



# The PIDA Quality Label (PQL): bridging the gap between infrastructure project sponsors and PPFs

PIDA Week – Parallel Session 7

November 26<sup>th</sup>, 2019



# Contents

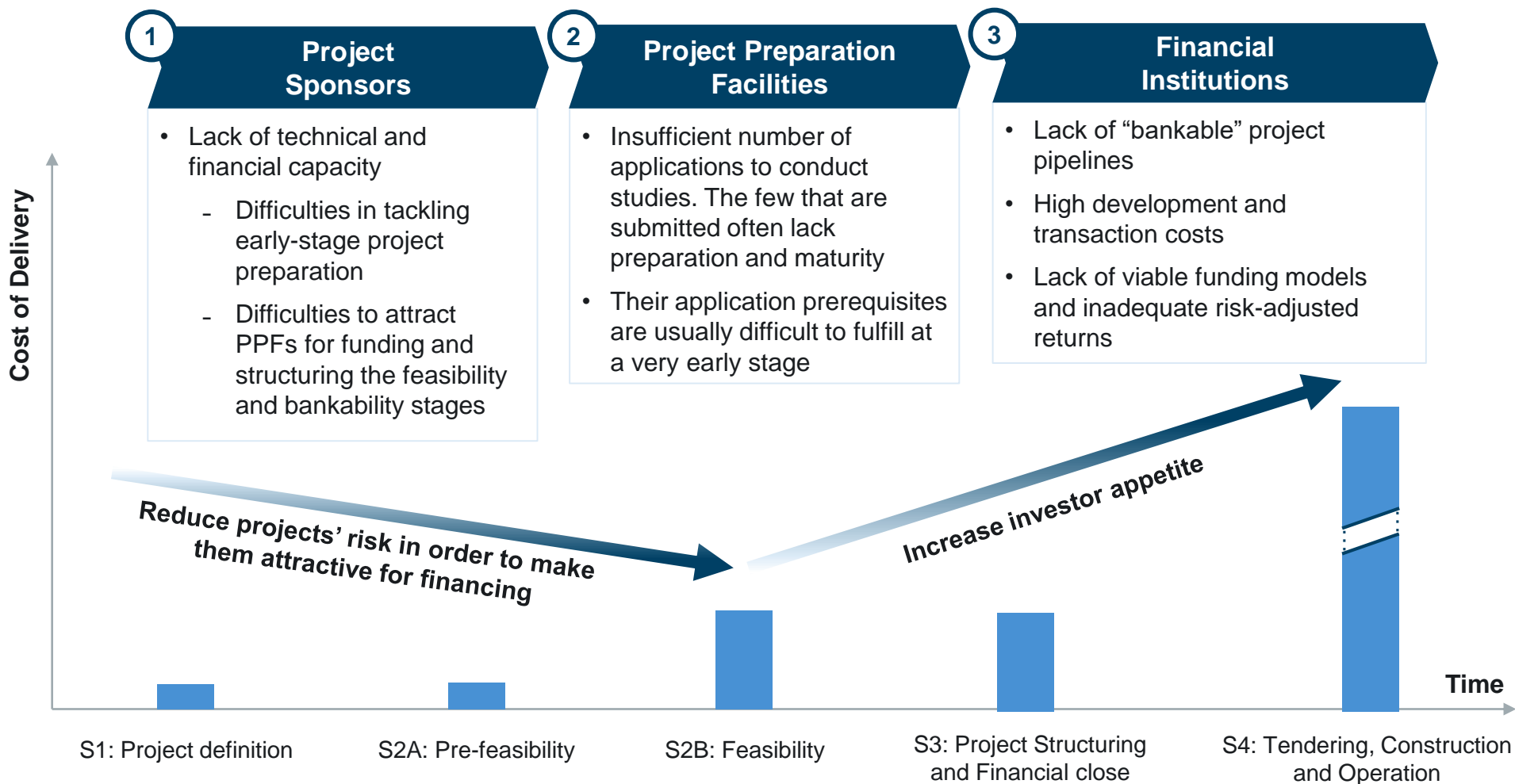
**Why there is a need for a PQL and which is the benefit for PPFs and investors?**

The Quick Check Methodology: structuring project information and knowledge

Pre-feasibility stage: bridging the gap between infrastructure project sponsors and PPFs

Open discussion

# Why do we need to certify excellence in project preparation with a label recognized by PIDA stakeholders?



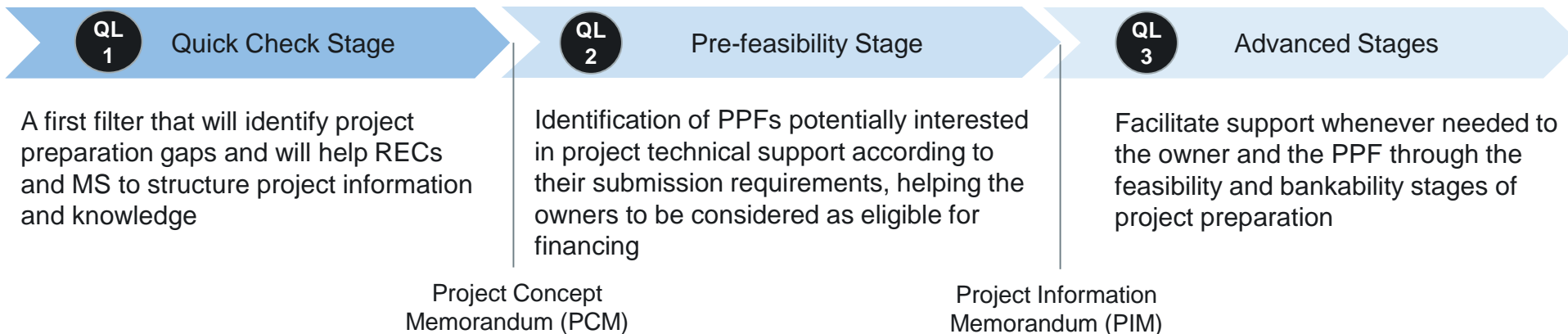
**Outlook to secure faster finance on technical studies due to improved project structure**

# The PIDA Quality Label is a quality recognition by the SDM awarded to projects that excel in the preparation of PIDA projects at an early stage

