



# ICA PPFN MEETING 2015

## Assessment of “African Infrastructure Project Preparation Facilities - Lessons Learned and Best practices”

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# Outline

- The outline of the presentation include:
  - 1) Background;
  - 2) Works of PPFs-Modus Operandi
  - 3) Triggers, Success Factors & Challenges Faced by PPFs
  - 4) Best Practices and Lessons Learnt From PPFs
  - 5) Information Sharing on Pipeline Of Projects and proposed model framework.
  - 6) PPFs' Resources & Financing Gap.
  - 7) Conclusion & Policy Recommendations.

# Background.

- Following the study on the assessment of Project Preparation Facilities (PPF) in Africa, the PPF Network (PPFN) was established in June 2014.
- One of the key activities agreed upon by the network members of PPFN was an assessment of “Best practices and lessons learnt on African Infrastructure Project Preparation Facilities”.
- In October 2015, ICA Secretariat commissioned this assessment and the report was submitted to ICA Secretariat in November 2015.

# Objective of the Assessment .



- 1) Analyse the work of PPFs;
- 2) Identify the best practices
- 3) Analyse main triggers, success factors & challenges of PPFs;
- 4) Analyse the current level of information sharing, & recommend a model on information sharing;
- 5) Assess the level of financing resources of PPFs and the gaps
- 6) Make recommendations.

# Work of PPFs

## Project Preparation Phases & Work for PPFs

Project Preparation	1	Enabling environment	<ul style="list-style-type: none"> <li>• Designing legislation and regulatory approaches.</li> <li>• Reforming policy and institutions.</li> <li>• Building capacity and consensus to support project.</li> </ul>	Upstream
	2	Project definition	<ul style="list-style-type: none"> <li>• Prioritizing projects.</li> <li>• Identifying project outputs and project champions</li> <li>• Conducting pre-feasibility studies</li> <li>• Preparing actions plans and terms of reference</li> </ul>	
	3	Project feasibility	<ul style="list-style-type: none"> <li>• Conducting environmental, technical, social, and economic studies.</li> <li>• Performing financial modeling.</li> </ul>	
	4	Project structuring	<ul style="list-style-type: none"> <li>• Structuring project finance</li> <li>• Designing legal entities</li> <li>• Evaluating public vs. private options</li> <li>• Marketing project and assessing private sector interest</li> </ul>	
	5	Transaction	<ul style="list-style-type: none"> <li>• Developing and conducting bid processes</li> <li>• Drafting contracts</li> <li>• Negotiating financial and legal terms</li> </ul>	
	6	Project implementation	<ul style="list-style-type: none"> <li>• Monitoring and evaluating project performance</li> <li>• Conducting tariff reviews</li> <li>• Renegotiating or refinancing project</li> </ul>	

# Findings on Works for PPFs

- All PPFs meet their mandate of supporting project preparation from concept phase to a contract award.
- The study also found that in carrying out the various tasks identified above, the modus operandi of PPFs differs and that this difference is attributed to:



# Triggers, Success factors and challenges



- 1) enabling environment;
- 2) viability of funding/pay for user environment;
- 3) political commitment;
- 4) policy stability;
- 5) infrastructure gap and roadmap;
- 6) lack of skills and capital; and
- 7) local knowledge.

# Triggers, Success factors and challenges



- 1) good governance;
- 2) ownership and contribution of capital by the owners to the facility;
- 3) good management of sources of funds;
- 4) efficient and effective operational principles;
- 5) principle of crowding private sector investment;
- 6) cost structure being lean and cost effective; and
- 7) Operations of PPFs geared towards VfM

