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INDEPENDENT EVALUATION GROUP

Approach Paper

Evaluation of the World Bank Group's Support for Public-Private Partnerships

March 14, 2013

Introduction

1. **Public-private partnerships (PPPs) have seen a rise in developing countries over the last two decades. More than 134 developing countries apply PPPs, contributing about 15–20 percent of total infrastructure investment.**[1] Widely utilized because of their purported advantages in off-budget funding, anticipated efficiency gains, and improved service quality, PPPs are a mechanism that governments regularly turn to in the fulfilling of their responsibilities on public infrastructure and services—a phenomenon increasingly taking hold in developing countries (Colverson and others 2011). In parallel, in its effort to spur growth and fight poverty, the World Bank Group has expanded its assistance to developing countries in improving access to infrastructure and basic services through PPPs. The Bank Group's portfolio addressing PPPs grew during FY002–12, with 20 units currently contributing to the PPP agenda—from *upstream* policy advice to *downstream* transaction support—comprising a multi-billion-dollar lending, investment, and guarantee portfolio and several hundred capacity building and analytical and advisory activities (AAA).

2. **In this evaluation, the Independent Evaluation Group (IEG) will assess the World Bank Group's experience with PPPs for the first time after the Bank Group's Private Sector Development (PSD) Strategy of 2002 integrated PPPs in the PSD agenda**. This evaluation will look at *PPPs as an instrument* and (i) examine the nature of World Bank, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA) support to PPPs across all sectors; (ii) identify evidence that the World Bank Group supported priority challenges with regard to applying the PPP concept in client countries and the effectiveness of that support, both upstream and downstream; and (iii) draw lessons to help inform the Bank Group's future approach to PPPs.

3. **With PPPs high on the agenda of international development, and governments eager to leverage scarce public funds in the aftermath of the 2008 financial crisis, this evaluation is timely and relevant.** The Busan Partnership Agreement of 2011 recognized the central role of the private sector in poverty reduction and specifically calls for sound policies for PPPs.[2] In a similar vein, the G-20 High Level Panel on Infrastructure pointed at the critical role of PPPs in leveraging resources for infrastructure projects,[3] in particular in the aftermath of the 2008 global financial crisis, which

[1] World Bank Private Participation in Infrastructure (PPI) Project Database.
[2] Fourth High Level Forum on Aid Effectiveness (2011).
[3] High Level Panel on Infrastructure (2011).

left many governments with reduced fiscal space and seeking alternative methods of finance. This evaluation is even more timely and relevant as the World Bank Group envisages a scale up of its PPP activities according to the latest infrastructure strategy update FY13-15, which this study aspires to inform.

4. **The scope, issues, and questions for this evaluation were identified in an independent manner, following a broad–based consultative process across the World Bank Group.** This process covered 33 consultations with sector specialists and PPP experts from the Global Expert Team on PPPs (GETPPP), IFC Advisory Services, IFC Investment Services, IFC Strategy, MIGA, World Bank (Sustainable Development (SDN), Finance and Private Sector Development (FPD), Poverty Reduction and Economic Management (PREM) anchors and the regions), World Bank Institute – PPP (WBI-PPP), the Private Participation in Infrastructure Advisory Facility (PPIAF), the Global Partnership on Output Based Aid (GPOBA), and the International Monetary Fund, complemented by a review of the international literature (Annex 1).

Background, Context, and Motivation

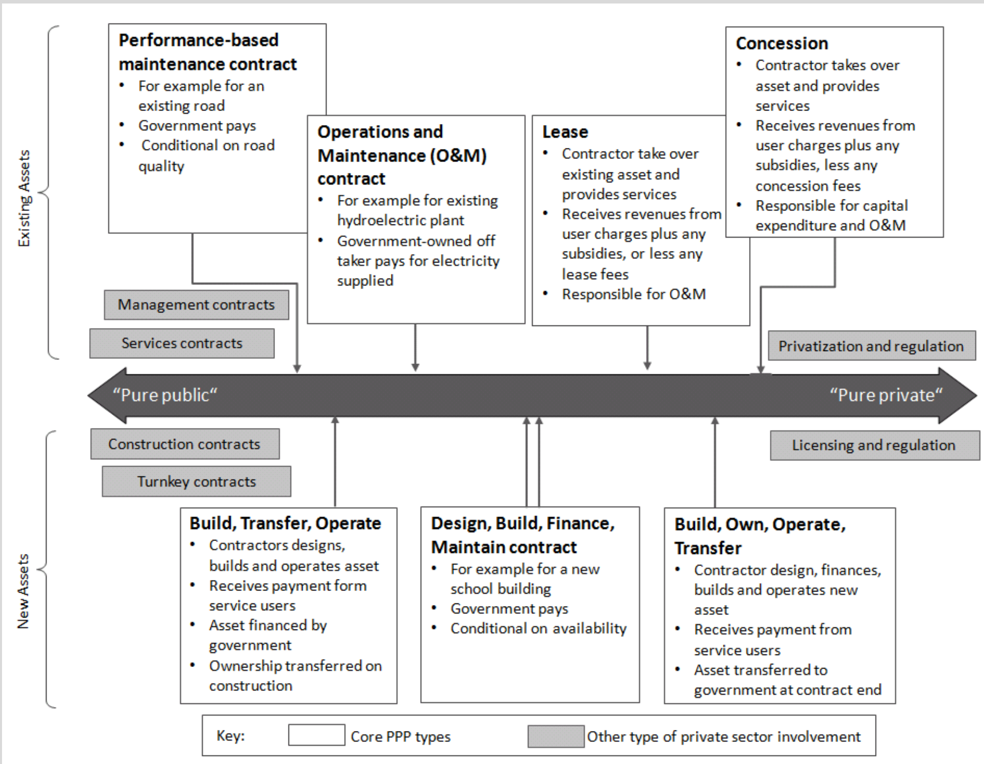
5. **This evaluation adopts a World Bank Group-internal definition of PPPs to ensure that the *object of evaluation* is consistently understood across the entire group.** PPPs are "*long-term contracts between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility*" as per the definition of the PPIAF and the WBI-PPP (WBI 2012). This definition translates into a spectrum of contractual arrangements, which all have in common that they are long term, usually bundling design, construction, and maintenance (and possibly operation), and contain performance-based elements with private capital at stake.

6. **Core types of PPP arrangements are summarized in Figure 1, differentiated from other forms of private sector participation (PSP).** The evaluation will focus primarily on these core types of arrangements and their derivatives. Other forms of private sector involvement, located on the left side of the risk sharing spectrum of Figure 1, for example, short-term outsourcing arrangements involving the private sector in service delivery without incentives nor private capital at stake; for example, janitorial services for a school or operations of the school cafeteria would not fall under this evaluation; nor would construction (Design-Build) contracts for a new road. On the right side of the risk sharing spectrum, fully privately owned licensed/ regulated businesses would not meet the World Bank Group's definition of core PPP arrangements either. [4] During the evaluation IEG

[4] Note that the literature treats the right side of the risk sharing spectrum sometimes as a continuum rather than a clear cut-off line with regard to what is considered a PPP and what not. This is particularly true in cases where privately owned power / energy distribution companies operate as natural monopolies within a licensed, regulated space. IEG may cover such arrangements in country case studies to enable the assessment of a broad PPP spectrum.

will work with World Bank Group management to ensure that the application of this PPP definition produces a consistent and complete universe of projects to be evaluated.

