in rural areas, where natural disasters are frequent, the poor condition of the transport infrastructure increases physical isolation and is a major bottleneck to local development and poverty reduction.

The activity has completed the study on road maintenance alternatives and provided assistance in preparing the fund's main operational documents, budget, and program plans for the next three years. Furthermore, the Roads Fund Agency has now been operationalized with PPIAF funding, and the government has recently recruited a new managing director to head its operations. Management and staff of the Roads Fund Agency have been on study tours of countries in the region with fully operational road funds to learn lessons that they can apply locally.

HAITI: Preparing for management contracts in the electricity sector

PPIAF is assisting the Government of Haiti in elaborating the most appropriate approach for private participation in the management of Électricité d'Haïti (EDH)—the country's main power producer.

The activity aims to establish a model for achieving efficient and effective delivery of electricity services to the Haitian population through sustainable improvement in operational and financial performance.

This activity, which involves a substantial amount of donor harmonization, will assess EDH's overall capacity and prepare a plan to reduce losses and expand services. It will also assess the expected market

response to the offer of a contract to manage EDH, and it will confirm the commitment of all actors critical to the successful implementation of this contract.

Consensus-building activities would target government officials, Congress, EDH staff, international donors, and other stakeholders involved in the process. A communication campaign directed to the general public would then be designed and implemented under the second phase of the work program.

Middle East and North Africa

STRONG AGREEMENT ON NEED FOR REFORM AGENDA

The year under review continued to see the private sector in Middle East and North Africa region playing a limited role in partnering with the government to drive economic growth. This limited participation reflects the strong tradition of centralized economic management and the reliance on oil revenues for an economic base. The region is still considered slow to embrace infrastructure sector reforms.

Fiscal 2005 witnessed a decline in demand for PPIAF services from the 16 eligible countries in the region, and funding amounted to \$440,000 for a single activity. This activity helped Morocco prepare a comprehensive study to restructure the water supply and sanitation services and electricity distribution in two pilot areas.

STRENGTHENING MANAGEMENT OF INFRASTRUCTURE SERVICES WILL IMPROVE EFFICIENCY AND QUALITY

However, governments in the region agree on the need for a substantial reform agenda. Given the daunting challenge of growing unemployment in the region, particularly among youth, there is some agreement on the importance of expanding the share of the region's wealth to resource-poor countries.

There is also a realization that management of infrastructure services needs strengthening to ensure greater efficiency and better quality of service. PPIAF sees itself partnering with these countries as they begin to tackle these challenges.

The study will elaborate an approach to consolidate Morocco's highly fragmented public water, sanitation, and electricity distribution operators into critically sized regional operations, spanning both urban and rural service areas.

The consolidated service areas are expected to be more efficient and more amenable to private sector participation. We expect overall demand for PPIAF assistance in this region to remain limited in the coming years.



A PPIAF-funded study in Djibouti found that merging the electricity, water, and energy utilities offered the best route to ensure expansion and viability of the sectors.

Photo: Gennadiy Ratushenko
World Bank Database

SNAPSHOT

DJIBOUTI: Study on benefits of merging main utilities to attract PPP

In the past year, PPIAF assisted the Government of Djibouti with a study to assess the benefits to be derived from merging the electricity, water, and sanitation sectors; to examine options for private sector involvement in these sectors; and to determine the most appropriate solution for their long-term development.

Each of these sectors was assessed by reviewing existing literature and conducting interviews with decisionmakers. The result was recommendations of institutional measures and reforms for each sector.

Djibouti is characterized by its strategic geographic location, arid soil, water scarcity, and widespread poverty, including the concentration of two thirds of its population of more than 400,000 people in the capital.

Combining electricity, water supply, and sanitation in the same entity was regarded as the best answer for ensuring the expansion and long-term viability of the three utilities. The advantages expected from pursuing this option include the possibility of

combining electricity and water supply facilities (for example, seawater desalination), making significant reductions in overhead and increasing the potential for attracting private sector participation.

Identifying the optimal structure for the three sectors involved consideration of the size of the “markets” for these services, the economic weight of the capital city, and the political will to decentralize responsibilities by creating regional councils.

The results of the study were presented at a dissemination workshop organized by the office of the prime minister and included policymakers, utilities, the scientific community, civil society, and key donors with an interest in the sectors.

As a result of the study financed by this PPIAF grant, the government decided to pursue a more aggressive course of action and sought an International Development Association credit to follow through with these initial recommendations, including a preferred structure and grouping of the three services (power, water supply, and sanitation).

Global

FIXING POLICY AND POLITICAL ECONOMY ISSUES

VITAL FOR PPP SUCCESS

At the beginning of fiscal 2005, PPIAF committed to a much more proactive stance to identify and implement global best-practice (GBP) activities, to ensure that they genuinely reflect emerging and important themes in the current PPP environment. For the fiscal year under review, the key emerging themes were considered to be these:

- A greater range of PPP options;
- Leveraging access to local capital markets;
- A larger role for local project sponsors, both for small-scale projects and for larger ones; and
- More focus on improving regulatory systems.

Common among the four themes has been the understanding that successful and sustainable PPP depends not on resolution of purely technical issues but rather on confronting political economy issues

head on. These issues include the policy framework in which specific PPP transactions are concluded, pricing and subsidies, and economic regulation and the regulatory regime.

Throughout the year, these emerging themes were being seen more and more in the country requests for technical assistance. The themes will thus continue to predominate in the identification, promotion, and dissemination of GBP activities. The focus for fiscal 2006 will therefore be on identifying gaps in our current range of products in this group and on developing the themes further.

At the same time, PPIAF will continue its tradition of developing practical best practice toolkits focused on steering policymakers through each step of the PPP process in sectors as diverse as water, ports, urban transport, airports, highways, and so on.

SNAPSHOTS

GLOBAL: Survey and mapping of small-scale private service providers

Multinational infrastructure operators have always been reluctant to invest in small-scale peri-urban and rural community projects, given affordability levels and the lack of economies of scale.

At the same time, public utilities have traditionally been unable to expand coverage to these areas. Rapid urban growth in developing countries, leading to a rise in the number and importance of small towns (now accounting for 20–40 percent of the population), has made this challenge more urgent.

Governments and donors are beginning to acknowledge that the small-scale operator has an important role to play in the provision of basic infrastructure services to the poorest of the poor, and they are more likely to create an appropriate enabling environment for the small-scale private infrastructure provider to flourish.

To gain insight into this emerging trend, PPIAF provided funding support for a mapping exercise and global survey of small-scale private service providers.

The first phase of this work, completed in fiscal 2005, reviewed the growing importance of private operators, covering small-scale providers of water supply or electricity in 49 countries (and covering at least 100 locations).

The study identified about 7,000 small-scale private service providers (SPSPs) in the electricity sectors and

10,000 SPSPs in the water supply sectors in the 49 countries considered. PPIAF is now funding the second phase of this activity, which will develop a database of such providers in four pilot countries and also consider how country policy frameworks can be adapted to further encourage participation of such players in small-scale service provision.

GLOBAL: Developing local and regional investors in PPP projects

Foreign participation in infrastructure provision may entail some disadvantages. For example, foreign control is often a politically sensitive issue (particularly in water and power projects), there is not much international competition in infrastructure service provision, and profits need to be converted into global currencies.

At the same time a case can be made that local investors in developing countries are now in a better position to take on an increasing share of larger- and medium-scale infrastructure opportunities:

- The broadening and deepening of capital markets in developing countries have enabled local investors to mobilize more resources.
- The experience of these firms with infrastructure investments, often as minority partners with investors from industrialized countries, has given them additional expertise.
- Local companies pay dividends in local currencies, making them less susceptible to macro shocks, particularly if they also have limited access to foreign currencies.

- These companies might well be in a better position to understand and therefore deal with the “political economy” aspects that characterize many private participation in infrastructure (PPI) projects, particularly those in the water and power sectors. As a result, these companies might view infrastructure investments as less risky than firms in industrialized countries do.

In the financial year under review, PPIAF provided funding for a desktop study assessing the extent of participation of developing country investors in PPP projects globally and how this has changed over time. The first phase of this project is complete. It revealed that in the period 1998–2003, investors from developing countries supplied 44 percent of the investments by number and 39 percent of the funds. The results of this study have been published as a PPIAF issues and options paper.

The factors behind these trends and the resulting policy implications are to be tested empirically through follow-up work and case studies. In fiscal 2006 PPIAF plans to support further work to identify the best ways to involve local and regional investors in emerging market infrastructure projects.

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**IN THE COMING YEAR, PPIAF WILL EMPHASIZE THE DEVELOPMENT OF MORE
BEST-PRACTICE MATERIALS AND CONSENSUS-BUILDING ACTIVITIES AROUND PPPs**

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A major toolkit on private participation in the provision of water infrastructure is in press and will be the focus of capacity building initiatives. Lessons from the toolkit will be integrated into regional water sector programs.