## Objectives

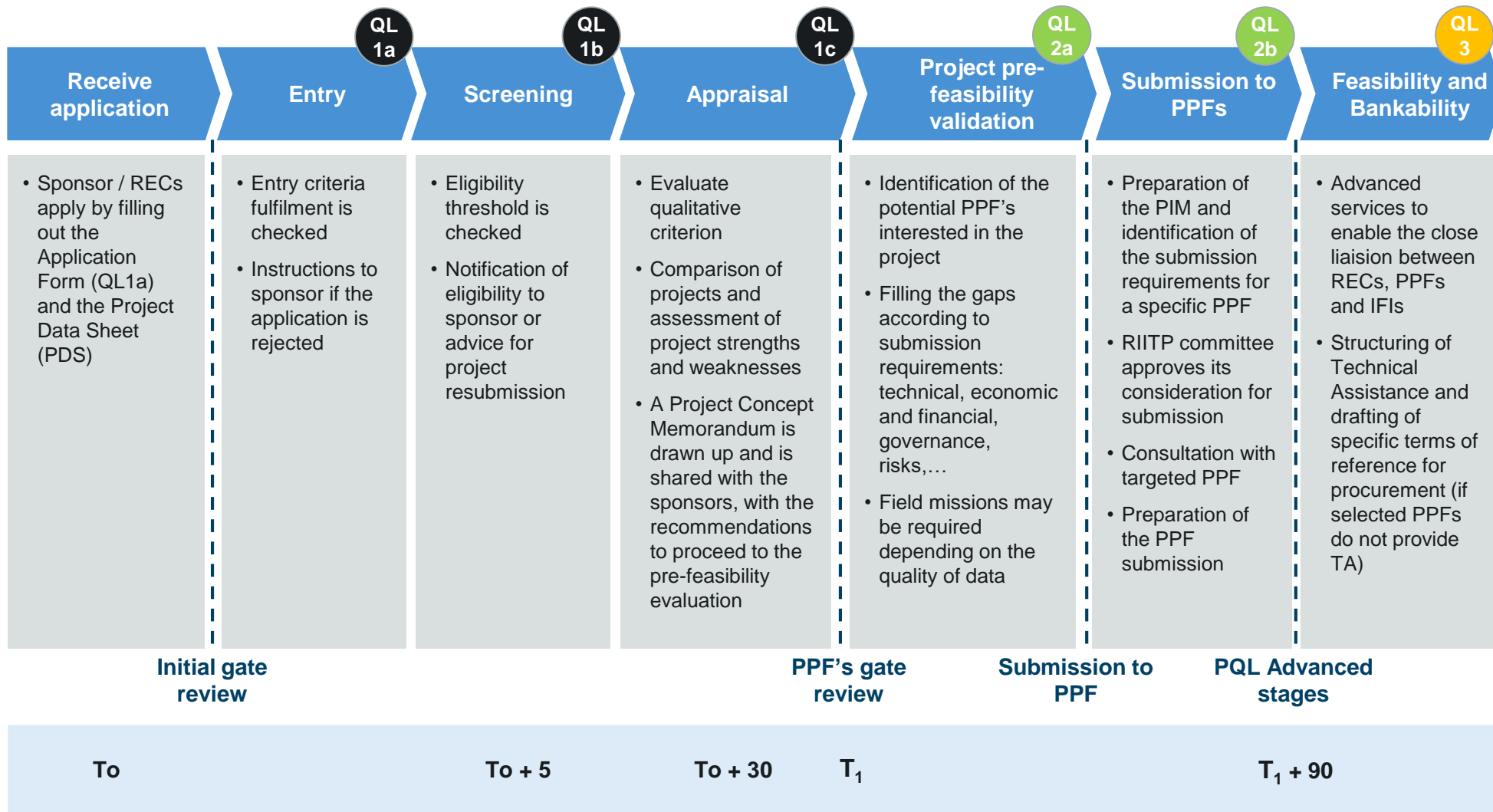
- To **shorten** the period needed by PIDA projects to reach the feasibility and bankability stages
- To **identify** project preparation gaps, in terms of information, justification, coordination or political support and to help project owners to access Project Preparation Funds (PPF) funding
- To **certify** excellence in project preparation with a label recognized by relevant PIDA stakeholders

## Stages



**The methodology shall be agreed among PIDA stakeholders and widely recognized by PPFs and financial institutions**

# Implementation of the PIDA Quality Label



**From the initial gate review to the PPF's gate review, the SDM services do not require the participation of sector experts—which provides the system with a lot of flexibility**

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**The Quick Check Methodology: structuring project information and knowledge**

