



FIRST TRACECA INVESTMENT FORUM

Brussels, 12th October 2010

IFC Advisory Services in Public Private Partnerships

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- **IFC, who we are and what we do, the role of transaction advisor**
- **Key specifics and recommendations, demonstrated on history of toll roads PPPs**
- **Why IFC PPP Advisory**

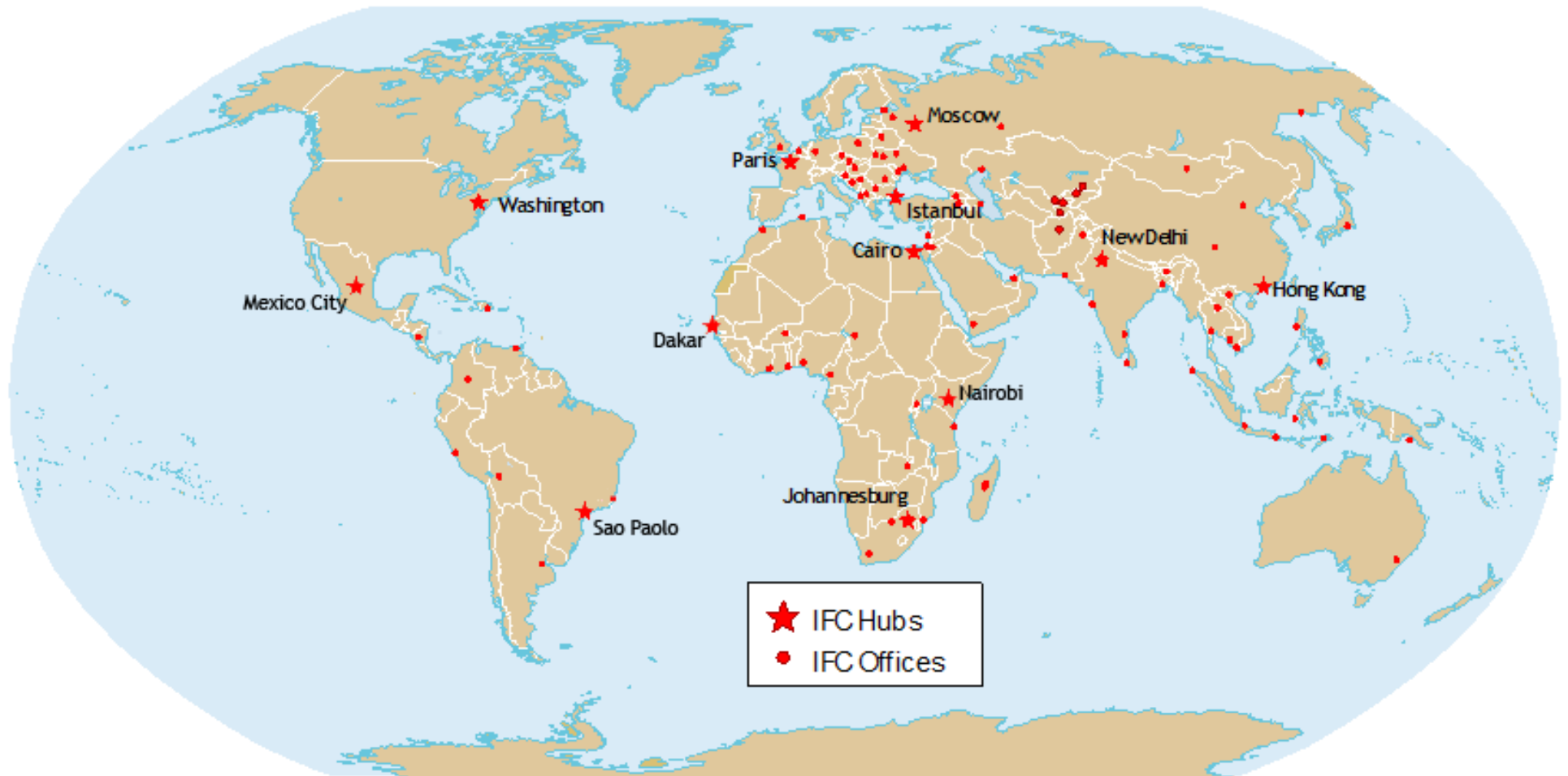
Who We Are, What We Do

- IFC, a member of the World Bank Group, is the only global multilateral institution focused exclusively on the private sector — [the global leader](#) in private sector development finance
- Driven by our [vision](#) and [purpose](#), we make a unique contribution to [development](#)
- We invest, advise, mobilize capital, and manage assets — providing [solutions](#) for an inclusive and sustainable world
- We create opportunity for [people](#) — improving lives in poorer countries