# Triggers, Success factors and challenges



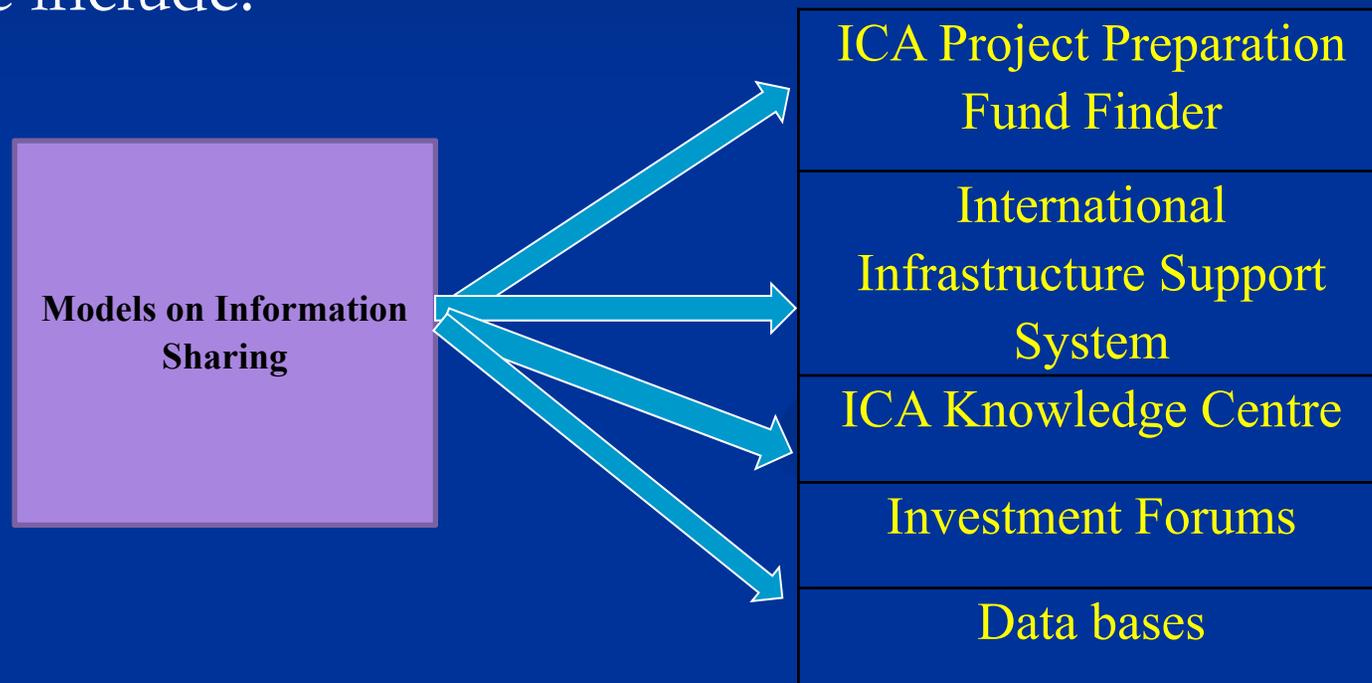
- 1) lack of financial and human resources;
- 2) broad mandates with low levels of resources;
- 3) small and fragmented facilities;
- 4) institutional arrangements with most of the facilities being hosted by MDBs;
- 5) lack of clear strategy and planning; and
- 6) lack of information sharing.

# Best Practices



# Levels of information sharing

- There are a number of models currently being used for sharing of information on the pipeline of projects and these include:



- Analysis of the 17 PPFs shows that although PPFs do share information on the pipeline of projects, this however is fragmented & lack detail.

# Proposed Model for Sharing of Information

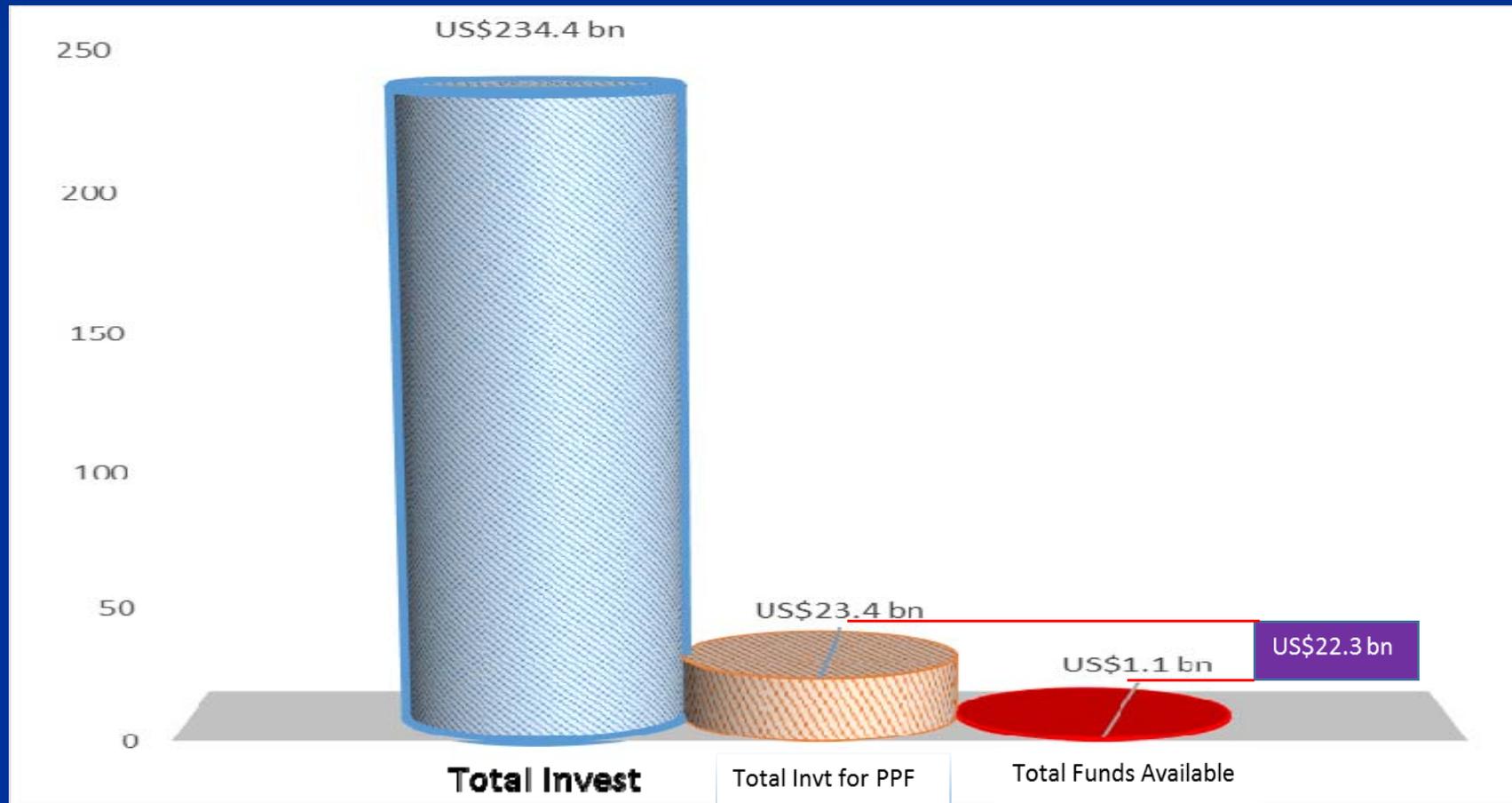
- One way to overcome the issues of fragmentation & lack of detail is for PPFN to establishing a Project Preparation Infrastructure Hub.
- It will be an online Platform, managed by the Network from the central Hub.
- The Hub will assist PPFN members to collect, develop, and promote the adoption of leading practices across the infrastructure life-cycle.
- PPFN could then operationalize the Hub by doing the following:

# Operationalization of the Hub

- a) Carry out an audit of the existing pipeline of project data;
- b) Agree with the private sector and donors as to which areas of data are important;
- c) Prioritise the data gaps on the basis of a return on effort basis;
- d) Plan data acquisition studies to start filling the gaps;
- e) Agree on funding for completing the data gap; and
- f) Once the data gap has been completed, use current ICA Fund Finder can be used as a basis to develop the harmonised platform for information sharing.

# Financing gap for infrastructure project preparation

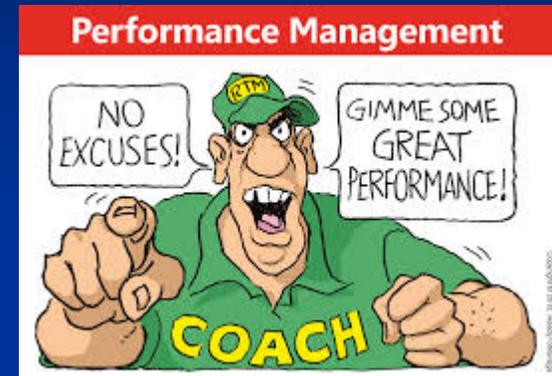
- Access to project preparation finance is one of the most important issue that has been identified by the G20, MDBs, and member countries.



# Performance of PPFs

- With the exception of PIDG, performance of PPFs has been poor and this has been attributed to a number of factors:

- 1) Bureaucratic and lengthy processes;
- 2) Wider mandate but few resources;
- 3) Lack of self-sustainable financial models;
- 4) Lack of cost-efficient and value additional advisory services;
- 5) Fragmented operational modalities; and
- 6) lack of a harmonised framework on information sharing of pipeline



# Action Plan

- Based on the findings of the assessment, a number of recommendations have been made on:
  - 1) Strengthening of Corporate Governance of PPFs;
  - 2) Enhancement of the effectiveness of PPFs in achieving their mandates and objectives;
  - 3) Improving resource mobilisation and capitalisation of the PPFs;
  - 4) Facilitating the development of a harmonised and coordinated framework for PPFs on the sharing of Information on pipeline of projects;
  - 5) Improvement of financial performance, and operational and management efficiency of PPFs;
  - 6) Adoption of Best Practices for PPFs;
  - 7) Developing capacity building programmes to support PPFs; and

# Conclusion

- This assessment has shown that PPFs' performance has been poor and to this end it is important that **Members of PPFN** adopts the proposed recommendations of the action plan.
- In particular PPFs should adopt:
  - 1) best practices;
  - 2) financial sustainability model framework;
  - 3) Operational and financial standards which will enhance the effective and cost efficiency of the facilities;
  - 4) The model on information sharing; and
  - 5) Develop capacity building programmes.

## Conclusion. Cont.

- For **ICA**, it should play a catalytic role and ensure that:
  - 1) Best practices are developed and adopted;
  - 2) A self-sustainable financing model is developed and adopted by all PPFN Members;
  - 3) The hub on information sharing is developed and operationalized; and
  - 4) Capacity building programmes on preparation of infrastructure projects are developed and skills of officials (public and private sector) enhanced.

Thank You