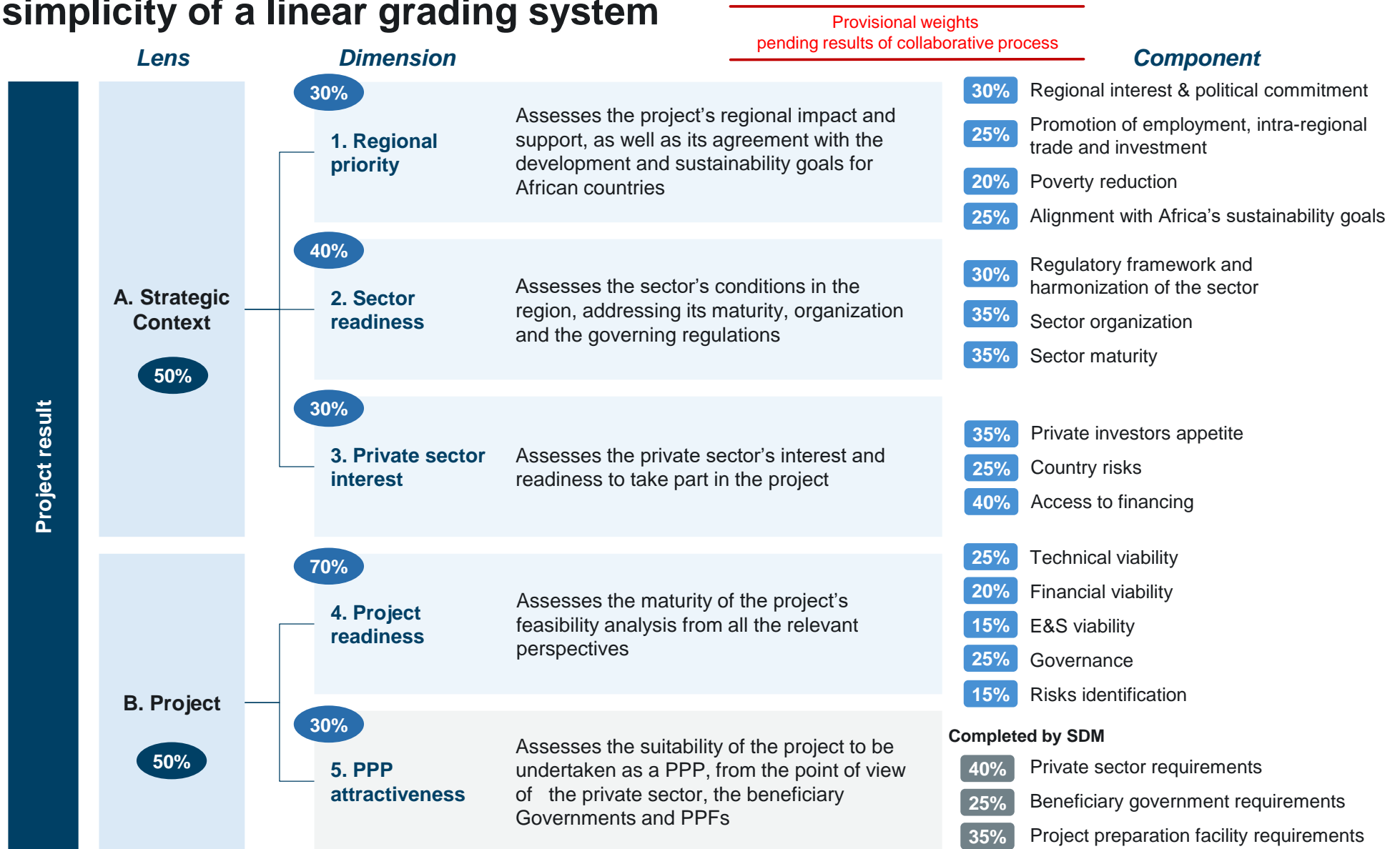
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# Proposed Quick Check Methodology (QCM) steps

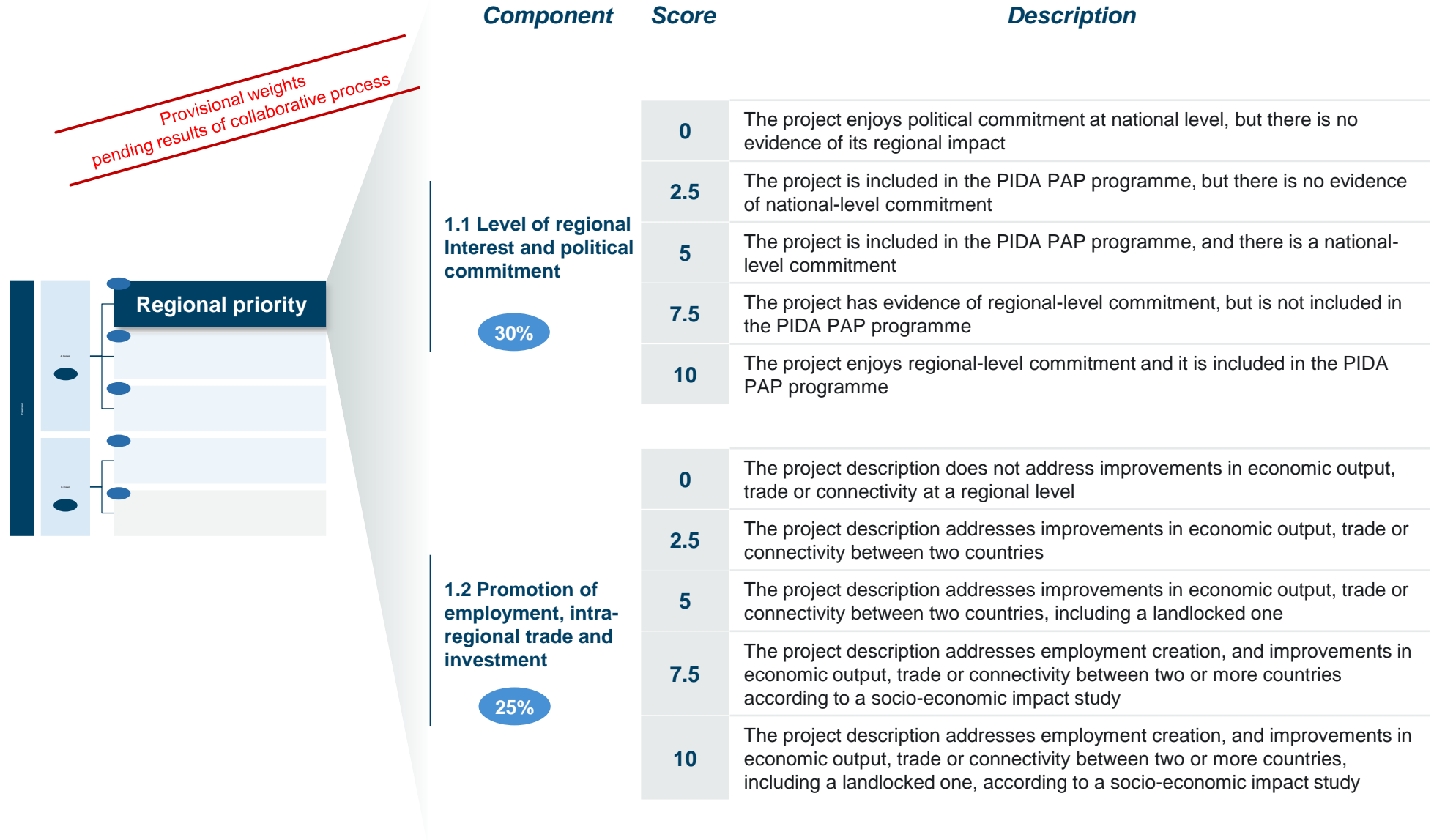
	Eligibility		Appraisal
	QL 1a	QL 1b	QL 1c
<b>Purpose</b>	 <p><b>Entry</b></p> <ul style="list-style-type: none"> <li>• <b>Check compliance</b> with basic eligibility criteria and information requirements</li> <li>• <b>Help applicants</b> to gather and structure information in a systematic manner</li> </ul>	 <p><b>Screening</b></p> <ul style="list-style-type: none"> <li>• Identify <b>missing</b> project justification elements and reject unsuitable projects</li> <li>• Check that the <b>project complies with minimum requirements</b> in key variables</li> </ul>	 <p><b>Evaluation</b></p> <ul style="list-style-type: none"> <li>• <b>Assess the project's early stage weaknesses and strengths</b></li> <li>• <b>Evaluate</b> projects according to different variables (region, sector...)</li> <li>• Lay out a <b>roadmap</b> for projects to <b>secure successful access to PPF</b></li> </ul>
<b>Key steps</b>	<ul style="list-style-type: none"> <li>• Application submission and review</li> <li>• Decision communication</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer input data from Project Data Sheet (PDS) to SDM's analytical tool</li> <li>• Verify that score threshold for relevant dimensions is achieved</li> <li>• Communicate refusal or go-ahead</li> </ul>	<ul style="list-style-type: none"> <li>• Issue a draft <b>Project Concept Memorandum (PCM)</b> for committee assessment</li> <li>• Evaluate and compare projects</li> <li>• Issue committee recommendations</li> </ul>
<b>Input / Output</b>	<ul style="list-style-type: none"> <li>• Input: QL1a form and <b>Project Data Sheet (PDS)</b></li> <li>• Output: Entry/No entry</li> </ul>	<ul style="list-style-type: none"> <li>• Input: Project Data Sheet (PDS)</li> <li>• Output: Eligibility / Non-eligibility to appraisal phase</li> </ul>	<ul style="list-style-type: none"> <li>• Input: <b>SDM Early-stage Project Preparation Toolkit</b></li> <li>• Output: PCM and next steps recommendations from the committee</li> </ul>
<b>Timeline</b>	<b>5 days</b>		<b>1 month</b>