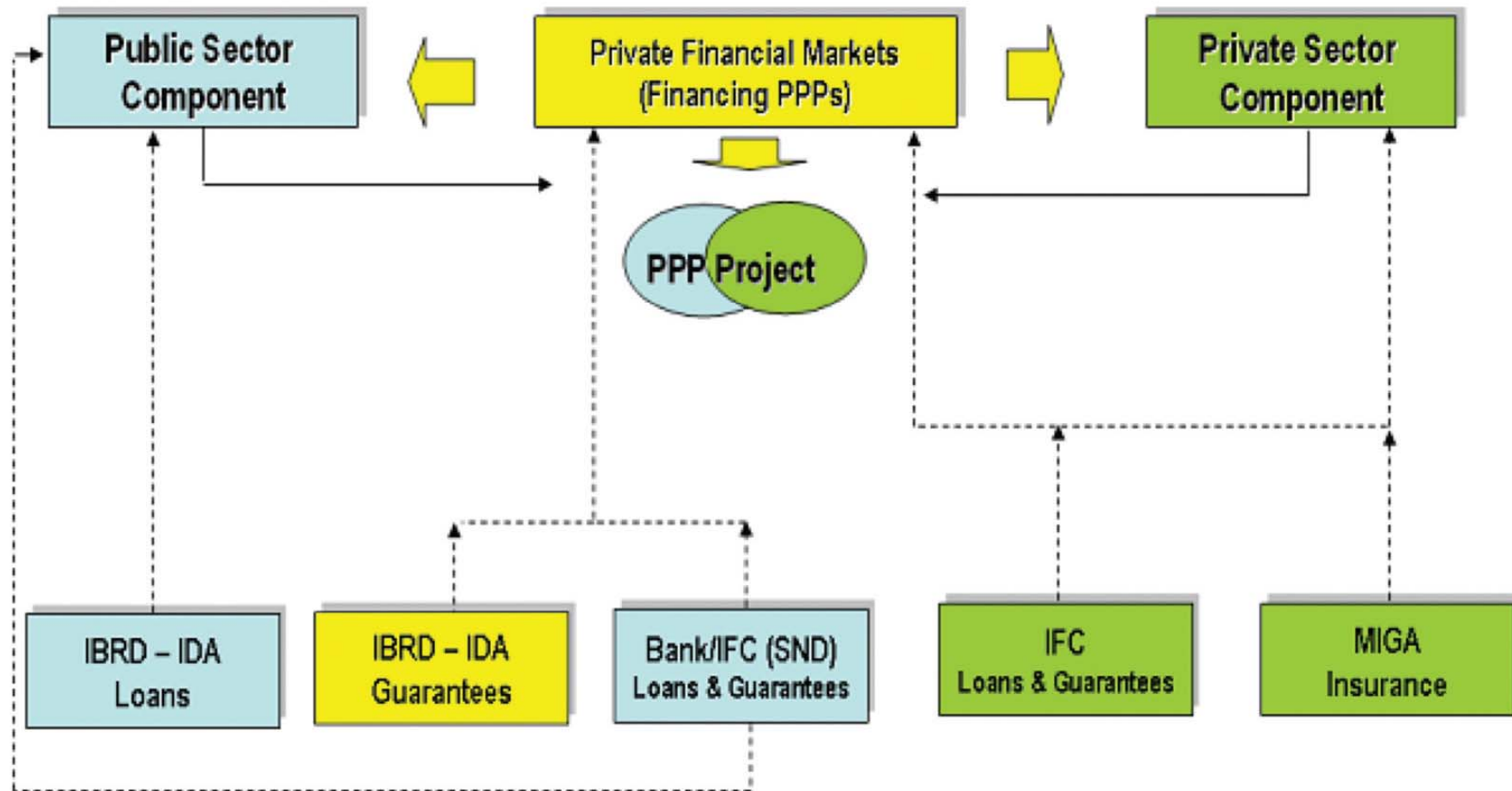


IFC's Global Reach

100+ country and regional offices worldwide



WB/IFC loans, guarantees and Insurance



Key Features of IFC's Financing Products

Can finance up to 25% of project cost from own account, thus need to partner with other lenders

Debt Financing:

- Long-term debt of up to 20 years, typically 8-12 years
- Loans in all major currencies and several local currencies
- Variable or fixed interest rates

Equity Financing:

- Finance up to 20% of project company equity
- Minority, passive shareholder
- Board representation on an exceptional basis

Advisory Services Business Lines



Investment
Climate

- Regulatory Simplification
- Trade Logistics



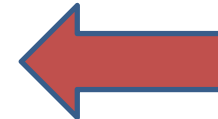
Access to
Finance

- Housing Finance
- MSME Finance Program (including Micro-finance)