Photo: Gennadiy Ratushenko
World Bank Database

GLOBAL: Water toolkit to improve services, expand access

A major toolkit that helps governments think about using private firms to improve water services is now in press. It sets out steps to take and issues to consider in designing an arrangement for private participation in water services. In doing this, it also helps governments to see whether private participation might be part of the solution to problems in the water sector.

The present toolkit builds on existing work, such as the 1997 toolkit on private participation in water and extensive work funded by PPIAF, including *New Designs for Water and Sanitation Transactions: Making Participation Work for the Poor*; *Labor Issues in Infrastructure Reform: A Toolkit*; and *A Guide for Hiring and Managing Advisors for Private Participation in Infrastructure*.

The current toolkit is addressed at governments—municipal, provincial, and central—and aims to help them design arrangements that lead to better services and greater access.

It sets out the big issues they must grapple with, describes their main options, and offers a view on the advantages and disadvantages of those options. In so doing, it aims to put the governments in a position where they can make choices that do the most to improve water services.

GLOBAL: Building strong regional regulatory capacity

Since its inception, PPIAF has provided \$2.9 million to support the establishment of five regional regulatory forums and build capacity in these bodies. This PPIAF support has generated \$3.7 million of co-funding, of which \$0.5 million has come from the forums themselves. With the more established forums, PPIAF is supporting the development of medium-term business plans with a stronger focus on self-sustainability.

In fiscal 2005 PPIAF funding assisted with the establishment of the Central Asia Electricity Regulators Forum. The forum facilitates the sharing of diverse approaches to solving common regulatory problems, builds the regulatory skills of members, and provides a venue for sharing regulatory experiences in the region. The forum also facilitates the development of common electricity regulations and procedures among members.

The success of the relatively new East Asia and Pacific Infrastructure Regulatory Forum (EAPIRF) has attracted counterpart funding from several donors, including AusAID, to support the forum's activities over the next three years.

More than 70 infrastructure regulators from the region gathered in Singapore for EAPIRF's annual meeting in October to discuss the theme of accountability in infrastructure regulation and the forum's strategic directions over the next three years.

An interim secretariat is now operational, and a website (www.eapirf.org) went live in May 2005. The Forum Guiding Committee (the interim decision-making body comprising 15 regional regulators) is working closely with the interim secretariat to shape a three-year business plan.

PPIAF has provided a series of grants to four other regional regulatory forums, beginning with the multi-sector South Asia Forum for Infrastructure Regulation (SAFIR) in 1999.

PPIAF provided start-up funding for a similar multi-sector body in Sub-Saharan Africa—the Africa Forum for Utility Regulation (AFUR) in 2000.

Since 2003 PPIAF has provided support to ADERASA, a forum for water and sanitation regulators in Central and South America.

The regional regulatory forums have been valuable for low-cost regulatory capacity building and knowledge sharing in sectors and regions that are striving to reform.

Membership across the five forums is diverse and includes sectors and countries at various stages of regulatory development. The forums have managed the process of institutional evolution in an inclusive manner, have proven to be effective in building capacity close to the beneficiaries, and have stimulated networking between regional regulators.

This has fostered growing enthusiasm for forum activities among beneficiaries, improving the outlook for sustainability.



PPIAF has helped establish five regional regulatory forums, enhancing the skills of members and providing a platform for sharing regional experience.

Photo: Ray Witlin
World Bank Database

Finances and Resource Mobilization



PPIAF FUNDING AND EXPENDITURE STRUCTURE

PPIAF FUNDING APPLICATION PROCESS

EVALUATION AND APPROVAL PROCEDURES



PPIAF FUNDING AND EXPENDITURE STRUCTURE

A focused governance structure helps PPIAF channel resources to beneficiary governments in response to demand. These resources are used to help the beneficiaries design programs for involving the private sector in infrastructure. Supporting this approach to providing technical assistance is PPIAF's innovative financing structure.

PPIAF has a two-tier financial structure: a Core Fund and Non-Core Funds. The Core Fund is used for activities falling within PPIAF's approved work program and may be applied to governance costs, as well as program activities. All donor contributions are designated for the Core Fund unless otherwise indicated.

The Core Fund consists of funds that are not subject to donor restrictions, such as those relating to the nationality of consultants hired for PPIAF-funded activities. For regional development banks, however, the program charter, as amended, recognizes statutory procurement requirements limiting the consultants eligible to bid for PPIAF-funded activities that the banks sponsor. Core Fund contributions by eligible organizations start at \$250,000 a year. All contributions are in cash, although PPIAF may consider accepting contributions in kind in limited cases.

Non-Core Funds are subject to donor restrictions relating to themes, regions, or activities. A donor may set up a Non-Core Fund after making the minimum Core Fund contribution and with the consent of the Program Management Unit (PMU). Each donor enters into a trust fund agreement with the World Bank Group for its contributions to PPIAF. The World Bank Group recovers a small charge for costs associated with administering the trust funds.

Member contributions

From PPIAF's inception to June 30, 2005, donors contributed a total of \$108 million to PPIAF, including nearly \$1.5 million of net investment income. These donors include the present 13 members of the Program Council (Table 5). In addition, the European Commission has signaled its intentions to come on board as a new donor in fiscal 2006. Significant progress has been made in processing the agreement, and a confirmation of the pledged amount has been issued.

Expenditures

PPIAF's expenditures fall into three main categories: program activities, program administration (PMU), and regional coordination offices (RCOs). In fiscal 2005 (July 1, 2004, to June 30, 2005) total expenditures amounted to \$15.8 million (Table 6). Of this amount, \$13.6 million went to program activities (Table 7), reflecting a slight increase from the \$13.5 million in fiscal 2004. PMU expenditure increased slightly, reflecting a significant increase in commitments and the overall size of the portfolio.

RCO expenditures increased slightly, from \$0.83 million to \$0.85 million, as a result of staffing changes because of the opening of the Delhi office and closing of the Pretoria office.

Sources and uses of funds

From PPIAF's receipts of \$109 million, \$94 million has been allocated to activities and slightly more than \$13 million to PMU and RCO funds since fiscal 2000. The remaining available cash of \$2.7 million plus expected receipt of fiscal 2005 pledges totals \$6.9 million (Table 9). These funds will allow PPIAF to commit resources for activities in the first and second quarters of fiscal 2006.

Single audit process

The World Bank Group has instituted an annual "single audit" exercise for all trust funds. As part of this exercise the PPIAF program manager signs a trust fund representation letter attesting to the correctness and completeness of the financial process for all PPIAF trust funds.

The task manager for each approved activity is required to confirm to the program manager in writing that he or she has complied with all the terms set forth in the PPIAF award letter; has exercised due diligence with respect to the administration, management, and monitoring of the funds awarded for the activity; and has ensured that all expenses and disbursements accord with World Bank procurement and administrative guidelines, which the PPIAF donors have agreed to follow.

TABLE 5
Member Contributions to PPIAF: Confirmed Receipts as of June 30, 2005 (US\$ '000)

Type of Funding	Receipts	
Core	76,860	
Non-core	31,112	
Net investment income ^a	1,451	
Total funding	109,423	
CORE FUNDING		
Member	Duration ^b	Receipts
Asian Development Bank	January 2001–December 2003	750 ^c
Canada	July 1999–June 2005	1,568
France	July 2000–June 2004	1,016
Germany	January 2001–December 2005	1,378
Italy	July 2003–June 2004	250
Japan	July 1999–June 2004	8,435 ^d
Netherlands	July 2001–June 2005	2,000
Norway	July 1999–June 2005	2,050
Sweden	July 2000–June 2005	1,405
Switzerland	July 1999–June 2005	3,173
United Kingdom	July 1999–June 2005	39,155
United States	July 2003–June 2005	750
World Bank	July 1999–June 2005	14,930
Total core funding		76,860
NON-CORE FUNDING		
Member	Duration ^b	Receipts
Japan	March 2001–June 2004	3,608 ^e
Sweden	July 2002–June 2005	4,746 ^f
Switzerland	July 1999–June 2005	3,082 ^g
United Kingdom	July 1999–June 2004	19,676 ^h
Total non-core funding		31,112

Note: The figures in the table may vary slightly from those reported in previous annual reports because amounts are pledged in own currency and then converted to U.S. dollars at the time of transfer.

a. Pursuant to annex I, paragraph 4, of the trust fund agreements.

This amount supersedes earlier references to net investment income in other reports.

b. Refers to the period for which the received amount is allocated.

c. Excludes the Asian Development Bank's \$250,000 contributions in kind and fiscal 2004–05 contribution of \$500,000 received July 2005.

d. Includes \$1.4 million in unallocated cash from the Infrastructure Action Program.

e. Targeting countries in East Asia.

f. Targeting countries in Sub-Saharan Africa.

g. Targeting countries in Eastern Europe and Central Asia.

h. Targeting selected low-income countries in Asia and Sub-Saharan Africa.