Figure 1. The Spectrum of PPP Arrangements



Sources: The World Bank Institute (2012) *Public-Private Partnerships Reference Guide*, Version 1.0, The World Bank Institute and Public Private Infrastructure Advisory Facility and *PPP Basics and Principles of a PPP Framework* (2012) http://www.ppiaf.org/sites/ppiaf.org/files/documents/Note-One-PPP-Basics-and-Principles-of-a-PPP-Framework.pdf

7. **This evaluation will capture World Bank Group efforts on market reform, regulatory frameworks and pricing, and subsequent transactions—even if they do not result in PPPs per se.** Substantial efforts are devoted to advising governments on sector reform issues, market structure and regulatory issues, but eventually may result in other than "core PPP arrangements", for example in Design Build contract for a road (on the left side of the risk sharing spectrum in Figure 1) or a full privatization (on the right side of the spectrum). Such efforts—because of their importance—will be considered in in-depth country case studies, in particular those relevant to private power distribution companies and information and communications technology operators.

Rationale for Using Public-Private Partnerships

8. **Conceptually, PPPs are an instrument to respond to market failures while minimizing the risk of government failure**. As a general rule, private ownership is to be preferred where competitive market prices can be established, according to the literature (Ter-Minassian 2004). Under such circumstances, the private sector is driven by competition to sell goods and services at a price con-

sumers are willing to pay, and by the discipline of the capital market to make profits. However, various market failures (natural monopoly or externalities etc.) can justify government ownership, for example, in roads, water distribution, or education. But governments—which deliver these services because of *market failure* in the first place—may struggle subsequently with *government failure*, as they may have difficulties operating efficiently or containing the costs ,or they lack the capability to achieve a desired quality standard, or both. In other words, government failure can simply substitute—or may follow—market failure. These arguments can be used to motivate PPPs as an instrument of combining the relative strength of government and private provision in a way that responds to market failure but minimizes the risk of government failure.

9. **Private sector actors in PPPs can use their management skills and capacity for innovation to improve efficiency and quality standards.** Efficiency gains play an important role in increasing value for money (VfM) through PPPs. Governments pay a fee to the private partner for the services provided (for example, in terms of usage fees and availability payments), which the private sector uses to pay operating costs and interest charges and to repay debt and return on equity. In cases where efficiency increases offset the higher capital costs of the private sector, the PPP may have a higher VfM and hence be the preferred option for the government. [5] Such efficiency effects may include improved analysis during project selection, better planning, on-time and on-budget implementation, improved construction expertise, and adequate maintenance (WBI 2012).PPPs, if implemented well, can therefore help overcome inadequate infrastructure, which constrains economic growth, particularly in developing countries.[6] Details on the effects of PPPs from a public finance perspective are set out in Box 1.

10. **But PPPs are not the panacea – and require their own infrastructure for development.** The literature points at the negative effects on public budgets because of contingent liabilities not being adequately assessed, insufficiently reported, or accounted for off-balance sheet. Furthermore, PPPs are reported as being more expensive due to high private sector borrowing costs and high transaction costs in general. There are also reports on PPPs having inadequate risk allocation due to lack of competition during bidding and on PPPs being subject to renegotiations which may put the public sector in a weak position and subsequently lead it to accept undue risks. A country's PPP engagement also demands high capacity and skill levels from the public sector authorities—or as the G-20 High Level Panel put it, "PPPs require their own infrastructure" (WBI 2012; CEE Bankwatch Network 2008; Hammami, Ruhashyankiko, and Yehoue 2006; Irwin 2007; Sadka 2006; Ter Minassian 2004; and World Bank 1998). All these technical skills, however, can only be put into practice when political commitment—often the single most important decisive factor—exists and continues to exist throughout the PPP development process and life time. In view of these challenges, this eval-

[5] The net present value of capital expenditure and usage fees combined may be lower for PPPs than for the public procurement option. OECD (2008)

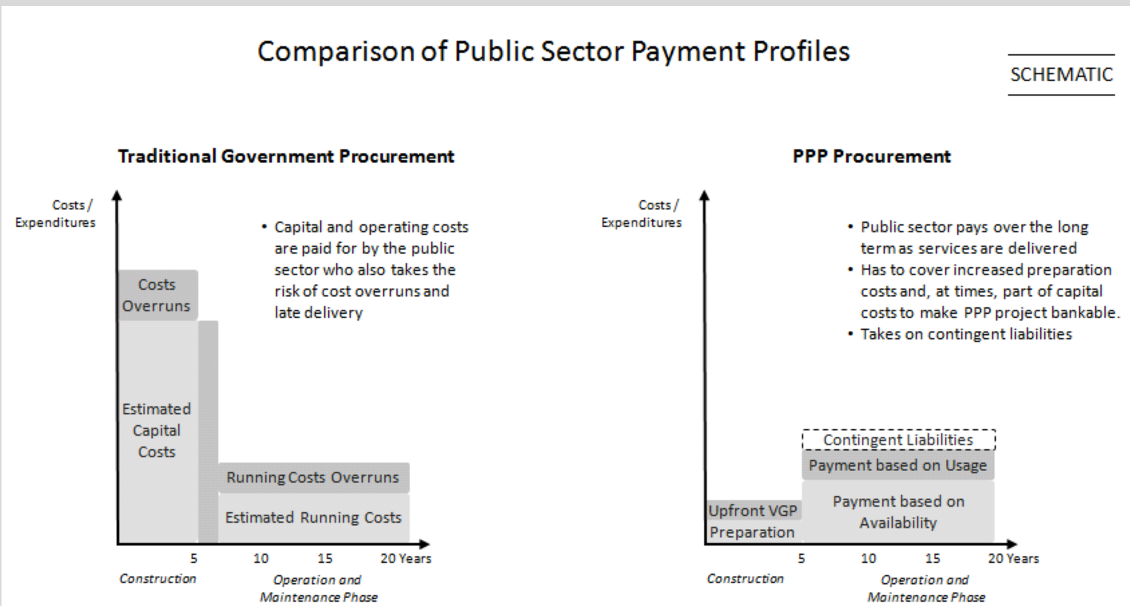
[6] A 10 percent increase in infrastructure development contributes to one percent growth in the long-term, see Röller and Waverman (2001), Calderon and Serven (2010), and Calderon and others (2011).

uation—the first comprehensive stock taking exercise of PPP experience in developing countries—is long overdue.[7]

Box 1. The Public Sector Finance Perspective of PPPs

Contrary to intuition, PPPs generally do not provide additional resources for the public sector. Governments can finance their public infrastructure investments just as well as private firms. Only when governments are credit constrained and thus cannot borrow, private finance may be superior. When governments are not credit constrained, the primary effect of private finance in PPP arrangements is that the respective investment becomes more affordable within annual authority budgets and match better user benefits, allowing governments to realize infrastructure investments earlier. PPPs mobilize private sector resources to cover the capital expenditure costs up front (or at least most of it) and make the public sector pay during delivery of the services, either through availability payments or usage payments (shadow toll) or a combination thereof. (See figure below). Only if PPPs introduce fees to be paid by the actual end users do they effectively increase total government revenues and funding. Hence the primary advantage PPPs may offer over traditional public procurement are efficiency gains that privately-led construction and maintenance may bring, partly offset, however, by higher capital costs of the private investor.

The assessment of public sector liabilities triggered by a PPP project is hence of utmost importance. These can amount to substantial *direct* liabilities, for example upfront Viability Gap Funding to make projects more commercially viable and the referred usage payment, or *contingent* liabilities, such as guarantees on particular risk variables , for example, to buffer the traffic demand risk for the private party, compensation payments for uninsurable *force majeure*, or termination payments.