- Energy Efficiency / Sustainability Finance



Infrastructure

- Advisory Mandates for PPPs



Environment
& Social
Sustainability

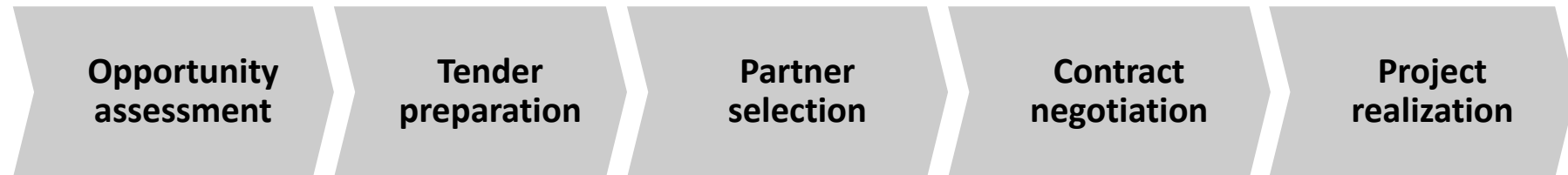
- Cleaner Productions
- Ecostandards
- Agro-Forestry Standards, Certification & Productivity Enhancement



Corporate
Advice

- Extractive Industries – Linkages and Revenue Management

Project delivery lifecycle



Financial

Evaluation of financial solutions, VFM, business model, financial modeling, funding solutions and market sounding, payment mechanism assessment, tax and accounting issues, economic bid evaluation

Technical

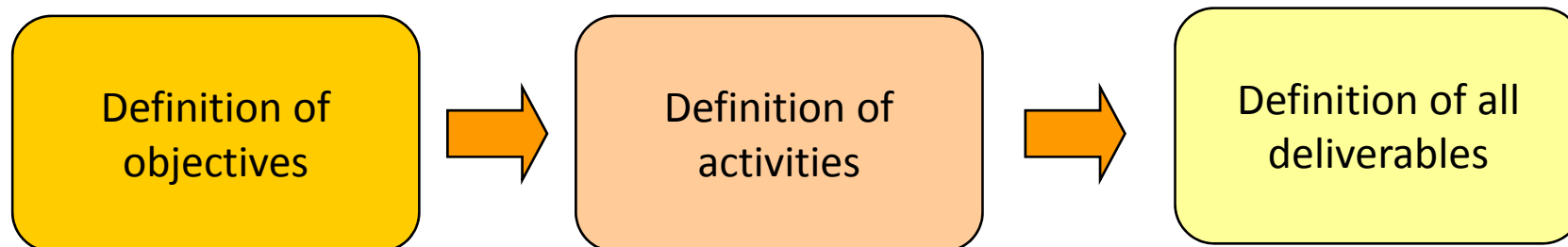
Technical specification, risk assessment and evaluation, costing, deliverability assessment, payment mechanism calibration, technical bid evaluation