TABLE 6
PPIAF Expenditures for Program Activities and Administration, Fiscal 2005

(US\$ '000)		
Expense Category	Fiscal 2004	Fiscal 2005
Program activities	13,534	13,575
Program Management Unit	1,252	1,388
Regional coordination offices	827	847
Total core funding	15,613	15,810

TABLE 7
PPIAF Program Activity Expenditures, Fiscal 2005

(US\$ '000)		
Expense Category	Fiscal 2004	Fiscal 2005
Consultant fees and contractual services	11,420	11,126
Travel	914	1,039
Staff costs	1,147	1,119
Other expenses	53	291
Total core funding	13,534	13,575

TABLE 8

PPIAF Program Management Unit and Regional Coordination Office Expenditures, Fiscal 2005

(US\$ '000)		
Expense Category	Fiscal 2004	Fiscal 2005
PMU core administration ^a	966	1,025
Technical assessments of activities ^b	16	24
Consultant fees and contractual services ^c	74	133
Travel ^d	120	103
Other expenses ^e	76	103
Regional coordination offices ^f	827	847
Total operational and overhead expenses	2,079	2,235

Note: The figures in the table may vary slightly from those reported in previous annual reports because amounts are pledged in own currency and then converted to U.S. dollars at the time of transfer.

a. Includes PMU staff costs (such as administration, evaluation of proposals, and governance and coordination of donor relations, the Technical Advisory Panel, and annual meetings).

b. Includes fees paid to professionals to assess the technical feasibility of proposals.

c. Includes fees of short-term consultants (ETT/STC) to work on database and project administration, as well as activity summaries ("Gridlines").

d. Includes travel expenses of the PMU staff, interviewees, and participants in annual meetings and retreats.

e. Includes office space, supplies, communications, computers, staff training, printing, translations, and PMU overhead.

f. The United Kingdom funds the staff and operational costs of the two offices in Sub-Saharan Africa and costs for the Delhi office. The balance of funds from the Japan fund will be used for the Manila office in fiscal 2006. The United Nations Development Programme contributed to accommodations for the two offices in Sub-Saharan Africa as part of its in-kind contribution to PPIAF. France will contribute accommodations in Dakar in fiscal 2006. The majority of RCO funds will come from the multidonor trust fund in fiscal 2006.

TABLE 9

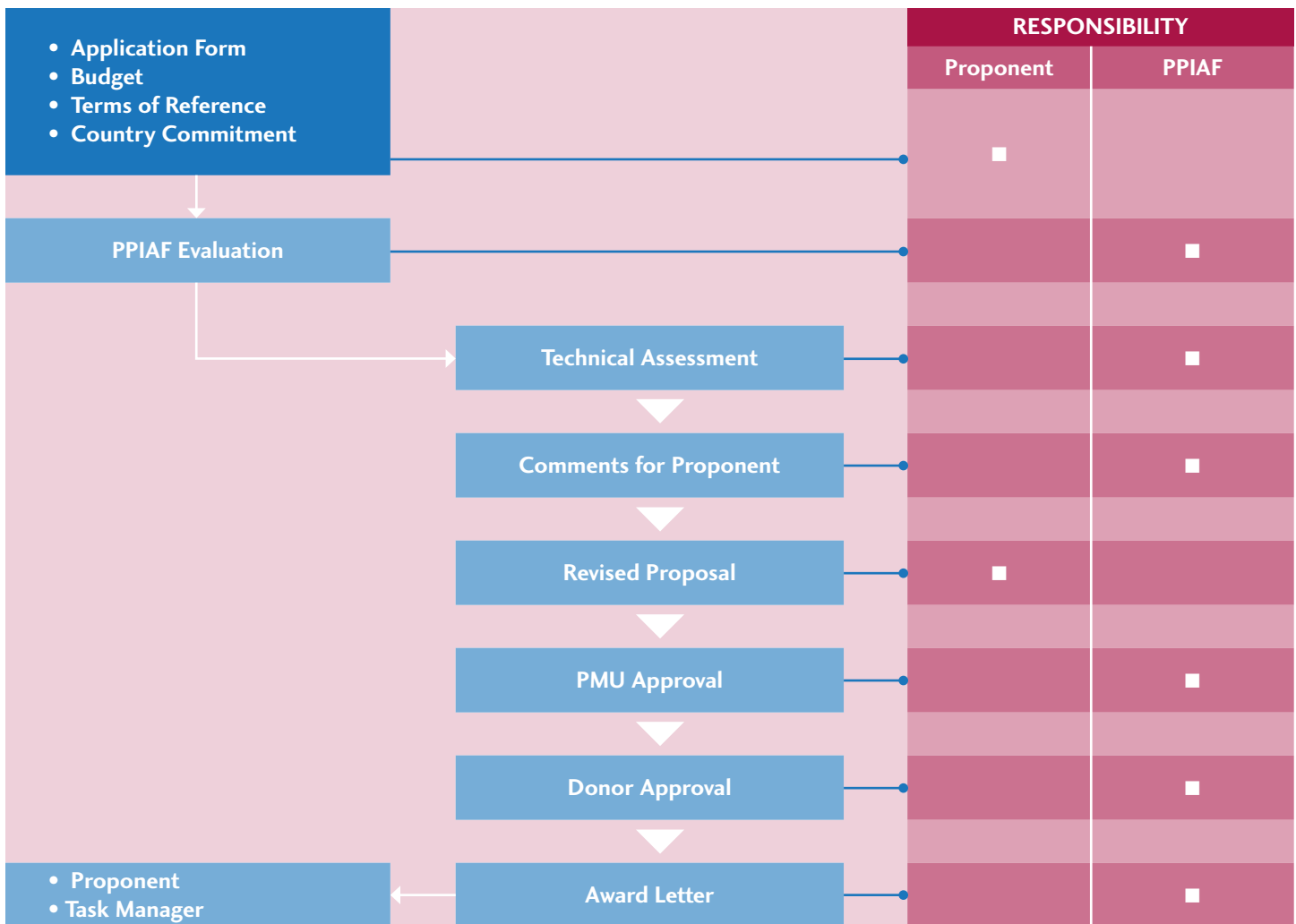
PPIAF Uses of Funds, Fiscal 2005

(US\$ '000)	
Receipts	109,423
Less approved activities	93,506
Less PMU and RCO funds	13,230
Subtotal: available cash	2,688
Plus expected FY05 pledges	4,214
Total expected funds	6,902

THE PPIAF FUNDING APPLICATION PROCESS

1. The process for evaluating and approving proposals for PPIAF assistance has been designed to ensure conformity with the approval criteria and the annual work program (Figure 4).
2. Proposals for PPIAF assistance may be evaluated and approved through one of two processes:
 - (a) Proposals may be specifically identified in the annual work programs approved at annual meetings of the Program Council; or
 - (b) Proposals may be dealt with by the Program Management Unit between meetings of the Program Council in accordance with the agreed work program, criteria, and processes.

FIGURE 4
PPIAF Funding Process



3. The evaluation and approval processes for the second category of proposals aim to strike a balance between speed, cost, comprehensiveness of evaluation, transparency, and other considerations. To facilitate this approach, proposals are classified according to the amount of support requested from PPIAF: small (\$75,000 or less), medium-sized (more than \$75,000 and up to \$250,000), or large (more than \$250,000).
4. The evaluation and approval process for proposals under the Core Fund is described below. Proposals for which funding is sought from Non-Core Funds will generally follow the same process, with final approval required from the relevant donor rather than from the Program Council as a whole.

A. Applications

5. Proposals for PPIAF assistance may originate from any source. Consistent with the approval criteria, however, proposals relating to country-specific activities will require the approval in writing of the relevant government.
6. Proposals for PPIAF assistance begin with the completion of an application form. This form seeks to capture all key information required for assessing the proposal, including a detailed budget and detailed terms of reference. The detailed budget should correspond to the scope of work outlined in the detailed terms of reference. The application form—together with explanatory documents—is available in an electronic format on the PPIAF website and in a paper format that is disseminated widely.

B. Initial screening

7. The PMU will screen each proposal initially to ensure that the application is complete and is consistent with the threshold eligibility criteria for countries, sectors, forms of private involvement, and nature of the intervention. If required, the Program Management Unit may consult with the proponent to elicit additional information. The World Bank Group's Country Assistance Strategy does not govern PPIAF's activities per se. However, consistent with PPIAF's objective of

promoting coordination among official donors, PPIAF country-specific activities may not be undertaken if they conflict with the actions being undertaken by PPIAF members or, to the extent this is easily verifiable, by other donors. In the case of the World Bank Group, the relevant contact point will be the World Bank country director.