Sources: PricewaterhouseCoopers Advisory Services 2005; World Bank Group 2012; Klein 2012a.
Note: VGP = viability gap funding.

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7 The literature is abundant and covers best practice for most—if not all—steps of a country engaging in PPPs, ranging from fiscal risk assessment to performance. However, assessments of how PPPs worked out and delivered on their promise of efficiency gains and increased access and service levels are rare, and if available are only partial. For example, several guides focus on specific subsectors, regions or capture only experience with PPPs in OECD countries. Previous IEG evaluations only indirectly addressed PPP.

GLOBAL TRENDS IN PUBLIC PRIVATE PARTNERSHIPS

11. **The last 10 years have seen a rise of PPPs in developing countries as a means of crowding in investment and expertise from the private sector.** Looking at the broader picture of private sector investments in developing countries, private capital has contributed between 15 and 20 percent of total investment in infrastructure during the last 10 years.[8] Looking more specifically at PPPs proper, after experiencing a slowdown from 1997 to 2004 as a result of the Asia financial crisis, PPPs are back on the rise in the aftermath of the 2008 global financial crisis. PPP investments peaked initially in 1997 with $60 billion, then accounted for only $30 billion *per year* on average during FY02-06; they subsequently increased to $79 billion *per year* on average during FY07-11. PPPs have now spread across the globe: 134 developing countries implemented new PPP projects alone in infrastructure between 2002 and 2011.[9] Although initially restricted to infrastructure, PPPs have increasingly moved into the provision of "social infrastructure," such as schools, hospitals, and health services. However, an assessment of trends for infrastructure is not possible, as a global database for private sector engagement in these areas does not exist.

12. Much of the growth of PPPs has been captured by middle-income countries (MICs) and by two regions, Latin America and the Caribbean and East Asia and Pacific. MICs saw a growth of PPPs over the last 10 years by more than 100 percent, from $147 billion of investments during FY02-06 to $384 billion in FY07-12. With these investment volumes in PPPs, MICs have not only had a stronger PPP growth, but they also have attracted far more funding for PPPs in absolute terms compared to low-income countries (LICs). LICs attracted PPP investments of $6 billion during FY02-06 and $9 billion during FY07-12, representing only four and two percent of what MICs had attracted, respectively. PPPs are also concentrated regionally during FY02-12. Latin America and the Caribbean shows the highest PPP concentration, with 37 percent of investment volume, followed by East Asia and Pacific with 25 percent during FY02-12—even though East Asia and Pacific saw a slowdown recently in absolute terms from 33 percent initially to 13 percent during FY07-12. In contrast, South Asia experienced significant growth, mostly because of investments in India. The Middle East and North Africa Region and Sub-Saharan Africa rank last, each with only four percent of total PPP investment volume. The concentration of PPP investment is also quite pronounced at the country level—the top five countries, Brazil, India, China, Mexico, and Malaysia combined represent 60 percent of all PPP investments over the period 2002-11.

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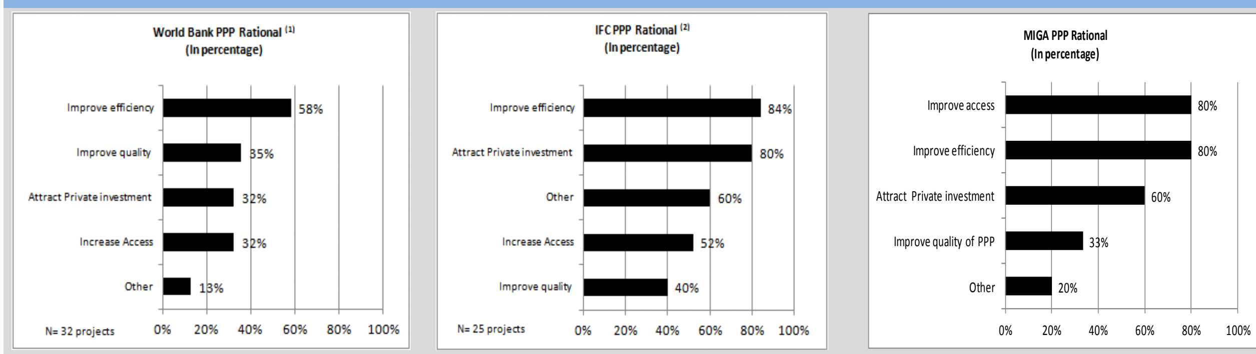
[8] This percentage is indicative of *total* global investment in infrastructure, not of World Bank Group investment or lending specifically. The figure is intended to serve as a proxy for the importance of PPPs as the concept of private sector investments in infrastructure is broader than mere PPP-related investments (World Bank Private Participation in Infrastructure Project Database in Delmon, Gassner, Kacaniku, Baghat, 2010).

[9] According to the World Bank PPI Project Database.

WORLD BANK GROUP'S ENGAGEMENT

13. **The rationale for the World Bank Group's support to PPPs is based on the claim that PPPs have the potential to close the infrastructure gap by leveraging scarce public funding and introducing private sector technology and innovation to provide better quality public services through improved operational efficiency.** Subsequently, improving the provision of infrastructure and social services through higher levels of efficiency and quality contributes directly to growth and poverty reduction. This rationale for PPPs, as expressed in the World Bank Group's infrastructure strategy update,[10] broadly reflects also the reasoning expressed in individual World Bank Group projects that make use of PPPs. Of a sample of World Bank Group projects reviewed for this Approach Paper, improving efficiency, access, and quality, along with attractive private sector funds, are the prevailing motivations for pursuing PPPs as an instrument in project implementation. See Figure 2 for a more detail analysis of the project-level rationale.

Figure 2. Rationale of Using PPPs at the Project Level

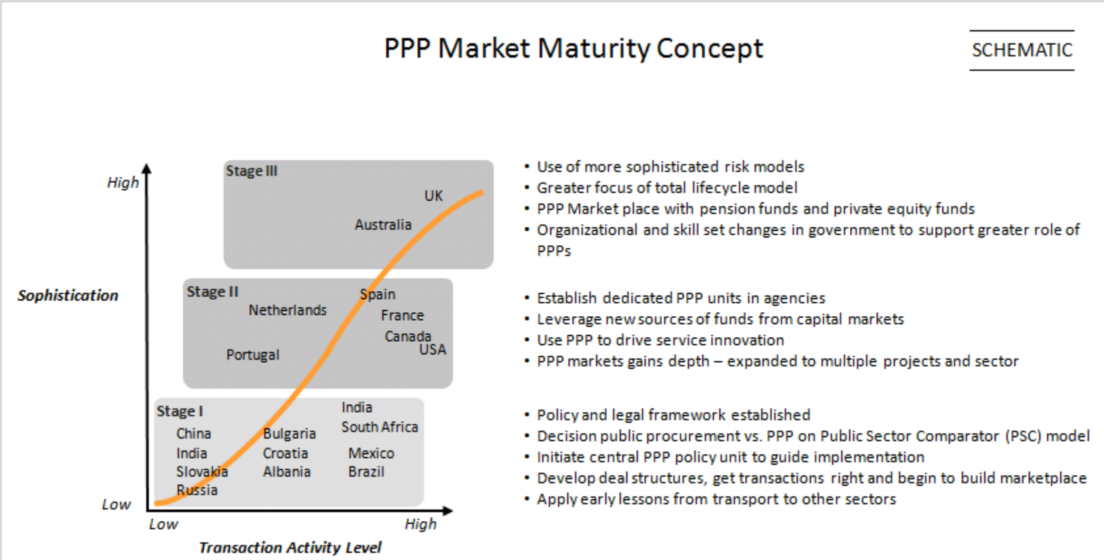


Note: For the World Bank, the analysis was based on a review of 70 projects of which 46 percent (32 projects) had PPPs as major component along with some documented rational for using PPP's. The remaining 54 percent (38 projects) referred to PPPs only as a minor component; these usually lacked any rationale for applying the PPP instrument. For IFC and MIGA, the analysis was based on a review of 25 and 15 projects, respectively all of which involved PPP's as a major component along with an explicit rationale for PPPs."Other" includes government revenues, improve environmental performance, competitiveness.
Source: IEG

14. **However, countries and markets need to be sufficiently mature to apply the concept of PPPs wisely.** This implies that government authorities need to be sophisticated enough to develop sector reform policies, assess fiscal risks associated with PPPs, base their decision of public procurement versus PPP on a comprehensive VfM assessments, and have impartial transaction advisory at hand to make PPP deals bankable and sustainable. In contrast, markets also need to be sufficiently liquid, that is, rich in transactions with enough potential investors that have adequate regional experience bidding for PPPs in an economy with available long-term capital.