# Management of the complexity of the cross-border projects through the simplicity of a linear grading system

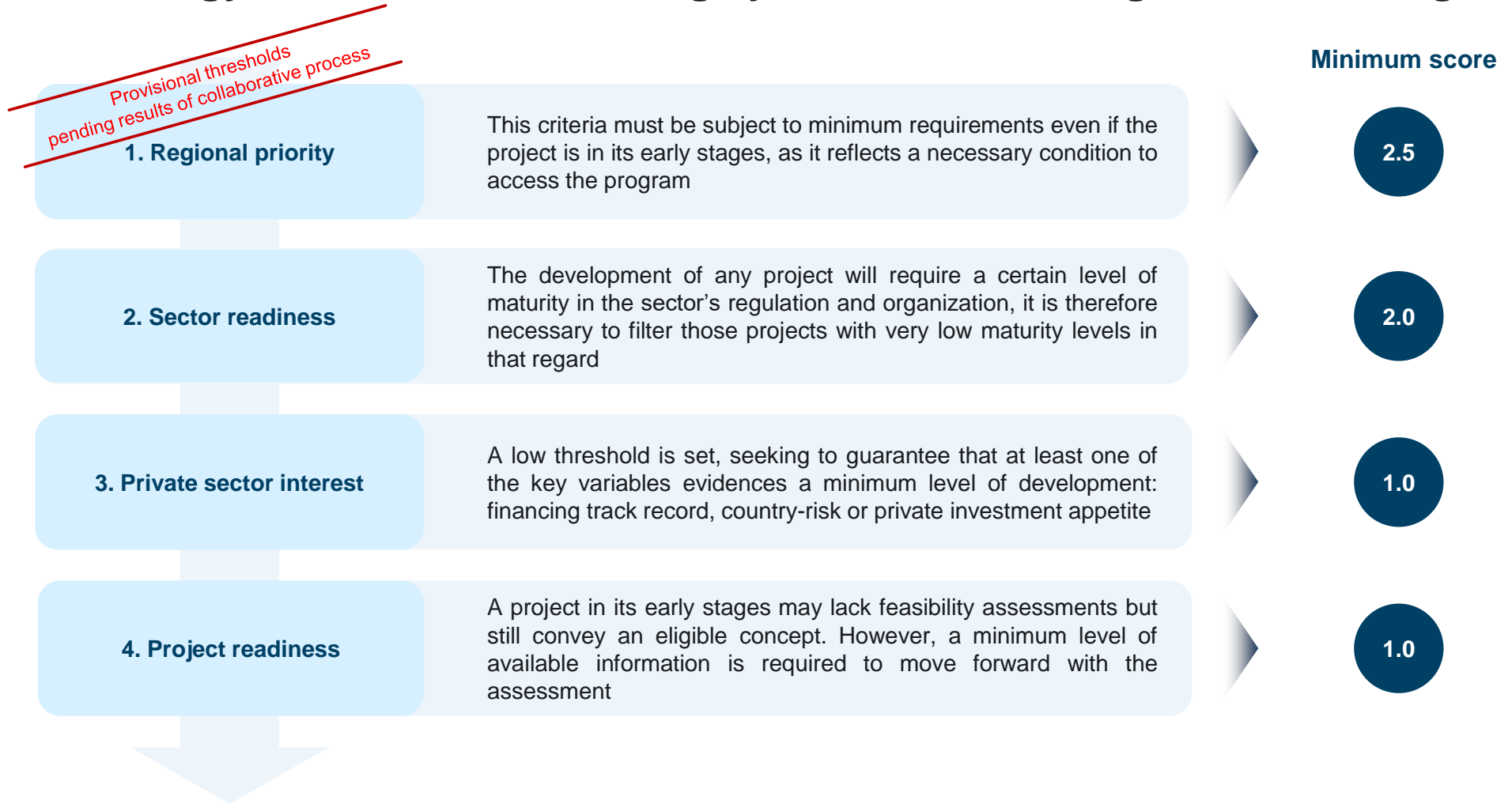




# Regional priority evaluation component (example)



# Eligibility thresholds are set against dimension scores, an agile methodology uses the same scoring system for screening and evaluating



The score requirement for the Project Readiness dimension will allow filtering those projects with an insufficient level of information structuring and quality of data