C. Technical assessment

8. Proposals that meet the threshold eligibility requirements will be subject to more intensive scrutiny according to the approval criteria and annual work program.
9. For small proposals (\$75,000 or less), the Program Management Unit may undertake this evaluation from its own resources, but it may request an independent technical assessment from one or more specialists with relevant expertise. For this purpose, the Program Management Unit shall develop and maintain a roster of relevant specialists, drawing on World Bank Group staff as well as other qualified professionals. The findings and recommendations of such assessors shall not be binding on the Program Management Unit, but shall in all cases be recorded in the activity file and will be available to PPIAF donors. Requests for small amounts may be considered in bunches without an assessment where there is need for rapid response.
10. For medium-sized and large proposals (more than \$75,000), the Program Management Unit is obliged to seek an independent technical assessment from one or more specialists with relevant expertise, drawn from the roster. As with small proposals, the findings and recommendations of such assessors shall not be binding on the PMU but shall in all cases be recorded in the activity file and available to PPIAF donors. Unlike small proposals, medium-sized and large proposals will usually be batched for evaluation on a quarterly basis, so as to allow an assessment of the relative merits of each proposal. However, this batching requirement may be waived for urgent requests with the agreement of the Program Council on a "no objection" basis.

11. In all cases, if the Program Management Unit is of the opinion that the proposed activity is technically sound but raises significant social, political, or other sensitivities not fully addressed in the approval criteria, the Program Management Unit shall refer the proposal to the Program Council for further guidance.

D. Donor coordination

12. Proposals that meet the threshold eligibility requirements and are consistent with other approval criteria will then be tested to ensure that they are not in conflict with the programs or activities of donors.
13. For small proposals (\$75,000 or less), the Program Management Unit shall make this assessment by undertaking a review against information reasonably available on donor programs and activities.
14. For medium-sized and large proposals (more than \$75,000), the Program Management Unit will undertake a more active assessment. In the case of donors participating in PPIAF, this will involve consultation on a “no objection” basis. This consultation will usually be undertaken through electronic mail inviting nominated contact persons to register any concern within a maximum of 10 working days. (For urgent matters, the Program Management Unit may expedite this process by seeking advice from Program Council members.) To facilitate this process, participating donors are to advise the Program Management Unit of relevant contact details within their organization. In the case of donors not participating in PPIAF, the PMU will make its best effort to obtain relevant information on these donors’ programs.
15. If the above processes reveal any issue of donor coordination in the proposal, the Program Management Unit shall endeavor to resolve such matters through appropriate consultation. Matters that cannot be resolved in this manner may be referred to the Program Council for further guidance.

E. Approval

16. Proposals that pass the above tests will be subject to final approval according to the following process.
17. For small and medium-sized proposals (\$250,000 or less), the program manager is authorized to approve the proposal without further reference to the Program Council. However, the program manager shall inform the Program Council of the approval activity through quarterly reports.
18. For large proposals (more than \$250,000), the Program Management Unit is required to seek the endorsement of the Program Council on a “no objection” basis. This will normally be done through a series of quarterly reports based on the quarterly batching of proposals, where donors would be asked to register any objection within 10 working days. For urgent requests, the Program Council may be invited to endorse the activity at the same time that it is asked to waive the batching requirement (see para. 10) and to confirm that there is no conflict with donor programs or activities (see para. 14).

F. Notification of proponent

19. Proponents will be notified immediately following the acceptance of their proposal. If a proposal is rejected, an explanation will be provided to the applicant.

G. Execution

20. Once an activity has been approved and PPIAF funds are allocated, the Program Management Unit shall designate a task manager for the activity on the basis of relevant expertise. The task manager will be responsible for ensuring that all appropriate procurement, supervision, and reporting procedures are complied with.

EVALUATION AND APPROVAL PROCEDURES

PPIAF's evaluation and approval procedures (Figure 5) are based on the guidelines and criteria set out in the Program Charter, as amended.

FIGURE 5 Approval Procedures

CONSISTENCY WITH PPIAF MISSION

All activities must be consistent with PPIAF's overarching objective of helping to eliminate poverty and achieve sustainable development.

GOVERNMENT COMMITMENT

Country-specific activities may be undertaken only where there is clear evidence of government commitment to the activity. The government must approve of the proposed activity in writing. For multicountry activities designed to directly benefit a small number of easily identifiable countries, the relevant governments also must approve in writing. For multicountry activities with a broader range of beneficiaries, similar approvals are not required.

DONOR COORDINATION

PPIAF is a multidonor facility, and the activities it supports must be undertaken in a way that promotes effective coordination with the activities of official donors. In particular, country-specific activities may be undertaken only if the Program Management Unit is satisfied that the proposed activity does not conflict with programs or activities being undertaken by the World Bank Group, by other PPIAF contributors, or to the extent that this is easily verifiable, by other donors.

ADDITIONALITY

PPIAF is intended to result in a net additional flow of resources to the activities it supports. Accordingly, funding for a proposed activity should not be more conveniently available from other sources, including loans from international financial institutions, grants from other programs, or a government's own resources.

CO-FINANCING

Although PPIAF can pay up to 100 percent of the costs of an eligible activity, co-financing from the recipient government and other sources is encouraged. Indeed, it is particularly important to indicate any estimates of government cash or in-kind contributions.



VALUE FOR MONEY

PPIAF activities should aim to ensure value for money by adopting the lowest cost strategies consistent with appropriate standards of quality.

QUALITY ASSURANCE

Applications for PPIAF funding should contain indicators against which the quality of the proposed activity can be assessed. Larger activities should usually include appropriate consultative and quality review mechanisms.

REGIONAL AND SECTORAL BALANCE

Subject to the work program approved by the Program Council, activities financed from the Core Fund should maintain a reasonable balance across developing regions and across eligible infrastructure sectors.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

If an activity to be supported by PPIAF is likely to have significant adverse environmental or social consequences, appropriate measures must be adopted to ensure an objective and transparent assessment of those potential consequences.

Governance Structure



GOVERNANCE STRUCTURE

PPIAF is governed by a Program Council made up of representatives of contributing donors. PPIAF remains open to receiving contributions from official donors, international financial institutions, and other official agencies. An independent Technical Advisory Panel (TAP) of leading international experts in different aspects of public-private partnerships in infrastructure supports the Program Council.

A Program Management Unit (PMU) manages PPIAF in accordance with a general strategy laid out in the Program Charter and the annual work programs approved by the Program Council. This governance structure is designed to ensure the quality of the activities of PPIAF and its accountability to participating donors.

The Program Council

As provided in the PPIAF Program Charter of July 1999, amended in July 2000 and May 2001, membership in the Program Council remains open to eligible organizations contributing a minimum of \$250,000 a year to PPIAF's Core Fund. Today, there are 15 members (Table 10). Members may also contribute to Non-Core Funds, whose use is restricted to particular themes, regions, or activities.

The Program Council meets once a year to review the strategic direction of the PPIAF program, its achievements, and its financing requirements. Chaired by the World Bank's vice president for infrastructure, the Program Council is responsible for

- Considering and defining PPIAF policies and strategies;
- Approving the annual work program and financial plan;
- Reviewing PPIAF's performance, including selecting activities for evaluation by TAP; and
- Overseeing TAP and the PMU.

Sixth annual meeting

On May 23–25, 2005, the Program Council held its sixth annual meeting since PPIAF was launched in July 1999. The Asian Development Bank hosted the meeting in Manila. At the meeting, the consultant commissioned by the Program Council presented the results of the strategic review of PPIAF's first five years of operation (see Annex II). The strategic review looked at four major issues:

- Is the PPIAF program still relevant to infrastructure improvement in developing countries?
- Has PPIAF achieved significant results?
- Has PPIAF been operating efficiently and effectively?
- Has PPIAF identified and applied the lessons of its experience?

PMU staff presented PPIAF's medium-term strategic framework (fiscal 2006–08) and an Indicative Work Program for fiscal 2006. The PMU also presented the draft medium-term strategic framework for the Africa Regional Program, which mainly focused on dissemination and outreach efforts.

The Program Council endorsed the findings and recommendations of the strategic review and noted that it was fair and comprehensive. The strategic framework and Indicative Work Program were also endorsed by the Program Council.

The Technical Advisory Panel

The members of TAP were selected on the basis of their expertise in matters relating to private involvement in infrastructure in developing countries. They were appointed on November 30, 2000, by the Program Council chair after consultation with Program Council members.

TABLE 10
Members of the PPIAF Program Council as of June 30, 2005

Bilateral
Canada (Canadian International Development Agency)
France (Ministry of Foreign Affairs)
Germany (Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung, or BMZ)
Italy (Ministry of Foreign Affairs)
Japan (Ministry of Finance)
Netherlands (Ministry of Foreign Affairs)
Norway (Norwegian Agency for Development Cooperation)
Sweden (Swedish International Development Cooperation Agency)
Switzerland (State Secretariat for Economic Affairs)
United Kingdom (Department for International Development)
United States (U.S. Agency for International Development)
Multilateral
Asian Development Bank
World Bank
United Nations Development Programme
European Community Commission

As agreed by all Program Council members the current TAP members will be retired and rotated. This year two members will retire, and two new members will join the panel. The trend of retiring two members will continue for the next few years until all have all been replaced by new members.

