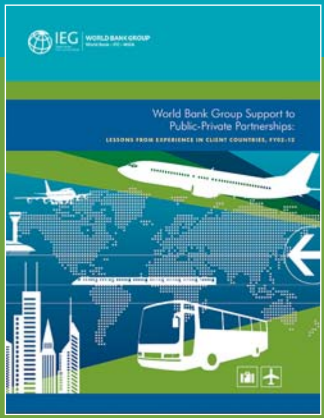
World Bank Group Support to Public-Private Partnerships

Lessons from Experience in Client Countries, FY02–12



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Summary

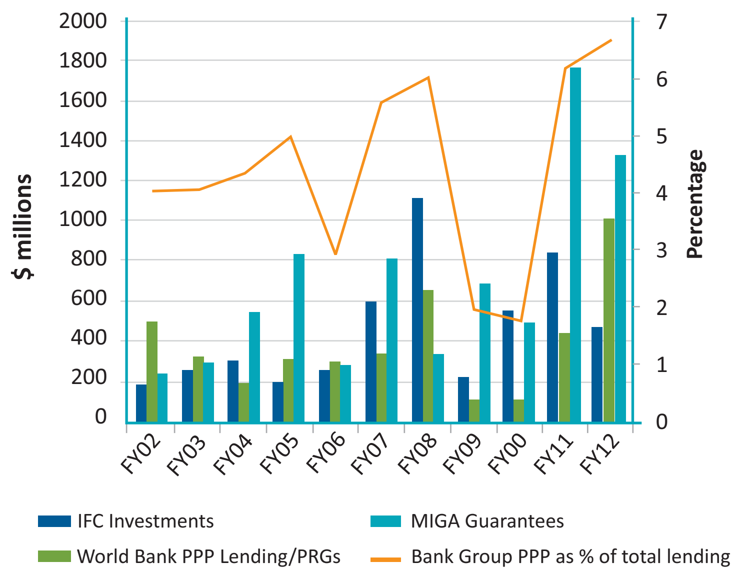
The Independent Evaluation Group's (IEG) evaluation finds that Public Private Partnerships (PPPs) supported by the World Bank Group between 2002 and 2012 have been largely successful in achieving their development outcomes. The World Bank Group was responsive to clients' needs and to changing priorities. Policy work by the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) has been relevant and reached countries that are at an early stage of developing an enabling environment for PPPs. The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) achieved important results in advising on structuring PPPs, and investing in and providing political risk insurance to them. IEG suggests the Bank Group could do more to expand the supply of bankable PPPs in a fiscally prudent manner. Bank Group advice to governments is often not sufficiently strategic with regard to private sector participation and, at times, lacks a systematic country diagnostic. Fiscal implications of PPPs have been rarely addressed, and IFC's investments have overemphasized countries with already well-established PPP frameworks.

Background

PPPs are defined as "long-term contracts between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility." PPPs can help governments in developing countries finance critical infrastructure by mobilizing private sector finance and contributing to improved project preparation, execution, and management. In general, PPPs require long-term commitment as they include design, construction, maintenance, and possibly operation. In addition, they contain performance-based elements with private capital at stake.

Over the last two decades, the use of PPPs has greatly increased, and they are now used in more than 134 developing countries, contributing about 15 to 20 percent of total infrastructure investment. Reflecting this development, World Bank Group support — lending, investment, and guarantees — to PPPs has increased about threefold between 2002 and 2012, from $0.9 billion to $2.9 billion.

During this period, IFC invested in 176 PPPs with total commitments of $6.2 billion; MIGA supported 81 PPP projects through political risk insurance (PRI), with a total of $5.1 billion gross exposure; and IFC PPP Advisory Services completed 140 transactions, with total expenditure of $177 million. On the public sector side, IBRD/IDA approved 353 lending and partial risk guarantee projects during the period with a PPP component totaling $7.6 billion. This was complemented by 112 capacity building activities of the World Bank Institute and 683 trust fund-supported advisory activities by the Public-Private Infrastructure Advisory Facility, with total expenditures amounting to $134 million.



Key Findings

Overall World Bank Group:

- PPPs are of high strategic relevance to the WBG. The new World Bank Group strategy, adopted in October 2013, expresses the intention to "increasingly promote PPPs." However, IEG found little guidance on how to translate this intention into an operational country program with a World Bank Group approach.

- The World Bank Group's PPP support reaches the countries that need it and PPPs supported by the Bank Group are largely successful in achieving their development outcomes.

- The World Bank Group makes good use of its comparative advantage, which consists of the capacity to provide support along the entire PPP cycle, from policy advice to transaction closure.

- The World Bank Group has made a significant contribution to capacity building for PPPs. At the same time, a lack of local skills and resources for the preparation of a PPP pipeline and bankable PPP projects poses a serious limitation across most World Bank-supported countries.

- IEG could not assess how far PPPs benefited the poor, as large data gaps exist.

IBRD/IDA

- Most Bank assistance addressed governance issues, regulatory failure and inadequate sector structure. Political economy factors and fiscal implications were almost entirely ignored.

- Success in sector reform was only evident in 55 percent of loans, mainly because of overly complex project design, lack of government commitment, and political implications of the reform processes.

IFC

- IFC Advisory Services have achieved important impacts in advising on PPP structuring. However, only about half of the projects resulted in the award of a contract, mostly due to volatile government commitment.

- IFC added most value when investing in PPPs during due diligence and implementation.

MIGA

- MIGA increased investors' confidence and effectively implemented PPPs also in those countries with less developed PPP frameworks.

Recommendations

Strategic and Organizational Recommendations

- IFC should increasingly invest in PPPs located in countries and markets that do not yet have a well-developed enabling environment.

- IFC PPP Advisory Services, in collaboration with the World Bank, should ensure broad stakeholder consultation up front and improve government commitment to PPP transactions.

Operational Recommendations

- The new PPP Cross-Cutting Solution Area the World Bank Group envisages will require an operational plan that (i) defines its role and interactions with other stakeholders, (ii) facilitates country-tailored solutions based on country diagnostics and (iii) foresees a Bank Group-wide PPP knowledge management platform.

- The World Bank Group should systematically integrate efforts to assist governments in (i) making strategic decisions with regard to the level and nature of private sector participation in infrastructure and social service provision and (ii) assessing fiscal implications, including any fiscal liabilities associated with PPPs.

- The World Bank Group should provide guidance to its staff on how to handle unsolicited PPP proposals.

- The World Bank Group should monitor PPPs over the long run, that is, beyond operational maturity/projects closure, to capture their performance.

WHAT WORKS

IEG Independent Evaluation Group
WORLD BANK GROUP
World Bank • IFC • MIGA

The Independent Evaluation Group (IEG) is charged with evaluating the activities of the International Bank for Reconstruction and Development (IBRD) and International Development Association (the World Bank), the work of International Finance Corporation (IFC) in private sector development, and the Multilateral Investment Guarantee Agency's (MIGA) guarantee projects and services.

This is a short summary of an IEG evaluation containing evidence that can inform the realization of the **Financing for Development** agenda and the World Bank Group's engagement therein. Other IEG resources specifically dedicated to the agenda can be found at **ieg.worldbankgroup.org/f4d**.