[10] Based on World Bank Group (2012) and 33 preliminary IEG interviews with World Bank Group managers.

Figure 3. PPP Market Maturity Concept



Source: Eggers and Startup (2006).
Note: Chart serves illustrative purposes and location of individual countries may have changed since publication.

15. **Across the world, three distinct stages of PPP maturity are observed** (Eggers and Startup 2006), and the World Bank Group can be regarded as enabling countries moving up the scale (Figure 3). Arguably, there is also a stage zero, where the World Bank Group supports individual transactions with outside expertise and funding so that PPP transactions, even in countries with very low capacity and little prospect of having a programmatic PPP approach in the near future, become possible, for example, in LICs, frontier, or conflict-affected countries. Building up the required capacity through such demonstration PPP transactions and their replication can potentially lift these countries to a higher level of maturity. The World Bank Group's private and public sector arms respond to the challenges that developing countries face with regard to PPPs, mainly by helping them make smart choices about market structure and sector reform, private sector involvement, and type of PPP, improving the enabling environment, and in executing specific PPP transactions, thus allowing these countries to become more sophisticated and mature PPP markets. To what extent the public and private sector oriented arms of the World Bank Group play complementary roles in supporting countries becoming mature for PPPs and thus in crowding in private sector resources and greater efficiency will be subject to assessment during this evaluation.

World Bank Group's Evolving Strategy for PPPs

16. **The 2002 Private Sector Development Strategy elevated PPI—and with it PPPs—for the first time to the strategic level, after the Asian crisis of 1997-98 revealed the underlying weaknesses of many PPI projects.** Governments had pursued PPP models to avoid fiscal burdens, but had been often politically unwilling or unable to introduce cost-covering retail tariffs, which led to private investors asking for government payment guarantees and, eventually, taxpayers paying

anyway. Such schemes had amounted to a large degree to expensive off-balance sheet borrowing by governments and pointed to the importance of sound policy reform *before* the introduction of PPI (Klein 1999).

17. **After a phase of reliance on the private sector in the 1990s, the Infrastructure Action Plan 2003-2008 shifted World Bank Group's focus from transfer of infrastructure assets from the public to the private to a more flexible range of PPPs.** The subsequent infrastructure strategy, the Sustainable Infrastructure Action Plan 2009-2011, focused on strengthening the enabling environment for PPPs and scaling up PPPs, became a strategic objective, with assistance of trust funds, such as the GPOBA and the PPIAF. The most recent strategy update, Transformation through Infrastructure: Infrastructure Update FY2012-2015, reiterates a PPP scale-up, but recognizes at the same time the lack of incentives for World Bank staff to pursue risky and time-intensive PPP projects rather than straight-forward public lending and the challenge posed by more than 20 different units contributing across the World Bank Group to the PPP agenda. [11] Corporate strategies, for example, IFC's Strategic Directions and Road Maps 2002-2015, broadly reflect the PPP emphasis of the infrastructure strategy updates, expanding the PPP concept, however, to health, education, and the food supply chain. Noteworthy, PPPs have not been subject to a World Bank Group-wide stand-alone policy or strategy, but are rather addressed in the context of sectoral, regional, or corporate strategies.[12]

WORLD BANK GROUP'S OPERATIONS TARGETING PPPS FISCAL 2002-12[13]

18. **The World Bank Group has deployed a wide range of instruments and services targeting PPPs during FY02-12.**[14] IEG's preliminary portfolio analysis identified 165 IFC investments in PPPs

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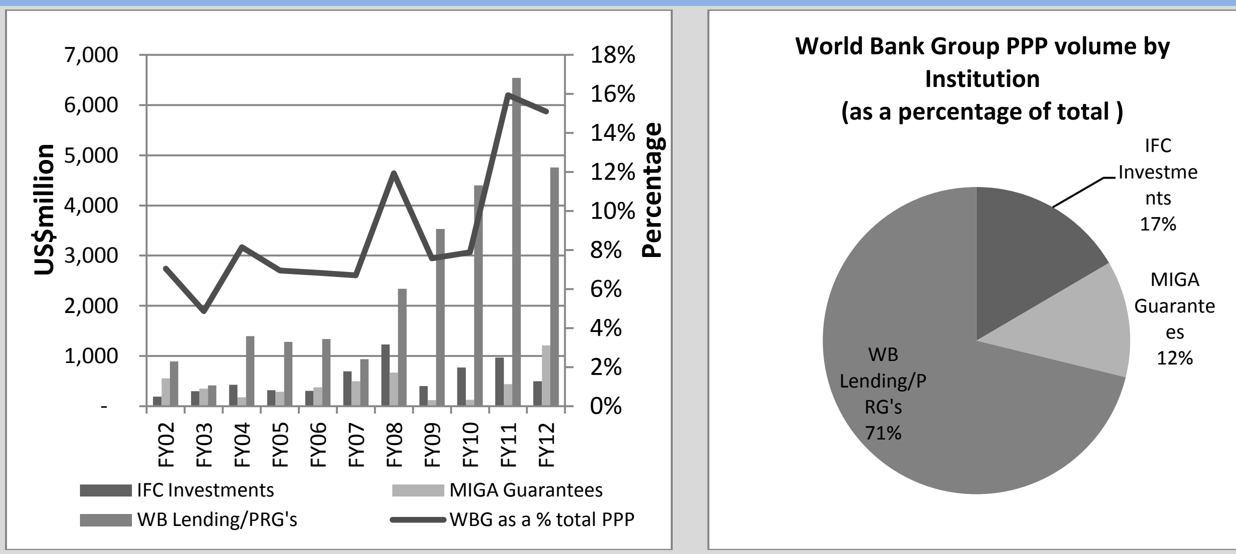
[12] PPPs figure prominently in the PSD and infrastructure strategies 2002-2015 and are subject of regional strategies, for example, on Africa PPP Strategy (draft) and the Latin America and the Caribbean Region, country-level strategies and Recent Economic Development in Infrastructure Reports, for example, for Colombia and El Salvador. Recently, the World Bank also prepared a PPP Strategy for its FPD Network. In addition, there are numerous assessments of PPP performance with a sectoral focus (urban water utilities, electricity and water distribution, and so forth).

[13] The summary of the preliminary portfolio analysis focuses on the projects approved FY02-12 and presents data by approval year. The evaluation will also cover projects approved *prior* to FY02 and closed during FY02-12. As projects tend to take between 3-7 years to close, this leads to the inclusion of many, but not all, projects approved between FY95 and FY02. Data on volumes and numbers are hence not representative of the respective approval year and are therefore not presented in here.