TAP is responsible for

- Providing advice, at the request of the Program Council, on issues relating to private involvement in infrastructure in developing countries;
- Reviewing and commenting on the PPIAF strategy as reflected in draft annual work programs prepared by the PMU; and
- Evaluating the impact of the PPIAF annual work program through evaluation of selected activities.

The panel met twice in fiscal 2005, holding its 9th meeting in Washington, D.C., on November 12, 2004, and its 10th meeting in Manila on May 23, 2004. Panel members also participated in the Program Council's 6th annual meeting, also held in Manila on May 24–25, 2005.

In fiscal 2005 TAP conducted an evaluation of 25 PPIAF activities, selected to reflect the program's diversity in regions, sectors, types of activities, level of funding, and ease of replication.

This year's review focused on the following themes:

- The appropriateness of advice in the local context;
- The adequacy of consensus-building activities;
- Support to the telecoms sector; and
- Best-practice research.

The Program Management Unit

The PMU is responsible for the day-to-day management of PPIAF in accordance with the general strategy and the annual Indicative Work Program approved by the Program Council.

The unit remains small, focusing on administering the PPIAF program rather than delivering activities. PPIAF relies extensively on external consultants to deliver activities and follow World Bank guidelines on procurement.

The PMU's key responsibilities are the following:

- Reviewing proposals for PPIAF assistance in accordance with the criteria and process approved by the Program Council (for activities funded from the Core Fund) or by relevant contributors (for activities funded from Non-Core Funds);
- Arranging for delivery of PPIAF programs and activities;
- Providing secretariat services to the Program Council and TAP;
- Maintaining effective relationships with contributors, recipient governments, the private sector, and other stakeholders.
- Proposing and administering the PPIAF work plan and budget and managing the disbursement of funds; and
- Overseeing the operations of the field-based RCOs.

The PMU recruited a new senior communications officer to oversee the program's dissemination initiatives and to expand its outreach, partnerships, and communication of best practice.

The regional coordination offices

In fiscal 2004 the Program Council approved the establishment of three new RCOs: in New Delhi (India) to cover South Asia; in Manila (Philippines) to replace the Singapore office and cover East Asia and Pacific; and in Dakar (Senegal) to cover West and Central Africa.

The New Delhi RCO became operational in fiscal 2005. Regional program leaders for West and Central Africa and for East Asia and Pacific have already been recruited, and both offices are expected to become fully functional early in fiscal 2006.

The RCOs have the following key responsibilities:

- Identifying opportunities for PPIAF assistance, supporting local requests for PPIAF interventions, and tailoring assistance strategies to local priorities and conditions;
- Working with recipient governments and contributors, international financial institutions, and other official agencies to promote effective coordination of advisory activities;
- Consulting private sector representatives to ensure that their perspectives are reflected in PPIAF advice and activities;
- Assisting in the supervision of PPIAF activities; and
- Fostering contacts and good working relationships with key government officials and representatives of the donor, multilateral, and investor communities.

Annexes



Annex I

List of Activities Funded by PPIAF in Fiscal 2005

SUB-SAHARAN AFRICA 23 ACTIVITIES

Country or Region	Title	Description of Activity	Funding US\$	Nature of Activity/Deliverable
AFRICA	Developing Guidelines for Appraising Public-Private Infrastructure Projects in Sub-Saharan Africa	Preparing a set of generic methodological guidelines for carrying out analytical work needed in public-private infrastructure project development, appraisal, contracting, and renegotiation	72,000	Capacity Building
AFRICA	Regional Power Initiative	Preparing an action plan to facilitate public-private partnerships in financing regional power sector projects	74,900	Infrastructure Development Strategies
AFRICA	Examining the Impact and Factors That Determine the Success of Private Participation in Infrastructure in Sub-Saharan Africa: Part I	Examining three case studies to assess the impacts and determinants of success or failure of private participation in African infrastructure	75,000	Infrastructure Development Strategies
AFRICA	Regulatory Harmonization in the Economic Community of West African States (ECOWAS)	Analyzing the fundamental economic policies for regional policy harmonization, regulatory cooperation and integration, and efficient trade in the region	75,000	Consensus Building
AFRICA	Examining Factors That Determine the Success of Private Participation in Infrastructure in Sub-Saharan Africa: Part II	Identifying and analyzing in detail the key drivers of success in private participation in infrastructure in Sub-Saharan Africa	75,000	Infrastructure Development Strategies
AFRICA	Local Currency Financing for Infrastructure in Africa	Determining the extent to which local financial markets in Sub-Saharan Africa could increase the resources channeled into infrastructure investments	75,000	Infrastructure Development Strategies
AFRICA	Information and Communications Infrastructure Development in East and Southern Africa	Developing regulatory instruments and toolkits, building capacity, and helping organize consensus-building workshops to help regional organizations and national telecommunications regulators in Sub-Saharan Africa region	272,600	Infrastructure Development Strategies
AFRICA	Public-Private Infrastructure Project Appraisal and Institutional Development	Designing a public-private partnership facilitation unit, a regional spatial development initiative co-sponsored by the governments of Malawi, Mozambique, Tanzania, and Zambia	494,000	Capacity Building
ANGOLA	Disseminating the Country Framework Report (CFR) at an Investors Conference	Finalizing, printing, and publishing CFRs for dissemination at an investors conference	75,000	Consensus Building
GHANA	Developing Bus Systems in the Greater Accra Metropolitan Area	Strengthening the management and operational capacity of city-provided bus services to operate in a commercial environment and to facilitate the organization of private bus operators	234,900	Policy; Regulatory and Institutional Reforms

GUINEA	Private Sector Participation in Urban Transport	Improving the efficiency of the public transport sector in Conakry	198,500	Policy; Regulatory and Institutional Reforms
GUINEA	Upgrade Existing Compagnie des Bauxites de Guinée (CBG) Power and Water Infrastructure in the Boké region	Exploring options for public-private partnership arrangements that facilitate the provision of associated infrastructure and transfer infrastructure management to private operators	330,000	Infrastructure Development Strategies
KENYA	Financing Small Water Supply Projects through Micro-Finance	Facilitating market-based lending to small water projects on a project finance basis	72,000	Capacity Building
KENYA	Performance Management Transactions Advisory Support for Kenya Power and Lighting Company (KPLC)	Assisting the KPLC Board of Directors and the Kenyan Ministry of Energy in developing and negotiating a draft performance management contract with a prospective management service provider	217,500	Pioneering Transactions
MADAGASCAR	Private Sector Participation in National Water and Sanitation Program	Advising the government on appropriate methods of private sector participation in the provision of water and sanitation services to rural areas and small towns	290,535	Infrastructure Development Strategies
MADAGASCAR	Energy and Water Sector Reform	Examining a broad range of alternatives for selecting the most appropriate medium- and long-term water and electricity market structure and restructuring scheme for the national utility	600,000	Infrastructure Development Strategies
MALAWI	Private Sector Participation in Airports	Assisting the Government of Malawi in developing and clarifying policy guidelines for private sector participation in the Chileka and Lilongwe international airports	265,050	Infrastructure Development Strategies
MALI	Public-Private Partnership in River Transport	Preparing a feasibility study and evaluating conditions for a public-private partnership in Mali's river transport sector	180,250	Infrastructure Development Strategies
SENEGAL	Assessing the Infrastructure Asset Base and Investigating Alternative Sources of Capital Investment	Examining the shortfall in capital investment below the level required to support the development agenda	15,000	Infrastructure Development Strategies
SOUTH AFRICA	Independent Power Producer—New Generation Capacity Project	Assisting the public-private partnership unit in the South African National Treasury in broadening the regulatory framework for public-private partnership project development for application to a wider range of projects	75,000	Pioneering Transactions
SUDAN	Private Participation in Infrastructure Assessment	Enabling the early participation of the private sector in the reconstruction and rehabilitation efforts in Sudan through the fostering of a conducive policy and institutional environment	202,000	Infrastructure Development Strategies
SWAZILAND	Analysis of a Railway Concessions Strategy and Information Memorandum	Analyzing the benefits, constraints, and financial implications of different privatization options for Swaziland Railways	275,000	Infrastructure Development Strategies
TANZANIA	Support for the Analysis of Tanzania Privatization Program	Reviewing the privatization and private sector involvement program in the infrastructure and utilities sectors	155,000	Infrastructure Development Strategies