Legal

Legislature and policy support, procurement and procurement strategy, contract development, negotiation support, legal bid evaluation, legal risk mitigation and transfer, legal specialist advice

IFC PPP Advisory role

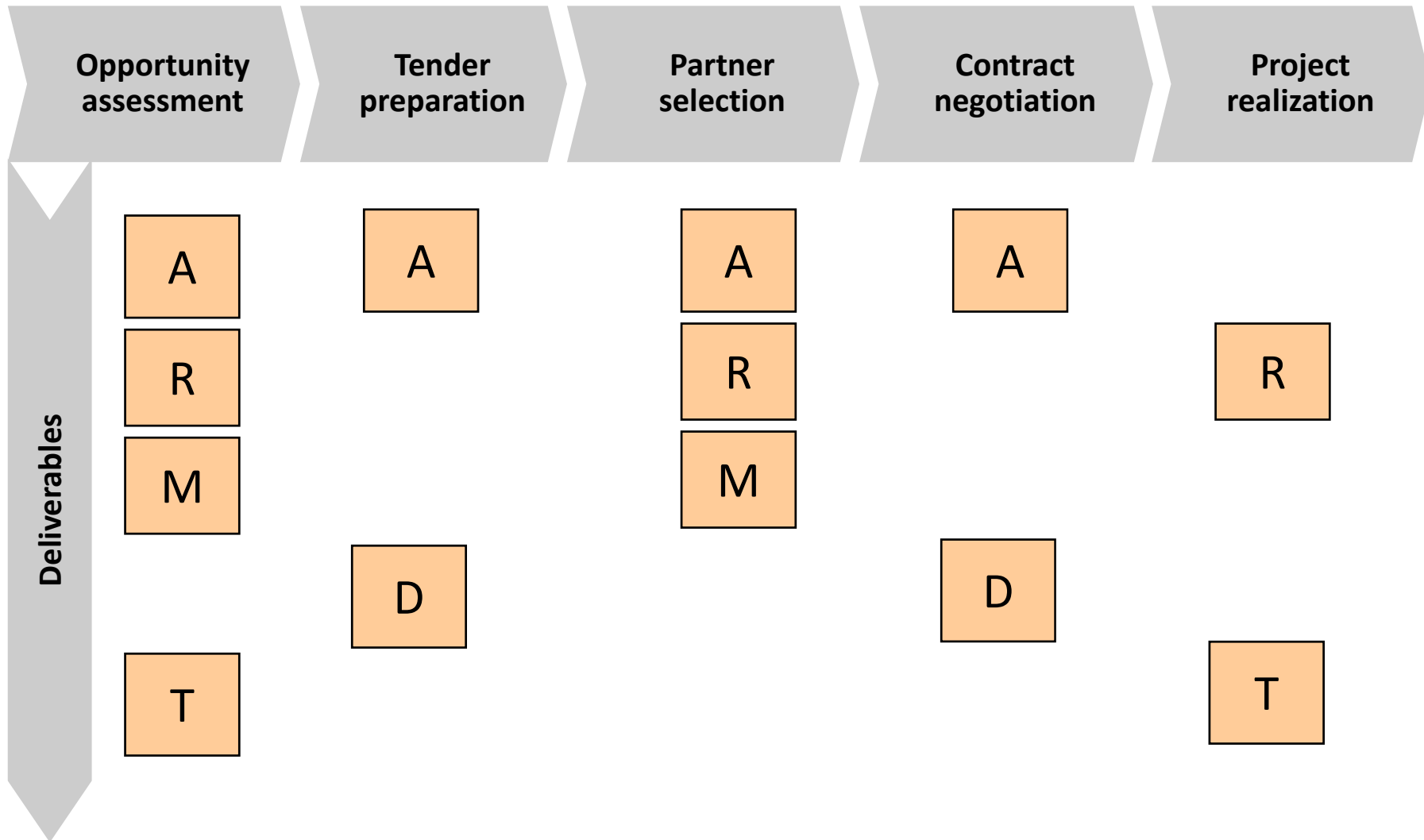
- IFC PPP Advisory does support client governments in all stages of Project Delivery Lifecycle
- In role of Lead Advisor helps to finds the right private sector partners, manage over all process, finance and manage other advisors