# SDM Early-Stage Project Preparation Toolkit and appraisal stage (QL1c)

The Toolkit is an excel tool with four different tabs tabs:

**Input**

An SDM official fills out the multiple choice answers for each project and introduces the data in the tool

Dimension 1: PPP (to be completed by the SDM)

**CRITERIA 16** Private sector requirements  
 Definition: 10 issues will be binary checked (Yes/No)  
 Quality of available data, national support, political stability, clear legal / regulatory structure, tariff/fee setting mechanisms, sector PPP track record in the region, acceptable risk allocation, project size and readiness to be implemented within a targeted period, fair profit soundness, bankability soundness

Answer 1: 2 or less positive favourable responses  
 Answer 2: 3 or 4 favourable responses  
 Answer 3: 5 or 6 favourable responses  
 Answer 4: 7 or 8 favourable responses  
 Answer 5: 9 or 10 favourable responses

**CRITERIA 17** Beneficiary Government requirements  
 Definition: 8 issues will be binary checked (Yes/No) ( Leveraging funding, accelerating project implementation, technological know-how/upgrade, improving service levels, improving service coverage, efficiency gains, cost of implementation, knowledge specific, creation of employment)

Answer 1: 2 or less positive favourable responses  
 Answer 2: 3 or 4 favourable responses  
 Answer 3: 5 or 7 favourable responses  
 Answer 4: 8 favourable responses  
 Answer 5: 9 favourable responses

**Database**

Inputs are automatically stored in a separate tab with all previous project scores

Project ID	Region	Country	Subsector	Dimension 1	Dimension 2	Dimension 3	Dimension 4	Dimension 5	Overall Score
SDM001	North Africa	Tunisia	Manufacturing	1	1	1	1	1	5.0
SDM002	North Africa	Tunisia	Manufacturing	2	2	2	2	2	5.0
SDM003	North Africa	Tunisia	Manufacturing	3	3	3	3	3	5.0
SDM004	North Africa	Tunisia	Manufacturing	4	4	4	4	4	5.0
SDM005	North Africa	Tunisia	Manufacturing	5	5	5	5	5	5.0

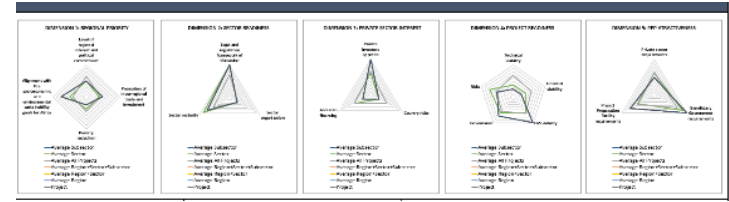
**Project Score**

Scores are displayed in tables, using filters to show specific project scores and average scores by region or sector

	Project Score	Average Region	Average Region*Sector	Average Region*Sector*Subsector	Average Sector	Average Subsector	Average All Projects
<b>OVERALL</b>	4.81	5.74	5.74	5.74	5.60	5.74	5.61
<b>DIMENSION 1: Context Lens</b>	2.73	5.63	5.68	5.68	5.55	5.66	5.13
<b>Dimension 1: Regional priority</b>	2.63	5.13	5.13	5.13	4.44	5.13	4.91
1.1. Level of regional interest and political commitment	2.50	5.00	5.00	5.00	5.00	5.00	6.43
1.2. Promotion of intra-regional trade and investment	5.00	5.00	5.00	5.00	3.75	5.00	4.29
1.3. Poverty reduction	0.00	2.50	2.50	2.50	3.75	2.50	4.64
1.4. Alignment with the socioeconomic and environmental sustainability goals for Africa	2.50	7.50	7.50	7.50	5.00	7.50	3.93
<b>Dimension 2: Sector requirements</b>	2.50	6.50	6.50	6.50	6.84	6.50	5.02
2.1. Legal and regulatory framework of the sector	2.50	10.00	10.00	10.00	10.00	10.00	7.14
2.2. Sector organization	2.50	2.50	2.50	2.50	2.50	2.50	2.86
2.3. Sector maturity	2.50	7.50	7.50	7.50	8.75	7.50	5.86
<b>Dimension 3: Private sector interest</b>	3.13	5.13	5.13	5.13	4.81	5.13	5.50

**Dashboard**

Scores are also displayed graphically, allowing an easy comparison between projects



The Toolkit will represent project strengths and weaknesses and will be useful to inform recommendations to project owners in order to advance project preparation