EAST ASIA AND PACIFIC

15 ACTIVITIES

Country or Region	Title	Description of Activity	Funding US\$	Nature of Activity/Deliverable
CHINA	Implementing Price Cap Regulation in the Telecommunications Sector	Helping the telecommunication regulator in China design and implement price cap regulation in both fixed and mobile services as part of the ongoing tariff reform, by preparing a feasibility study and designing price cap regulations	275,000	Policy; Regulatory and Institutional Reforms
EAST ASIA AND PACIFIC	Survey of Civil Society for East Asia and Pacific Infrastructure Flagship Study	Supporting a survey of nongovernmental organizations concerned with East Asia and Pacific region; survey focuses on civil society perceptions of private participation in infrastructure	62,200	Emerging Best Practices
EAST ASIA AND PACIFIC	Formulation of a Training Course on Performance-Based Contracting	Developing a training module, to be piloted in the region (Cambodia, China, Thailand), that will prepare governments to better develop and manage arrangements with private sector operators that are maintaining and rehabilitating roads under performance-based contracts	74,800	Capacity Building
EAST ASIA AND PACIFIC	Supporting the Establishment of a Forum of Infrastructure Regulators	Supporting the development of a sound regulatory environment in the region by promoting information-sharing and capacity-building activities	180,250	Consensus Building
INDONESIA	Establishing the Feasibility of Performance-Based Maintenance Contracts in Road Projects	Studying the viability of performance-based contracts (PBCs) in Indonesia and providing the foundation for moving toward PBCs for large portions of the road network	74,193	Infrastructure Development Strategies
INDONESIA	Preparing an Enabling Environment for Public-Private Partnerships in Water Sector	Preparing an enabling environment for sustainable public-private partnerships in the water sector, drawing extensively on the experiences of the Philippines and Vietnam, where demand-based delivery methods have been effective	491,700	Pioneering Transactions
LAO, People's Democratic Republic (PDR)	Advisory Support for the Nam Theun II Power Project	Supporting the Government of Lao PDR in retaining legal advisers to finalize project agreements	790,325	Pioneering Transactions
MONGOLIA	Framework for Private Sector Participation and Social Impact in Energy Sector	Assisting the government in the implementation of its energy priorities through the creation of a framework to attract private sector participation in the energy sector in a way that buffers the social impact of energy sector reforms and the provision of infrastructure services in the rural areas	170,750	Infrastructure Development Strategies
PHILIPPINES	Promoting Private Sector Participation in Rural Electrification	Assisting the government in securing efficient and sustainable power supply for rural electric cooperatives in a transparent manner involving a Small Power Utilities Group (SPUG) Power Sales Agreement Workshop	75,000	Consensus Building
THAILAND	Institutional Development of the Thailand National Telecommunications Commission (NTC)	Supporting the successful and sustainable launch of the NTC	249,000	Policy; Regulatory and Institutional Reforms

VIETNAM	Public-Private Participation decree in Urban Water Supply	Assisting the Government of Vietnam in drafting a public-private participation or equitization decree in urban water supply for Vietnam	68,000	Policy; Regulatory and Institutional Reforms
VIETNAM	Charter and Legal Framework for Rural Water Supply and Sanitation Enterprises	Supporting private sector participation in the rural water sector by allowing private users to be part of capital formation in the joint-stock approach being piloted in Vietnam	74,445	Pioneering Transactions
VIETNAM	Reviewing the Reduction of Non-Revenue Water (NRW) through Performance-Based Contracts with the Private Sector	Reviewing existing international practices to reduce NRW through performance-based contracts with the private sector	74,890	Emerging Best Practices
VIETNAM	Supporting the Establishment of an Electricity Regulator	Assisting in the implementation of new institutional arrangements for electricity regulation in Vietnam	75,000	Capacity Building
VIETNAM	Consolidating and Developing a Bus System in Ho Chi Minh City	Preparing studies to guide the government on options for expanding private sector involvement in the bus systems at the national, subnational, and sectoral levels	350,000	Policy; Regulatory and Institutional Reforms

EASTERN EUROPE AND CENTRAL ASIA

14 ACTIVITIES

Country or Region	Title	Description of Activity	Funding US\$	Nature of Activity/Deliverable
ALBANIA	Framework for Public-Private Participation in the Road Sector	Providing a road map for private sector participation in the road sector in Albania; this includes identifying obstacles to public-private partnerships, proposing changes; drafting proposed legislation, preparing model documents, setting up procurement procedures, and providing technical assistance in improving capacity to analyze the feasibility of public-private partnership proposals	245,000	Infrastructure Development Strategies
ALBANIA	Promotion of the Private Sector in Water Supply and Wastewater Services	Strengthening the Public Communication Office in the General Directorate for water and sanitation	470,070	Consensus Building
ARMENIA	Lessons Learnt from the Privatization of Power Distribution	Preparing a review and analysis of Armenian experience with the privatization of the power distribution company and filming a half-hour documentary to complement the report and to disseminate lessons learned	55,300	Emerging Best Practices
ARMENIA	Strategy for Private Sector Participation in Armenian Railways	Restructuring the railway sector to make it more efficient and market responsive and position it to support economic growth in Armenia by exploring private sector participation in railways	350,000	Infrastructure Development Strategies
BELARUS	Private Participation in Small-Scale Energy Generation	Introducing regulatory and economic mechanisms to remove barriers to and encourage participation of private sector entrepreneurs in the energy sector	355,900	Infrastructure Development Strategies

BULGARIA	Design of a Competitive Wholesale Energy Market	Providing specialized technical assistance to introduce wholesale competition into the Bulgarian power market compatible with the European Union's energy directives	145,000	Infrastructure Development Strategies
CROATIA	Private Sector Participation Options for Second-Generation Road Investment and Rehabilitation Program	Assisting the government in designing a second-generation road investment and rehabilitation program presenting various alternatives for management and financial arrangements that maximize the benefits of private participation and respond to the government's exposure and risk concerns	75,000	Infrastructure Development Strategies
CROATIA	Strategy for Appropriate Public-Private Infrastructure Restructuring Model for Croatian Railways	Improving the competitiveness of rail transport in Croatia by assisting in formulating a restructuring strategy that promotes private participation in Croatian Railways	165,000	Infrastructure Development Strategies
EASTERN EUROPE AND CENTRAL ASIA	Models in Public-Private Partnerships for Local Infrastructure Finance	Conducting a study on the feasibility of an innovative framework that could lead to an improved model for public-private participation in local infrastructure finance	180,000	Infrastructure Development Strategies
EASTERN EUROPE AND CENTRAL ASIA	Central Asia Regional Economic Cooperation (CAREC) Members' Electricity Regulators' Forum	Building the regulatory skills of members of CAREC, sharing regulatory experiences, and on the basis of this training and these discussions, facilitating cooperation in the development of common electricity regulations and procedures across member countries	185,000	Capacity Building
GEORGIA	Establishing a Framework for Private Participation in the Road Sector	Fostering private sector participation in the transport sector through the review of an existing public-private partnership framework and the drafting of guidelines and regulations for private road investors	350,000	Infrastructure Development Strategies
SLOVAK REPUBLIC	Advisory Assistance for Public-Private Partnerships	Reviewing the draft public-private partnerships policy, regulatory framework, guidelines, and institutional and organizational framework	75,000	Infrastructure Development Strategies
TAJIKISTAN	Building Capacity to Implement Options for Private Participation in Infrastructure	Assisting the State Property Committee in the implementation of a strategy adopted by the government in November 2003 to provide private sector participation in earmarked infrastructure enterprises	280,000	Capacity Building
TURKEY	Supporting the Implementation of the Electricity Market Reform Strategy	Supporting an independent panel of experts who will advise the government on monitoring and supervising the detailed implementation of the competitive power market and the privatization of distribution and generation companies	170,000	Policy; Regulatory and Institutional Reforms