[14] The term "targeted" interventions refers to activities aimed at either building or improving the enabling environment specifically for PPPs—as opposed to broad-based macroeconomic or investment climate interventions—regardless of whether an actual PPP transaction followed and/or at facilitating specific PPP transactions, including green as well as brown field operations. For a World Bank Group activity to be captured by this portfolio analysis as "targeting" PPPs, it must have at least one component addressing such PPP issues. The lending amount presented for World Bank indicates the entire lending amount of projects that contain such PPP components. As many World Bank projects contain multiple components, the lending volume includes also volume targeting other components of these projects. As current

with total commitments of $6.1 billion, 71 MIGA guarantees issued in support of PPP projects with total $4.2 billion gross exposure, and 157 IFC PPP Advisory Services with total funding of $187million. On the public sector side, the International Bank for Reconstruction and Development (IBRD)/International Development Association (IDA) approved 203 lending and partial risk guarantee (PRG) projects during FY02-12 with a PPP component amounting to $23 billion,[15] of which 9 are PRG projects in total guarantee amount of $805 million; complemented by 120 capacity building activities of WBI and 788 trust fund-supported advisory activities by the PPIAF with total expenditures amounting to $155 million.[16] (Figure 4).

Figure 4. WBG Lending, Investments and Guarantees Targeting PPPs – Volume [USD] and Share of Volume per Institution, FY02-12



Sources: IFC MIS extract data as of June 31, 2012; MIGA database; World Bank lending data.
Note: Volume = sum of World Bank lending, IFC investments, and MIGA guarantees; World Bank = World Bank lending/PRG.

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information systems are unable to produce PPP-specific reports, only the detailed portfolio analysis of the evaluation will attempt to disaggregate lending volume with the goal to presenting a PPP specific lending volume. The same applies to World Bank Guarantee projects.

15 To identify the World Bank PPP portfolio, IEG used the methodology that the SDN Anchor applied for identifying the "PPP baseline" for the most recent infrastructure strategy update. Using this method, IEG calibrated a software and searched Project Appraisal Documents (PADs) of all active and closed lending operations approved during FY02–12, using the 14 search terms developed through detailed manual review of infrastructure portfolio of FY10-12, discussions with relevant World Bank Anchor units and GETPPP, and review of the literature. PADs were retained for detailed review if they contained any of the 14 search terms. The method produced very comparable results, with a 92 percent overlap of projects found by the two methods. During the evaluation, the identification of PPP projects will be expanded to projects that do not have a PAD, for example, Supplementary Finance projects.

16 The World Bank delivered also 1,443 nonlending activities (AAA) in infrastructure, health, and education. PPP-targeted AAA will only be identified during country case studies as AAA work is generally poorly documented and not captured in an adequately coded database.

19. **The preliminary results of IEG's portfolio analysis will be further reviewed together with World Bank Group departments to ensure completeness and accuracy of the project universe that will be evaluated**. The below paragraphs summarize the results of IEG's preliminary portfolio review, with further details in the annex. As World Bank Group activities are not coded for PPPs, identification of PPP-targeting projects had to be done manually, supported by adequate information technology software in some cases. To ensure completeness and accuracy of the universe of projects that will be subject to evaluation, IEG has already conducted a review process with MIGA and IFC Advisory and Investment Services. During the evaluation such a review will also be concluded with the World Bank.

20. **During the last 10 years, World Bank Group support to PPPs has increased fourfold.** Lending, investments, and guarantees have risen both in absolute terms as well as relative terms, from \$1.7 billion to \$ 4.1 billion and from 7 percent in 2002 to 15 percent in 2012.

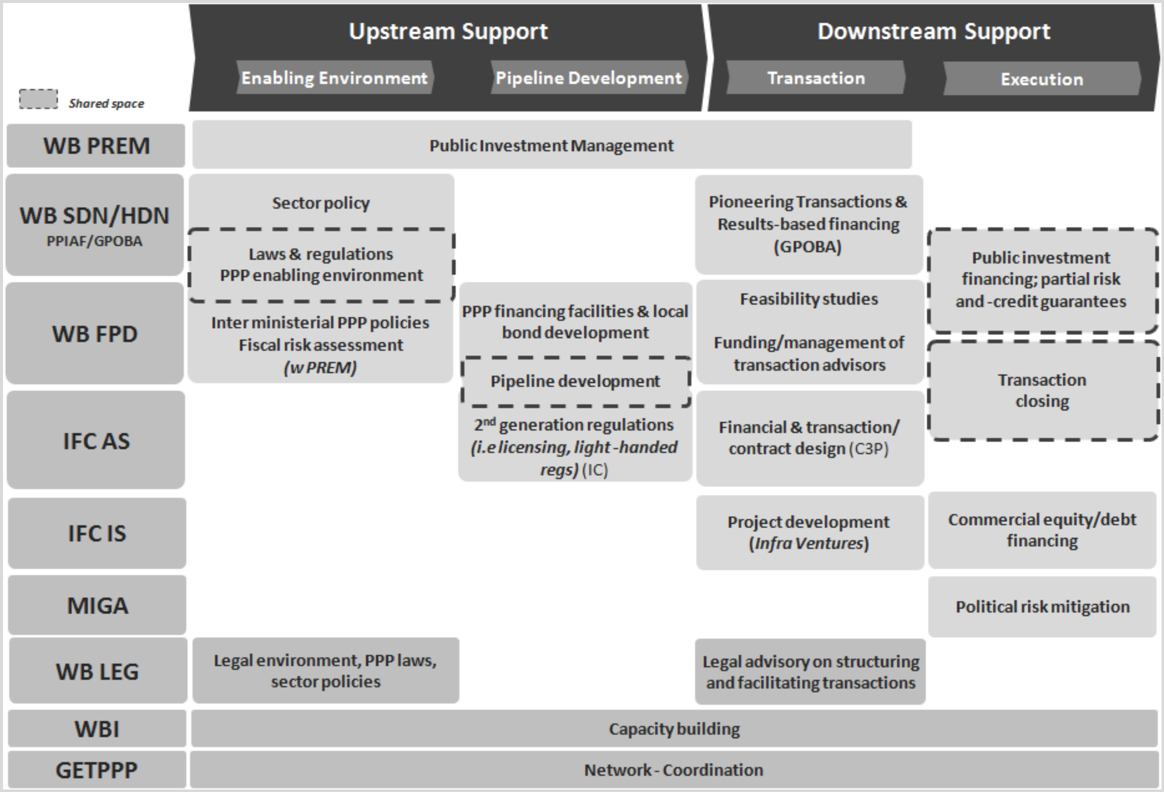
21. **The World Bank Group's support addressed issues along the entire PPP delivery chain, from upstream support for the enabling environment and pipeline development to downstream transactions and execution.** In an attempt to capture all World Bank Group entities involved in the PPP agenda for developing its PPP strategy, the Bank's FDP Network conducted a first organizational mapping (Figure 5). It summarizes the group's portfolio of activities related to PPPs against the World Bank Group's organizational structure—broadly reflecting the division of labor intended by the relevant strategies, that is, the World Bank working with client governments on policy, capacity, and institutional issues upstream, whereas IFC and MIGA focus on transactions. Based on these initial efforts by the FDP Network, IEG will elaborate the organizational mapping further during the evaluation with a goal to present a comprehensive picture all of World Bank Group units involved in the PPP agenda. Figure 6 visualizes the relative weight of upstream versus downstream work across the World Bank Group.