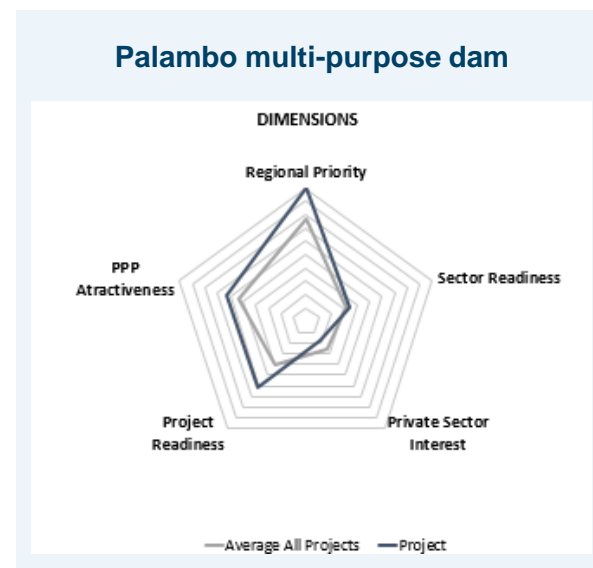
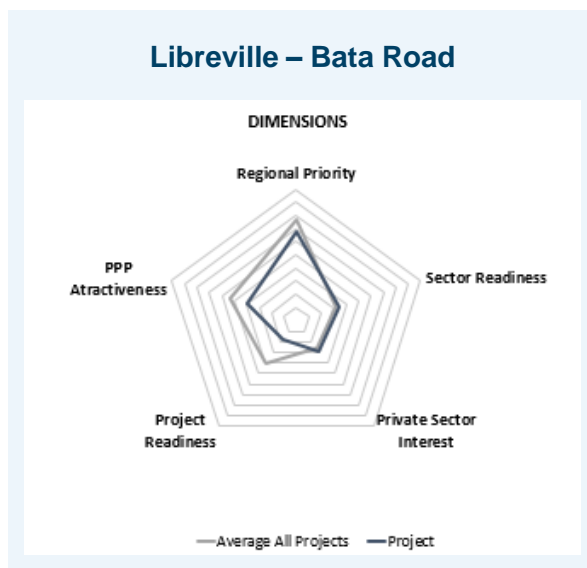
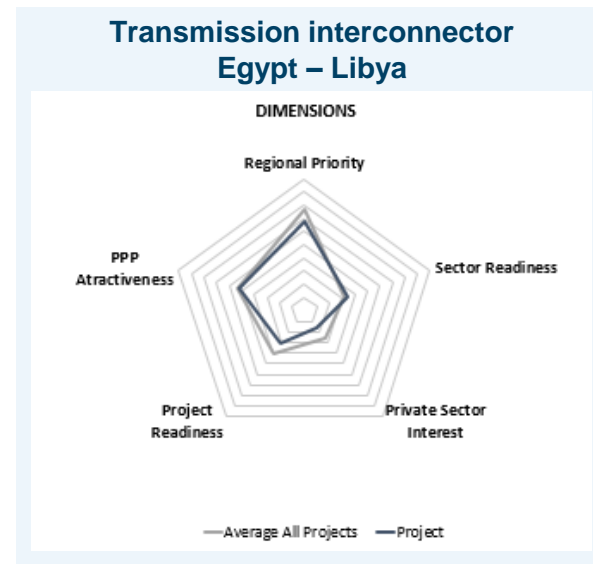
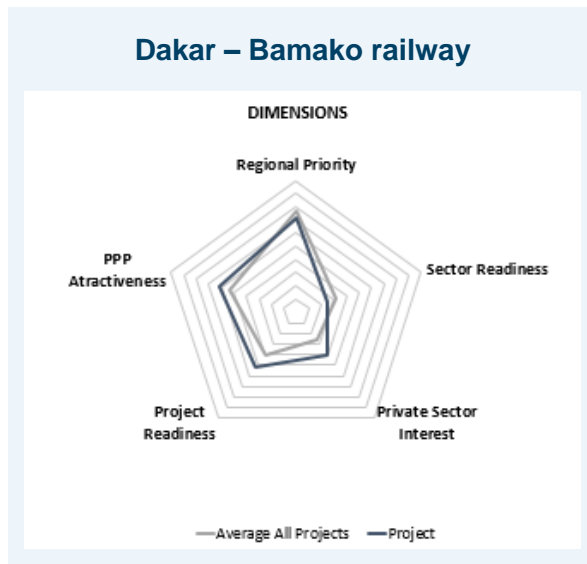
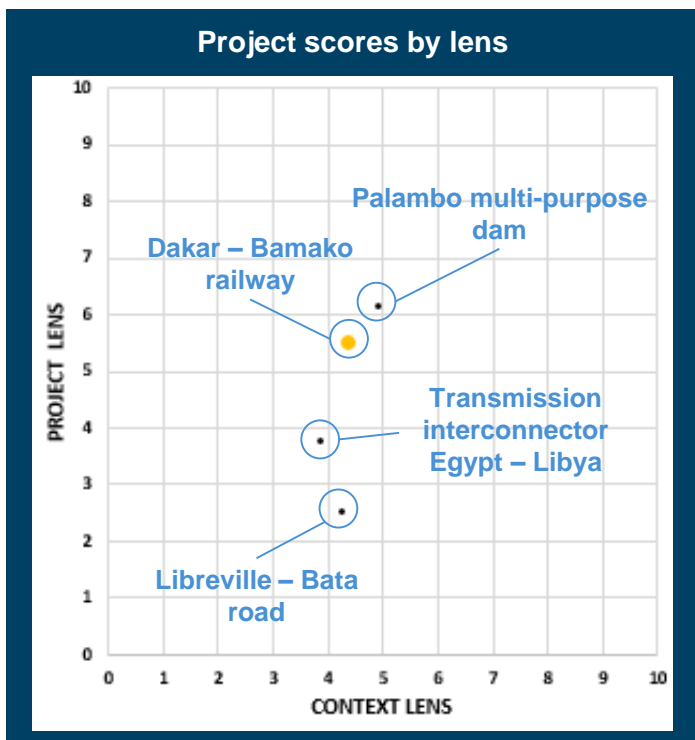
# Illustrative application of the Quick Check Methodology

Scores only for illustrative purposes

		Dakar – Bamako Railway	Transmission interconnector Egypt – Libya	Libreville – Bata Road	Palambo multipurpose dam
<b>Weights</b>	<b>Project score</b>	<b>4.9</b>	<b>3.8</b>	<b>3.4</b>	<b>5.5</b>
<b>50%</b>	<b>Strategic Context lens</b>	<b>4.3</b>	<b>3.9</b>	<b>4.2</b>	<b>4.9</b>
30%	1. Regional priority	7.1	6.8	6.8	10.0
30%	1.1. Level of regional interest and political commitment	10	10	10	10
25%	1.2. Promotion of intra-regional trade and investment	5	7.5	7.5	10
20%	1.3. Poverty reduction	5	0	0	10
25%	1.4. Alignment with... sustainability goals	7.5	7.5	7.5	10
40%	2. Sector readiness	2.5	3.4	3.4	3.4
30%	2.1. Legal and regulatory framework of the sector	2.5	2.5	2.5	2.5
35%	2.2. Sector organization	2.5	5	2.5	5
35%	2.3. Sector maturity	2.5	2.5	5	2.5
30%	3. Private sector interest	4.0	1.6	2.9	1.9
35%	3.1. Private investors appetite	5	0	2.5	2.5
25%	3.2. Country risks	5	2.5	0	0
40%	3.3. Access to financing	2.5	2.5	5	2.5
<b>50%</b>	<b>Project lens</b>	<b>5.5</b>	<b>3.8</b>	<b>2.5</b>	<b>6.2</b>
70%	4. Project readiness	5.3	3.1	1.9	6.1
25%	4.1. Technical viability	2.5	2.5	5	10
20%	4.2. Financial viability	7.5	0	0	7.5
15%	4.3. E&S viability	5	0	0	5
25%	4.4. Governance	5	10	2.5	2.5
15%	4.5. Risks identification	7.5	0	0	5
30%	5. PPP attractiveness	6.1	5.3	4.0	6.3
40%	5.1. Private sector requirements	2.5	2.5	2.5	5
25%	5.2. Beneficiary Government requirements	10	10	5	10
35%	5.3. Project Preparation Facility requirements	7.5	5	5	5