GLOBAL 12 ACTIVITIES

Country or Region	Title	Description of Activity	Funding US\$	Nature of Activity/ Deliverable
GLOBAL	User Survey of the Public-Private Infrastructure Database	Developing a user survey report that summarizes the value of the Public-Private Infrastructure database and identifies areas for further development	12,000	Emerging Best Practices
GLOBAL	International Assessment and Emerging Lessons in Regulatory Transparency	Assessing the international experience in regulatory transparency and identifying emerging lessons for policymakers and regulators, including identifying a set of transparency indicators to compare practices of different regulators	48,000	Emerging Best Practices
GLOBAL	Second International Conference on Financing Municipalities and Subnational Governments	Preparing papers on access to domestic capital markets for subnational infrastructure finance and co-sponsoring the second International Conference on Financing Municipalities and Sub-National Governments	75,000	Infrastructure Development Strategies
GLOBAL	Mobilizing Urban Finance in a Responsible Fiscal Framework	Fostering multicountry exchanges of experience on financing improvements in infrastructure services and hence the quality of life in cities of developing countries in the context of rapid urbanization	75,000	Emerging Best Practices
GLOBAL	Issues Mapping Exercise on the Topic of Private Provision of Infrastructure Services	Identifying the main concerns stakeholders have with respect to private participation in infrastructure and formulating them concisely	75,000	Consensus Building
GLOBAL	Energy Project Stress Reduction Strategies and Instruments	Generating strategies, instruments, and processes to address a limited number of specific stresses with power projects; developing concepts for practical implementation	75,000	Infrastructure Development Strategies
GLOBAL	Mini Infrastructure Apex Programme	Preparing a pre-feasibility study to assess the viability of a mini-infrastructure apex program to help small-scale infrastructure providers operate as viable entities and attract investment	110,000	Infrastructure Development Strategies
GLOBAL	Best Practice Guidance Manual on Private Participation in Airport Ownership	Pulling together relevant experiences and indications of best practice in aviation infrastructure at a case-study level that can assist developing countries	250,000	Emerging Best Practices
GLOBAL	Survey and Mapping of Small-Scale Private Service Providers (SPSPs)	Improving the conditions under which SPSPs operate by surveying and mapping the scale of SPSPs in a given number of countries	343,100	Infrastructure Development Strategies
GLOBAL	Mechanisms to Mitigate Regulatory Risk in Private Infrastructure Investment	Enhancing the understanding of regulatory risk and providing regulators, policymakers, and private investors with strategies for mitigating risk by strengthening institution building, defining and constraining discretion available to regulators, and designing a benchmark mechanism for utility regulators	397,250	Emerging Best Practices
GLOBAL	Improving the Regulation of Water and Sanitation Services	Preparing a series of reports and practical guidance notes that will assist policymakers and regulators in establishing more certain and predictable policy and regulatory regimes for water and sanitation services	429,500	Emerging Best Practices
GLOBAL	Financing Plan and Credit Rating of Public Infrastructure Entities	Enhancing financial market access through the design of a financing plan and local and foreign currency credit ratings for four public infrastructure entities	800,000	Infrastructure Development Strategies

LATIN AMERICA AND CARIBBEAN

10 ACTIVITIES

Country or Region	Title	Description of Activity	Funding US\$	Nature of Activity/Deliverable
COLOMBIA	Strategic Framework for the Ports and Airports Sector	Providing the Government of Colombia with strategic options related to ports and El Dorado airport concession	75,000	Infrastructure Development Strategies
EL SALVADOR	Infrastructure Strategy Report	Preparing a diagnostic tool to assist the country in understanding the relative performance of its infrastructure stock; formulating integrated strategies for reform by producing a series of cross-cutting, interrelated strategies for investment planning	394,020	Infrastructure Development Strategies
HAITI	Implementing Road Maintenance Fund	Implementing a new instrument for contracting private firms for road maintenance activities	199,300	Policy; Regulatory and Institutional Reforms
HAITI	Preparing a Management Contract for Électricité d'Haiti	Facilitating private sector involvement in the management of Électricité d'Haiti to improve its performance, increase access by poor people, and support its financial sustainability	744,000	Infrastructure Development Strategies
JAMAICA	Regulatory Impact Assessment	Reviewing the current institutional and regulatory framework in the field of utility regulation and competition policy, for a set of regulatory agencies	360,000	Policy; Regulatory and Institutional Reforms
LATIN AMERICA AND CARIBBEAN	Investment Packaging and the Attractiveness of Infrastructure	Reviewing the existing role of the private sector in municipal solid waste management in Latin America	73,400	Emerging Best Practices
LATIN AMERICA AND CARIBBEAN	Review of Solid Waste Management for the Latin America and Caribbean region	Analyzing and identifying the best municipal solid waste experiences, classified by size of the city and type of private sector involvement, so as to ensure optimal coverage and cost-effective service delivery, to help ensure sustainable development	245,000	Policy; Regulatory and Institutional Reforms
MEXICO	Financing Options for the Water Sector	Reviewing the current financial situation of the Mexican water sector and presenting options for designing federal and national financing programs based on international best practices	39,000	Capacity Building
MEXICO	Public-Private Partnership Options for Water Supply and Sanitation for Matamoros	Identifying and promoting best practices in private involvement in municipal water and wastewater services for the Matamoros region	74,000	Consensus Building
PERU	Design of an Enabling Framework for Public-Private Partnership Models in Rural Electrification	Designing and developing specific institutional, regulatory, and financial instruments to assist in rural electrification reform through public-private participation initiatives	380,000	Policy; Regulatory and Institutional Reforms

MIDDLE EAST AND NORTH AFRICA 1 ACTIVITY

Country or Region	Title	Description of Activity	Funding US\$	Nature of Activity/Deliverable
MOROCCO	Electricity, Water, and Sanitation Distribution Sector Restructuring	Preparing a comprehensive study on electricity, water, and sanitation distribution restructuring in two pilot zones	440,000	Infrastructure Development Strategies

SOUTH ASIA 7 ACTIVITIES

Country or Region	Title	Description of Activity	Funding US\$	Nature of Activity/Deliverable
AFGHANISTAN	Private Participation in Urban Water and Sanitation by Management Contracts	Assessing the suitability of involving the private sector in the water sector through management contracts and assisting the Government of Afghanistan in selecting the appropriate model for managing its water and sanitation services	74,500	Infrastructure Development Strategies
BANGLADESH	Preparatory Support for Electricity Sector Management Contracts	Supporting the preparation and delivery of a workshop on electricity sector management contracts	75,000	Emerging Best Practices
INDIA	Designing the Key Elements of Water and Sanitation Reforms for Delhi Jal Board Reform Program	Building a broad consensus among stakeholders on a proposed program and implementation plan	68,000	Policy; Regulatory and Institutional Reforms
INDIA	Preparing Infrastructure Regulatory Conclave and Position Papers for the Confederation of Indian Industry (CII)	Organizing an infrastructure regulatory conclave to roll out the process and get wider perspectives and consultation from domestic players on general but critical issues (autonomy, professionalism, and accountability)	75,000	Policy; Regulatory and Institutional Reforms
PAKISTAN	Building Consensus on Private Sector Participation in Infrastructure Delivery	Sponsoring a seminar to build consensus on a coherent policy and program for public-private partnerships in infrastructure service delivery; seminar will cover issues in the areas of policy, institutional reform, and economic regulation	75,000	Consensus Building *
PAKISTAN	Punjab Water Supply and Sanitation Reforms	Designing key elements of the policy, institutional, and regulatory reforms in water supply and sanitation; building a broad consensus among the stakeholders on a proposed program and implementation plan	700,000	Policy; Regulatory and Institutional Reforms
SOUTH ASIA	Examining the Availability and Affordability of Infrastructure Services	Focusing on availability and affordability of infrastructure services and on funding and delivery mechanisms to facilitate greater efficiency in regulatory reform measures to reach the poor	36,075	Consensus Building

Annex II

Independent Review of the First Five Years of PPIAF's Operations: Executive Summary

- 1. Introduction**—This study presents the findings and recommendations of an independent strategic review of the first five years of PPIAF's operations. It was commissioned to assist donors who will be considering renewing their financial commitments to the program. It addresses four major issues:
 - Is the PPIAF program still relevant to infrastructure improvement in developing countries?
 - Has PPIAF achieved significant results?
 - Has PPIAF been operating efficiently and effectively?
 - Has PPIAF identified and applied the lessons of its experience?
- 2. Relevance**—Against the background of widespread scepticism about private participation in infrastructure, PPIAF still has a potentially important role in helping governments address the “unfinished business” of private participation in infrastructure (PPI). Its mandate covers all the critical issues, from defining strategies to facilitating transactions, from identifying global best practice (GBP) to consensus building. Its portfolio of five years' advisory work comprises a valuable inventory of case material about alternative approaches to PPI.
- 3. Demand**—The buoyant demand for PPIAF services also indicates that the facility remains relevant to governments of developing countries. The volume of new applications increased in fiscal 2004 after declining moderately in the previous two years. Applications have been received from 105 countries, but the breadth of coverage has not been matched by sustained demand in all countries. The highest proportions have come from regions where PPIAF has field representation.
- 4. Comparative advantage**—Overall, PPIAF has demonstrated a strong comparative advantage as an advisory facility. It has a clear and coherent functional focus; a broad range of deliverables and access to World Bank multisectoral expertise; global reach; strong donor support; and a lean, cost-effective management structure.
- 5. Impact**—After a slower than projected start, PPIAF has exceeded its initially expected level of activity by more than 25 percent, reaching cumulative expenditures of \$41 million by the end of fiscal 2003 against a target of \$32 million. The outputs of funded services are of high quality across a wide range of interventions.

Of the 32 mature projects reviewed in detail in this study, 27 (84 percent) of the outputs were assessed as being fully or mostly satisfactory. Fifteen projects (47 percent) were assessed as having achieved a fully or mostly satisfactory outcome, but in another 12 cases (38 percent) it was too early to make a clear judgment. Given the probable outcomes in those cases, 20 (63 percent) of the 32 projects are assessed to have been fully or mainly successful. Similarly, the Impact Database showed that 45–50 percent of the projects approved in fiscals 2000 and 2001 had a positive outcome.