22. **The World Bank approved 203 lending and PRG projects targeted at PPP during FY02-12 totaling \$23billion, of which 9 are PRG projects with a total guarantee amount of \$805 million.** Both in terms of numbers and volume, PPP-targeted lending and PRG projects appear to show a decrease already prior to the 2008 financial crisis, unlike the World Bank Group's private sector instruments (IFC investment and MIGA guarantees), which grew until 2008 then fell. Only after 2009 did the commitments of World Bank projects targeting PPPs rise to a new high in FY11.[17] These lending and PRG operations are complemented by a significant level of nonlending AAA activities, including fee-based services.[18]

[17] Another 83 projects were approved prior to FY02 and closed during FY02-12; totaling 286WB PPP projects "closed or approved" FY02-12, which the evaluation will cover.

[18] Current Bank information systems do not allow identifying AAA and fee-based services that target PPPs; hence no accurate figure can be provided. Overall, more than 1,000 activities were found in the

Figure 5. World Bank Group's Engagement along the PPP Delivery Chain



Source: PPP Strategy for the FDP Network, by Vyjayanti Desai and Cecile Fruman (2012). Role of WB PREM added by IEG.

23. **Overall, World Bank lending and PRG operations emphasize upstream work slightly over downstream support**. IEG's preliminary portfolio review revealed that 93 percent of projects had an upstream component and 82 percent provided downstream support, and most projects had both. When looking closer at the nature of upstream work, the most common elements were capacity building (58 percent); policy, regulatory, and institutional reforms (48 percent); and sector reform and strategy (46 percent). Consensus building activities and emerging best practices only appear in eight and one percent, respectively. The most common downstream component was support to specific financing of transactions, which appears in over 49 percent of all projects. In contrast, transaction support without finance was seen only in 10 percent of the PPP portfolio projects (see Table 1).

relevant sectors (infrastructure, health and education); the relevant ones will be evaluated as part of country case studies.

Table 1. Number of World Bank PPP Lending/PRG Operations with Upstream and Downstream Component[19]

Components [(1)]	**UPSTREAM**					**DOWNSTREAM**	
Subcomponents	**Consensus / Political Building Commitment**	**Sector Reform / Infrastructure Strategy**	**Policy Regulatory, Legal, and Institutional Reforms**	**Capacity Building**	**Emerg-ing Best Practice**	**Transaction Process Support without finance**	**Transaction with Finance**
Energy and Mining	10	70	49	66			45
Transport	7	56	59	49		24	70
ICT	10	17	49	35			28
Water	10	49	35	63		24	63
Agriculture/Rural Dev	7	10	14	42		10	24
Economic Policy		3	3	3			3
Education		3	14	14		10	
Environment		7	7				
FPD	10	35	49	7		0	7
HNP		14	10	45	3	14	28
Public Sector Governance		3	3	0			
Social Protection		0	3	3	3		12
Urban Develop-ment		38	24	42			0
Total number of sub-components	**54**	**305**	**319**	**386**	**9**	**112**	**325**
Total number of components			**310**			**275**	

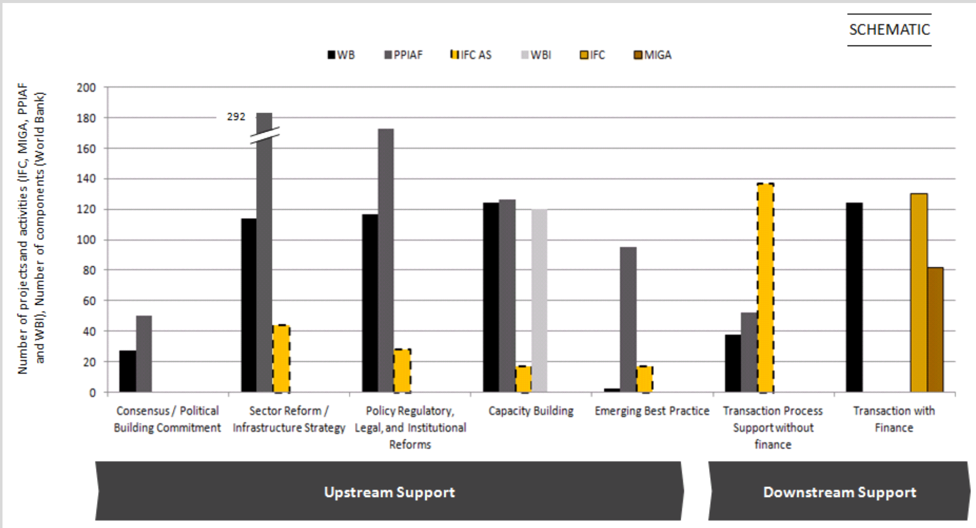
Sources: World Bank and IEG.
Note: Projects may be double counted in cases when they contain more than one component (upstream and / or downstream)
[1)] Based on a review of PADs, IEG identified 334 projects, of which, 96 were analyzed by component. Sample is statistically significant at the 0.005 confidence level. Components were extrapolated to mimic entire population. FPD = Financial and Private Sector Development; HNP = Health, Nutrition and Population.

24. **The World Bank Group has also applied approaches, such as Output Based Aid, in an effort to expand the concept of PPPs into delivery of basic service to the poor.** Output-based aid, introduced in the World Bank Group in 2002 through the Private Sector Development Strategy, is a results-based mechanism that ties the disbursement of public funding in the form of subsidies to the achievement of clearly specified results that directly support improved access to basic services, such as water supply and sanitation, access to energy, health care, education, communications services, and transportation. In 2003, GPOBA was launched as a World Bank–administered donor-funded pilot program to mainstream output-based aid. In support of such aid, IFC's Board approved the Performance Based Grant Initiative and with it the allocation of retained earnings ($97.8 million) for output-based aid supported infrastructure and social services projects executed by

[19] Component categorization was made according to PPIAF.

GPOBA. As of December 2012, 10 output-based aid projects had been implemented and closed; 25 are currently under implementation with varying disbursement levels.

Figure 6. Relative Weight of World Bank Group's Engagement along the PPP Delivery Chain



Source: IEG.
Note: World Bank Lending operations and IFC advisory services may be double-counted in cases when they contain more than one component (upstream and / or downstream)

25. **PPIAF supported 788 projects between FY02 and FY12, mainly supporting countries "upstream" in their PPP agenda.** Support to PPPs increased from $12 million in FY02 to $17 million in FY09 and has since slowed down significantly, to $10 million in FY12. PPIAF supported countries mainly upstream, in developing infrastructure sector strategies (40 percent) and the enabling environment for PPPs, including policy and regulatory and institutional reforms (25 percent).

26. WBI provided assistance through capacity building at all stages of the PPP project cycle. WBI provided capacity building on contract management and support to those involved in oversight of PPPs (for example, audit agencies). In addition, as part of the WBI-PPP work on collaborative governance, WBI works with countries on disclosure of information and transparency of PPPs. IEG's preliminary portfolio analysis captured 120 PPP projects between FY02 and FY12, representing two percent of total WBI projects.

27. **IFC invested in 165 investments projects that have been identified to support PPPs amounting to $6.5 billion in commitments between FY02 and FY12.** [20] IFC's investments in PPPs represent 41 percent of total infrastructure and 9 percent of total IFC investments, with the majority of investments going into the energy sectors (see attachment for portfolio analysis). Total IFC investments in PPPs have increased over time from $186 million in FY05 to $496 million in FY12.

[20] Additional 51 projects were approved before FY02 projects, totaling 168 IFC PPP projects covered by this evaluation.