# Illustrative application of the Quick Check Methodology

Graphic results – copied and pasted from the QCM evaluation tool



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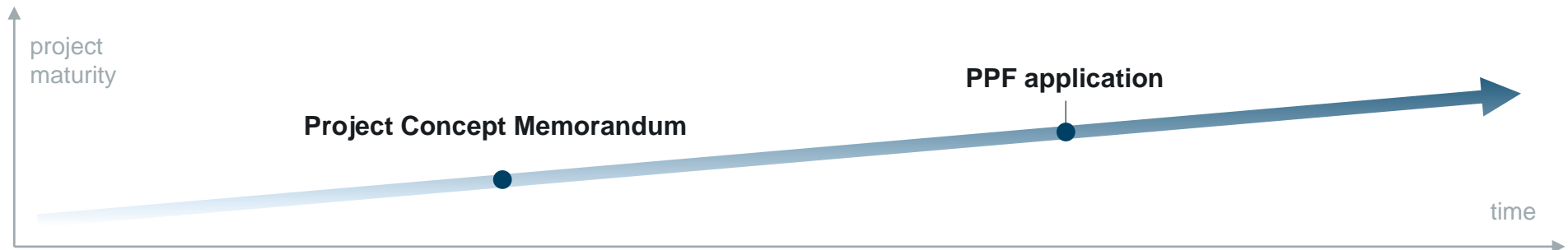
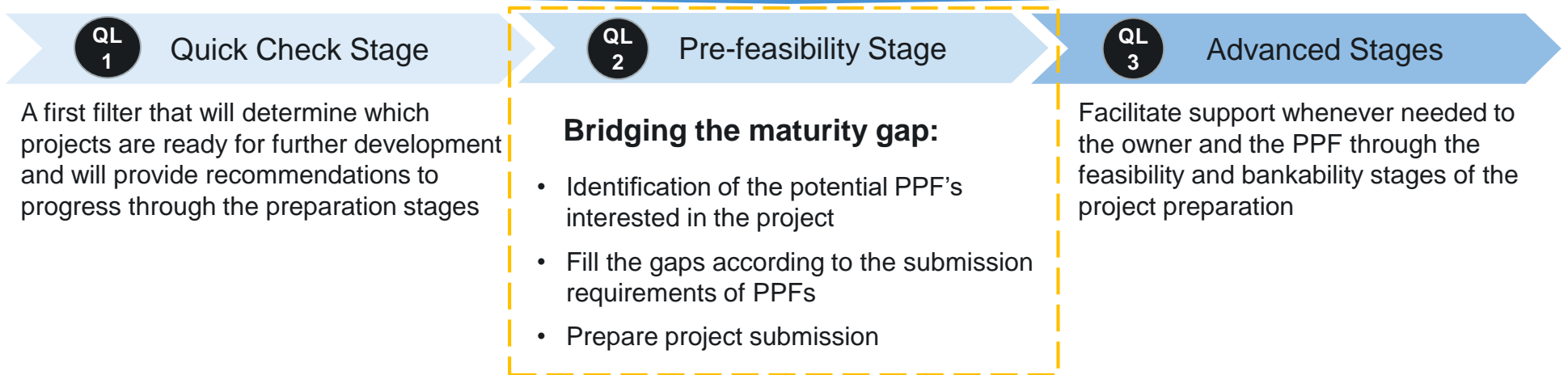
The Quick Check Methodology: structuring project information and knowledge

**Pre-feasibility stage: bridging the gap between infrastructure project sponsors and PPFs**

Open discussion

# The pre-feasibility stage (QL2) will clear the way for RECs and MS project proposals to reach feasibility stages

## PIDA Quality Label Stages



**Bridging the existing maturity gap between project proposals and PPF requirements will boost the number and quality of project applications for further preparation**

# Drawing on a wide range of sources we have developed a Database compiling the main characteristics of 42 different PPFs

## Types of Project Preparation Facilities (PPFs)

	Characteristics	Pros and Cons	Examples of PPFs
<b>Integrated in a Multilateral Development Bank</b>	Exclusive use by hosting entity and largely focused on later stage activities	<ul style="list-style-type: none"> <li>✓ Closer links to financing</li> <li>✗ Lack of early-stage project preparation</li> </ul>	<ul style="list-style-type: none"> <li>• ADF (AfDB)</li> <li>• ESMAP (World Bank)</li> </ul>
<b>Hosted by a Multilateral Development Bank</b>	Hosted by a MDB but managed independently and opened to third party applications for support	<ul style="list-style-type: none"> <li>✓ Strong engagement with support recipients</li> <li>✗ Weaker links to financing</li> </ul>	<ul style="list-style-type: none"> <li>• NEPAD IPPF (AfDB)</li> <li>• EU-AITF (EIB)</li> <li>• PPIAF (World Bank)</li> <li>• SADC PPDF (DBSA)</li> </ul>
<b>Hosted in a Regional Economic Community</b>	Hosted by a REC and largely focused on advancing REC specific policies	<ul style="list-style-type: none"> <li>✓ Good alignment with regional policies</li> <li>✗ Limited success to date</li> </ul>	<ul style="list-style-type: none"> <li>• ECOWAS PPDF</li> <li>• COMESA PPIU</li> </ul>
<b>Out-sourced</b>	Independent management with market-based incentive structures	<ul style="list-style-type: none"> <li>✓ Cost-effective</li> <li>✗ Tied to commercial interests of sponsors</li> </ul>	<ul style="list-style-type: none"> <li>• AFC – FMO PDF</li> <li>• AFREXIMBANK</li> </ul>

- The PPFs have been filtered according to three criteria: project promotor, project type and supported activities
- The scope of activities performed by the PPFs vary on a case-by-case basis, SDM role at the pre-feasibility and advanced stage of the PQL will highly depend on the selection of PPF