However, there are significant variations in the performance between countries—in 42 countries, no positive outcomes have been recorded. PPIAF should apply more stringent country criteria to its project screening processes.
- 6. Efficiency and Effectiveness**—The program's distinctive operating model, comprising a small Program Management Unit (PMU) and outsourced delivery of PPIAF-funded services, has proven to be efficient and cost-effective. Management costs

have declined steadily from 28 percent of total program expenditures in fiscal 2000 to 13 percent in fiscal 2004.

7. **Governance Structure**—There are issues regarding the effectiveness of PPIAF's governance structure, organization, and management processes. The Program Council has an essential role in the governance of the facility, but as presently structured it is not well suited to providing effective direction and oversight for the PPIAF. Its composition is too large and its meetings too short.

The Technical Advisory Panel (TAP) has provided useful external insights on the major issues facing PPIAF, but it has several limitations as an instrument for evaluating project performance, in particular by not having access to beneficiaries. The PMU's role is focused on processing applications and contracting individual assignments: it has no explicit responsibilities for strategy formulation or program evaluation: these are important omissions.

In addition, limited staffing resources and lack of field presence have severely constrained the PMU's capacity to acquire a stronger management role.

8. **PPIAF's processes for handling contracting**—These processes work well, but planning and follow-up are less effective. PPIAF's Indicative Work Program is more a forecast than a target, and it does not serve to set direction or priorities for the program. PPIAF's procedure for screening applications is transparent and effective. Project implementation is generally well managed, but it takes considerably longer than planned.

Extended implementation periods detract from project quality because they create additional problems for effective follow-up and closure of projects. The PPIAF Applications Tracking System

(PATS) provides a comprehensive framework for recording information, but it has several weaknesses as a management tool. PPIAF's monitoring does not include consolidation and analysis of individual projects to evaluate the performance of the overall portfolio.

9. **Lessons learned**—PPIAF has a potentially important role in interpreting and communicating the lessons of its experience. However, TAP highlighted several major areas of concern: in particular, the lack of information for measuring the impact of PPIAF activities, shortcomings in dissemination, the need for broader stakeholder consultation, and the importance of addressing the sociopolitical and economic dimensions of PPI. PPIAF has been generally responsive to the concerns raised by TAP, mainly at the program level, but the record of addressing concerns about country-specific activities is mixed. The PMU needs to do more to ensure that recommendations regarding reporting, consultation, and follow-up are applied more consistently.

10. **Dissemination**—PPIAF has disseminated knowledge through the promotion of GBP. However, dissemination of PPIAF materials is still very uneven: there is no explicit plan for promoting GBP materials or for comprehensive distance learning programs.

11. **Conclusions and Recommendations**—PPIAF's first five years of activity has validated the relevance of its role and operating model. However, there is room for improvement. PPIAF should adapt the model to build on the experience of its pioneering years. In particular, action should be taken in four major areas:

- **Strengthening strategic direction of the program**—Most importantly, PPIAF should balance the demand-driven approach to project selection with a strategic vision of overall program priorities. PPIAF should move

toward a more strategic approach to defining priorities that is based on an evaluation of country performance. In addition, PPIAF should establish a small Steering Group of the Program Council to provide more frequent and substantive strategic input. A senior member of the PMU staff should be assigned responsibility for policy and planning.

- **Increasing stakeholder involvement in the program**—More needs to be done to ensure greater stakeholder participation by associating beneficiary governments with the Program Council, and greater stakeholder involvement is needed in project execution.
- **Focusing on outcomes rather than outputs**—Project management activities need to give greater attention to project outcomes, in particular to implementation, consultation, and follow-up. PPIAF should introduce operating guidelines defining the procedures for carrying out advisory assignments, strengthen poverty reduction analysis, and redesign the PATS reporting system so that it acts as a more effective monitoring tool.

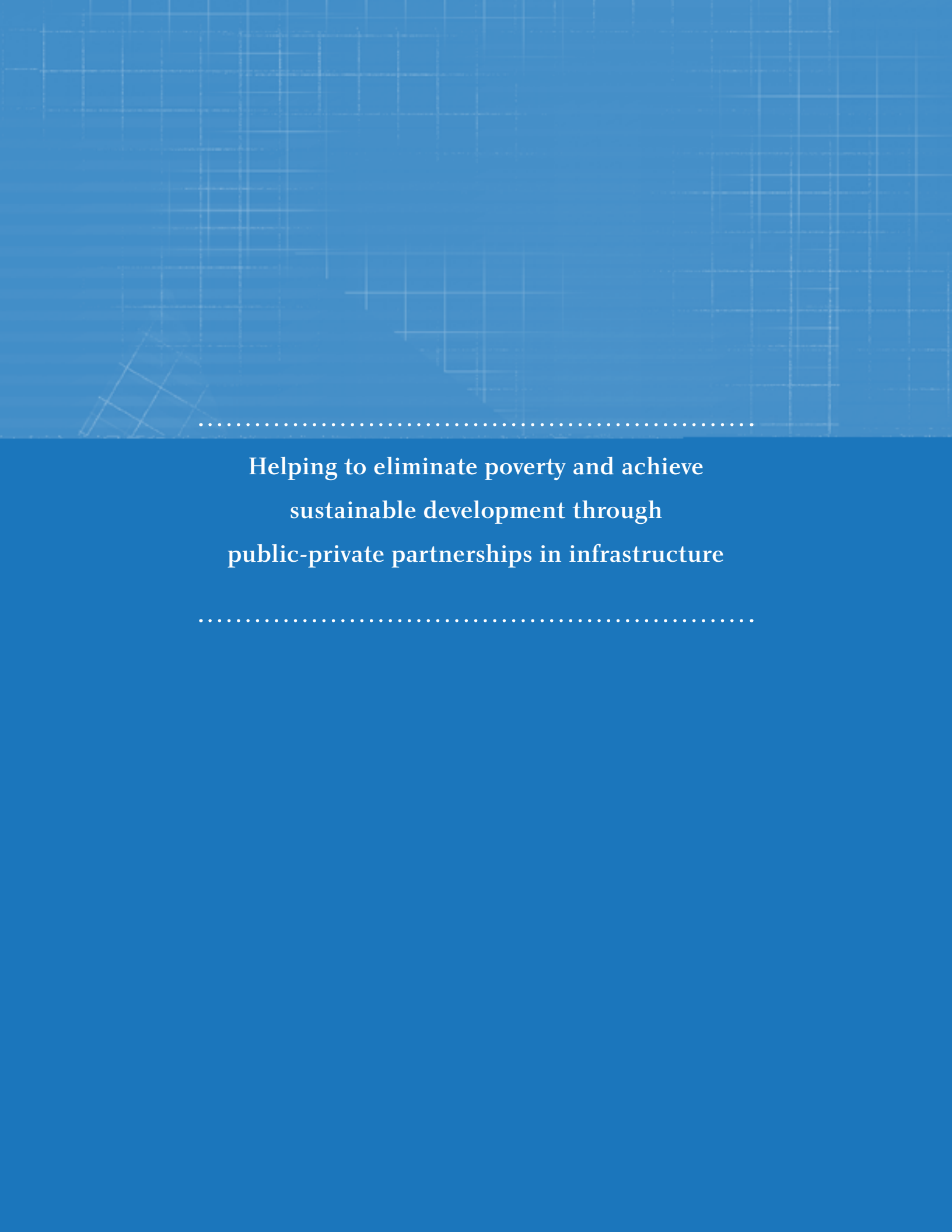
- **Enhancing PPIAF's identity**—To ensure that the program reaches its target beneficiaries and enjoys the full confidence of governments and the private sector, PPIAF needs to raise its profile as an autonomous multidonor facility. It should expand its field presence. It should also review all communications materials and dissemination programs to ensure that these reach key target audiences and project a clear and strong image of the program.

12. **Implications**—These recommendations will have implications for PPIAF's organization and procedures. Preliminary estimates suggest that the one-time increase in costs can be contained within 20 percent of total program expenditures: this ratio should improve as the volume of activities increases.

— Michael Jordan

ACRONYMS

BOOT	build-own-operate-transfer
BOT	build-operate-transfer
DBL	design-build-lease
EAPFIR	East Asia and Pacific Forum for Infrastructure Regulators
GBP	global best practice
GDP	gross domestic product
IDA	International Development Association
MDG	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
OBA	output-based aid
OECD	Organisation for Economic Co-operation and Development
PMU	Program Management Unit
PPI	private participation in infrastructure
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	public-private partnership
RCO	regional coordination office
REC	regional economic community
SAR	South Asia region
SMEs	small and medium-sized enterprises
SSA	Sub-Saharan Africa
TAP	Technical Advisory Panel



Helping to eliminate poverty and achieve
sustainable development through
public-private partnerships in infrastructure

For further information

PPIAF
PROGRAM MANAGEMENT UNIT
c/o World Bank
1818 H Street. NW
Washington, DC 20433
USA

+ 1.202.458.5588 | TEL

+ 1.202.522.7466 | FAX

ppiaf@ppiaf.org | EMAIL

www.ppiaf.org | WEBSITE