Typical structure of deliverables

A	Analyses or advice	Analytical output, written or oral advice usually has PowerPoint presentation form or a form letter with attachments
R	Report	Report has written form with signature or signed cover letter
M	Model	Financial, technical or architectural model is Advisory output that models particular details of project. Especially financial model has to be well defined output with terms and conditions of its use after the competition of Advisory assignment.
D	Draft documentation	Advisor might be asked to draft particular documentation that will be used and signed by Public body (like contract, procurement TORs or other legal documents) and these are provided in draft form.
T	Training	Training is very often part of Advisory assignment when Advisor is responsible to train public officials for example in using the financial model or other outputs delivered by Advisor.

Deliverables of Advisors in a Project lifecycle



Transport PPPs are here long time

- Toll road at [Wadesmill](#) in Hertfordshire, UK, established in 1663 by Act of Parliament
- Turnpike trusts in the [United Kingdom](#) were bodies set up by [Act of Parliament](#), with powers to collect road [tolls](#) for maintaining the principal highways in [Britain](#) during the 18th and 19th centuries. At the peak, in the 1830s, over 1,000 trusts administered around 30,000 miles (48,000 km) of turnpike road in England & Wales, taking tolls at almost 8,000 toll-gates and side-bars.

During the early 19th century the concept of the turnpike trust was adopted and adapted to manage roads within the British Empire (Ireland, Canada, Australia, New Zealand, India & South Africa) and in the USA. (wiki)

Toll collection infrastructure



Old Toll House at [Stanton Drew](#) UK



The Maysville Turnpike, USA, 1830

Why did this era end

- By the early Victorian period toll gates were perceived as an **impediment to free trade**. The multitude of small trusts were frequently charged with being **inefficient in use of resources** and potentially suffered from petty **corruption**.
- The railway era spelt disaster for most turnpike trusts. Although some trusts in districts not served by railways managed to increase revenue, most did not. In 1829, the year before the Liverpool and Manchester Railway opened, the Warrington and Lower Irlam Trust had receipts of £1,680 but, by 1834, this had **“revenues” fallen** to £332. The Bolton and Blackburn Trust had an income of £3,998 in 1846, but in 1847 following **the completion** of a railway between the two towns, this had fallen to £3,077 and, in 1849, £1,185.

- **Impediment to free trade**
 - every PPP is regulated business, often regulated by contract, good regulation is a must
- **Inefficient in use of resources**
 - VfM and PSC to make sure the PPP is efficient use of resources
- **Corruption**
 - Transparency and Competitive procurement is a must
- **“Revenues” fallen**
 - Provisions against revenues shortfall, especially if objectively not caused by private partner
- **Completion**
 - Calculate with alternative transport and incentives for the PPP route

Why and when IFC PPP Advisory

- Pioneering or particularly difficult transactions
- Transactions associated with significant policy/regulation modifications
- Transactions in need of donor funding
- Complex PPP transactions with need of global expertise

Thank you

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