28. **IFC Advisory Services under the PPP business line have increased in absolutes and relative values since FY05.** Between FY05[21] and FY12 the business lines of IFC Advisory Services Public Private Partnership supported 157 services**.** These 157 Advisory Services comprise about 11 percent of IFC's total funding of Advisory Services, about 6 percent by numbers. Total IFC funding for Advisory Services in PPPs have increased over time from $9.5 million in FY05 to $29 million in FY12. The World Bank's Water and Sanitation Program (WSP) is working with IFC Advisory Services on approaches to support the full spectrum of interventions needed for PPPs in sanitation and water.

29. **MIGA provided guarantees for 71 PPP projects that have been identified as supporting PPPs, amounting to $5.2 billion between FY02 and FY12—near half of its total guarantee volume issued during this period of time**.[22] MIGA guarantees in support of PPPs have increased almost twofold during the last 10 years. This was a result of large increases in the transportation sector, where guarantee volume increased from $250 million during FY02-06 to $1.5 billion (FY07-12). MIGA's ability to insure stand-alone debt made it easier to provide coverage for non-honoring of sovereign financial obligations and was also a factor behind the increase in PPP volume in FY11 and FY12.

Purpose, Objectives, and Audience

30. **This evaluation will assess how well the World Bank group has supported countries in applying PPPs from 2002-12 across all sectors** where PPPs are applied with a view to informing the implementation of the PPP Action Plan set out in the recent strategy update, Transformation through Infrastructure: Infrastructure Update Fiscal 2012-2015, and the increasing application of PPPs in social services, for example in health and education.

31. **It will address both learning and accountability objectives.** The accountability aspects of the study will address the question of how far World Bank Group projects achieved their stated objective—a potentially valuable input to setting of priorities and allocation of resources across PPP-related activities among the 20 units dealing with PPPs. The evaluation will also assess how far the World Bank Group has leveraged synergies across the organization and will present lessons on how to capitalize on the comparative advantages of the various entities dealing with PPPs. In particular, it will analyze how the Bank Group has helped countries reform sectors and create an enabling environment through upstream policy and institutional building work by means of its various tools. It will also analyze the private sector-relevant aspects of the enabling environment as well as of the actual transaction and execution processes. With regard to the learning agenda of this evaluation, this study will distill lessons from successful PPP projects so they can be replicated in different contexts.

[21] IFC advisory services started tracking activities reliably since 2005.
[22] An additional 25 projects were approved prior to FY02, totaling 96 MIGA PPP projects, to be covered by this evaluation.

Box 2. Findings on PPPs from previous IEG Evaluations

PPPs in Infrastructure: Public-private partnerships will only be successful if there are real opportunities for gain by both parties. [….]. When concessions are a key ingredient to reforms, contingency plans should be made in the event of delay or lack of interest of concessionaires. (*Lessons from World Bank Support to Infrastructure,* http://ieg.worldbankgroup.org/content/dam/ieg/pubs/infrastructure_web.pdf)

PPPs in transport: Transport evaluation found that *adoption* of a market-oriented approach with a clear accountability framework and incentive structure tends to improve institutional capability in ports and roads subsectors. The World Bank's assistance to governments to prepare appropriate legislation and policies to adopt landlord port model (concession model) in the ports, and output and performance based contracts in the roads were effective. […] performance based maintenance contracts in roads define the minimum maintenance conditions that have to be met by the contractor through the use of performance measures in the view of reducing the scope for discretionary spending and improving efficiency. In railways however, concessions were mainly unsuccessful due to underestimated road competition and vast capital expenditure needs. (*Improving Institutional Capacity and Financial Viability to Sustain Transport – An Evaluation of World Bank Group Support since 2002*, *2013)*

PPPs in ICT: ICT evaluation found that WBG has been catalytic in fostering private sector investments in mobile telephony. However, targeted efforts to increase access beyond what was commercially viable have largely been unsuccessful. Gaps in broadband and Internet access, in the context of overall expansion of coverage, argue for a selective role in supporting private investments in difficult environments. Expanding access beyond what market players would provide on a commercial basis by using *public-private partnership approaches* should be an important priority. *(Capturing technology for development, 2011).*

PPPs in power: The effectiveness of the World Bank Group in promoting private sector development (PSD) in the electric power sector during the 1990's was reviewed by IEG back in 2003. While not directly linked to PPPs, many findings of this study relate to the enabling environment for PSD – and hence are also highly relevant for PPPs. At the project level, IFC's and MIGA's engagement – mostly supporting independent power producers – showed good results while World Bank's power lending portfolio was found to be one of the worst performing, mostly reflecting the low achievements of ambitious sector level objectives. At country level, evidence of gains from sector reforms and PSD was found to be emerging in a few countries, mainly in the LAC and ECA regions. PSD was found constraint, *inter alia*, by lack of country commitment. PSD oriented reforms, however, were more promising than reforms confined to publicly owned companies. (*Power for Development, A Review of the World Bank Group's Experience with Private Participation in the Electricity Sector, 2003*)

PPPs in health: *Public-private partnerships* can be effective for expanding IFC's reach, but they have been difficult to implement because it is the government that decides which partnership model would be the most appropriate. The decision also depends on the government's capacity to regulate and effectively control the quality of health care delivery. This is important for the success of the partnership, because after the agreement is signed, there are economic incentives to reduce the provision of services or their quality. Furthermore, public consensus is needed because, in practice, opposition can arise over the fairness of privatization and health care cost increases. The other challenge for IFC has been to find private investors willing to participate in these partnerships. To meet these challenges, IFC emphasized Advisory Service operations to governments**.** *(World Bank Group Support for Health, Nutrition and Population, 2009)*

PPPs and World Bank Group guarantees: IDA's Partial Risk Guarantees (PRGs) have supported the introductions of complex PPPs in high-risk countries using limited IDA resources. In several large PPPs, IDA's engagement and relationship with governments were critical to securing adequate financing for the project. Moreover, engagement through IDA PRGs provided a platform to further the policy environment for PPPs. On MIGA, continuing involvement in PPP structures to support infrastructure development and improve services requires access to long term political risk insurance (PRI). The PPP is a mechanism involving private sector supply of infrastructure assets and services traditionally provided by the government. Adequate risk transfer from a government to the private sector is essential for such transactions to generate private investor interest. MIGA is well placed to continue its support for these projects because of its experience, and the long-term nature of its insurance matches the long-term duration of PPP agreements. Most of the infrastructure projects it has covered since 2000 were structured as PPPs. Other insurers, national and private, are still building their expertise. (*Review of the World Bank Group's Experience with Guarantees, 2008*)

Source: IEG.

32. **The primary audience of this evaluation is the World Bank Group Boards of Directors.** World Bank Group management is another target audience, particularly in its quest to leverage synergies across the various units dealing with PPPs in the context of implementing the latest infrastructure update. Given that PPPs are high on the international development agenda, this evaluation also intends to inform leaders as well as PPP units and agencies dealing specifically with program governance and transaction execution. Last but not least, this evaluation addresses civil society organizations and civil society at large, as, in particular, the latter are the primary users of PPP services, but also the stakeholder group having to shoulder the financial burden in case failed PPPs need to be bailed out.

33. **The primary added-value of this evaluation—compared to other recent sectoral IEG evaluations—stems from the focus on *PPPs as an instrument*.** This evaluation builds on findings related to PPPs in previous IEG reports, including the recent evaluation on transport. See Box 2 for a summary of previous IEG findings related to PPPs. This also links to other ongoing and upcoming IEG evaluations, in particular the evaluations on procurement, health and energy. Although this evaluation will also cover transport and energy as part of its broader approach to cover all sectors, its emphasis is on *PPPs as a concept or instrument* to include private capital and efficiency, rather than taking a sectoral approach. This evaluation will build on the findings from the ongoing evaluations of World Bank Group procurement and will present relevant findings in this context. Follow up IEG evaluation of safeguard standards and the recently revamped safeguards standards across the group are acknowledge, but it may be too early to assess their outcomes.