# An evaluation of selected PPFs eligibility criteria identifies 3 key criteria common to more than 80% of them

*Sample of PPFs identified as potential supporters of PIDA-PAP projects*

## Summary of the 15 project eligibility criteria shared by at least 2 PPFs

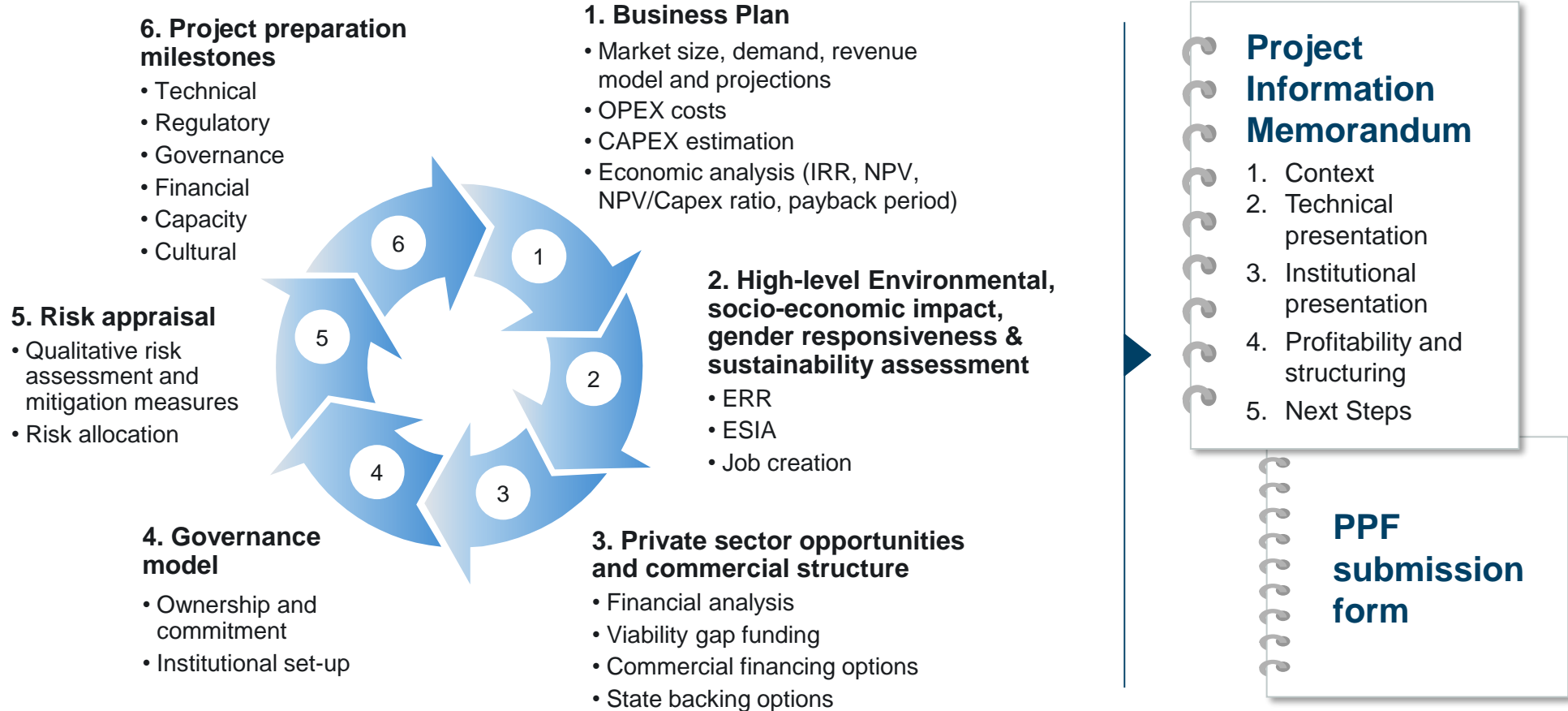
		ADF	Africa50	AWF	DBSA PPF	EU-AITF	IIPSA	IPPF	PPIAF	PPDF	SADC PPDF	SEFA
1	Consistency with national/regional priorities	✓		✓			✓			✓		
2	Promotion of regional integration						✓	✓	✓	✓		
3	Economic viability	✓	✓		✓	✓		✓			✓	
4	Economic development and trade				✓	✓	✓			✓	✓	
5	Technical viability		✓									✓
6	Social impact		✓		✓	✓	✓	✓	✓	✓	✓	✓
7	Poverty/inequality reduction				✓	✓	✓		✓	✓	✓	
8	Employment creation				✓					✓	✓	
9	Local capacity building		✓					✓	✓	✓		✓
10	Environmental impact		✓		✓	✓	✓	✓	✓	✓	✓	✓
11	Leverage for sectoral reforms						✓			✓		
12	Support of higher risks activities						✓			✓		
13	Recipient's ownership and commitment	✓		✓	✓		✓	✓	✓	✓	✓	✓
14	Recipient's track-record and capacity	✓	✓	✓	✓			✓		✓	✓	✓
15	Specificity of TA requirements	✓		✓	✓				✓		✓	✓

**These 3 project aspects should be specially worked in the pre-feasibility stage (QL2) to improve the chances of PPF application success**

# Project pre-feasibility validation and PPF submission (QL2)

Stage QL2a (illustrative, to be adjusted to PPF's requirements)

Stage QL2b



QL2a will last from 3 to 12 weeks, depending on the quality of available data

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**Open discussion**

## How to leverage effectively the PQL to improve the quantity and quality of PPFs project applications?

- Causes of the current project maturity gap and ideas for closing the gap
- Promotion of the PQL as a certificate of excellence in project preparation that helps PPF streamline project selection procedures
- Identification of the main factors for more and better applications to PPFs: do the proposed PCM and pre-feasibility validation process have the RIGHT information for assessment by PPF?
- New ideas for improving the PQL methodology

### **Towards the recognition of the PQL for excellence in Infrastructure Project Preparation in Africa**

“We’re delighted to have been presented with a Special Recognition ‘Specialist Investor – Infrastructure’ award at the Private Equity Africa Awards ceremony Wednesday evening in London.

The Private Equity Africa Awards reward the best long-term performing management teams across the African continent and we’re delighted to have been recognized by such prestigious industry accolades.”

(African Infrastructure Investment Managers AIIM, October 2019)



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