Evaluation Issues, Questions, and Scope

34. **Both the private and the public sectors have a stake in PPPs.** A distinct set of issues relevant to both the private and public sectors crystallized during the preliminary research for the evaluation. The below table summarizes these key issues from a private and public perspective, ranging from sector reform-related issues to transaction "after care." The subsequently presented evaluation questions will be answered against the backdrop of these issues.[23]

23 This Approach Paper can only briefly describe the main issues and their significance. For an exhaustive elaboration, please see World Bank (2012), Hammami, Ruhashyankiko, Yehoue (2006) and other references quoted in the attachment. Note that the issue of procurement and PPPs will be addressed by a separate ongoing IEG evaluation.

Table 2. Summary of Private and Public Sectors Issues

<table>
<tr><th>Private Sector</th><th>Public Sector</th></tr>
<tr><td colspan="2">Sector reform policy options, the level of private participation and the political economy</td></tr>
<tr><td>The level of private sector participation in infrastructure and social services is a result of the choice of market structure, i.e. the type and level of competition allowed, market entry rules and the resulting price regulations. As to whether PPPs – and which type of PPP – should have a space in a given sector hence depends on the government's decision about market reform. A firm understanding of where these process stands in a prospective host countries is hence crucial for the private sector – investors as well as transaction advisors.</td><td>In order to take decisions on sector reform policy options in smart fashion and based on the local circumstances, policy makers need to understand the architecture options for infrastructure policies and the various building blocks and how they can fit together or not.[24] Sector reform issues are regularly captured in Country Assistance Strategies (CAS') where reaching a certain level of maturity of the country can trigger the move from upstream policy work to downstream transactions, supported by the World Bank Group. Subsequently, political commitment need to support the envisaged reform process which is often challenged by public sentiment.</td></tr>
<tr><td colspan="2">The evaluation will take stock of World Bank Group's involvement in sector reform issues and assess its effectiveness in advising countries in taking the right strategic decision if and how to engage the private sector in the provision of infrastructure and social services. In this context, in how far political economy factors were addressed by the group will reviewed as well.</td></tr>
<tr><td colspan="2">Public financial management –fiscal risks and Value for Money (VfM)</td></tr>
<tr><td>Government guarantees, usage and availability payments are often vital ingredients to making a PPP investable for the private sector. They represent direct and contingent liabilities for the public sectors, but play an important role from the private sector perspective as they help mitigating risks and can alter the financial viability of a PPP business case. Private investors, however, need to be aware of the sovereign risk they are exposed to as the actual payment of such guarantees depends on the creditworthiness of the issuing municipality, state or country.</td><td>PPPs are more common where governments suffer from heavy debt burdens, according to the IMF. Yet PPPs do not provide additional fiscal space, but rather align public spending with benefit consumption.[25] Countries hence need sound fiscal management with a clear regime for assessing fiscal risks upfront and for managing fiscal risk during implementation. Likewise, the decision public procurement vs. PPP needs to be taken on the basis of a comprehensive Value for Money assessment. [26] Such advice need to be given in an impartial fashion as political committees and subsequent implementation agencies can, at times, exercise pressure – posing challenges to the incentives systems and organization set up within a country and the advising organization or agency, including the WBG.</td></tr>
<tr><td colspan="2">The evaluation will look at the World Bank Groups support to governments in assessing fiscal risks and conducting VfM analyses for PPPs. From a private sector perspective, the evaluation will look at the risk mitigating role of government guarantees and their impact on project viability.</td></tr>
<tr><td colspan="2">Access to long term finance</td></tr>
<tr><td>In order to crowd in the private sector successfully, long term finance which is commensurate with the long term tenure of most PPP arrangements is essential. Access to local capital markets can be help mitigate the foreign exchange risks for PPP depending on cash flows denominated in local currencies. Beyond investor outreach as part of transaction advisory, MDBs (including the World Bank Group) can have a role in assisting governments in establishing LT finance intermediaries.</td><td>PPPs require long term finance, but domestic funding is often constrained. For example, Africa's infrastructure needs are equivalent to total government revenues. [27] Developing capital markets either for local investors (currently only representing about 30 percent of infrastructure investments), emerging market investors or general FDI will hence be essential for countries wishing to crowd-in the private sector.</td></tr>
<tr><td colspan="2">The evaluation will review investor outreach activities as part of PPP advisory and investment support along with World Bank Group support to LT finance facilities targeted for PPPs.</td></tr>
<tr><td colspan="2">Enabling environment</td></tr>
<tr><td>Institutional quality and capacity, an adequate legal framework, the rule of law and the existence of a regulatory framework are proven drivers for PPPs. [28] They create the business opportunities for private sector investors as they (i) determine the quality and speed of the transaction</td><td>The entire PPP delivery process, from upfront fiscal assessment to transaction execution demand a high level of capacity with the public sector – often not able to pay salaries commensurate with such expertise. Capacity is essential so the public interests are safeguarded when</td></tr>
</table>

[24] Klein (2012).

[25] Except for the cases where PPPs actually advance the service delivery compared to the Public Sector Comparator and allow the government to benefit earlier from economic growth enabled through these services and associated fiscal revenues.

[26] For example: Irwin (2007), Sadka (2006), Hammami, Ruhashyankiko, Yehoue (2006), and World Bank (1998).

[27] World Development Indicators in World Bank (2012).

[28] E.g. Hammami, Ruhashyankiko, Yehoue (2006), Economist Intelligence Unit (2010), OECD (2008).

Private Sector	Public Sector
process; (ii) set prices – ultimately deciding upon cost recovery and financial return; (iii) provide legal certainty on the contractual arrangements and enforcement of the rule of law. Developing such an enabling environment is a key mandate of MDBs, either through TA, advisory services or other knowledge / capacity building products.	structuring the PPP as well as later on when performance is being monitored. PPPs may also require a bespoke PPP law to enable the public sector to contract with private entities and an effective rule of law to provide the long term stability needed for long-term PPP engagements.
The evaluation will assess the role of upstream work on the enabling environment and its effect on subsequent transactions.	
PPP transactions and execution	
Private sector investors rely on the transaction being structured based on a fair balance between private and public interest to commit to improve efficiency through their capital expenditures and subsequent O&M. The extent to which PPPs can recover costs is crucial for the private sector's decision to invest its capital in first place, as well as for the sustainability of the PPPs. In summary, the risk / reward ratio must be adequate. Transaction advisors (including those of MDB's) play a crucial role in "coaching the process", ensuring that the right legal, technical and financial experts are involved, economic and technical feasibility studies are prepared and their results be assessed free from political pressure, outreach to potential additional investors is effective, and that the deal is structured in a fashion that financial closure is likely to occur. Given the complexity of PPP transactions and the multitude of stakeholders involved, PPP units can help overcome coordination challenges as a single point of contact for the investor(s), transaction advisory and the government.	On the public sector side, the actual delivery of PPPs requires an institutional set up with clear roles and responsibilities across the various ministerial and inter-ministerial coordination councils and implementing agencies. For example, issues of fiscal risk assessment and viability gap funding are to be linked to the Ministry of Finance while the substantive Ministries are to be involved with the immediate project design; dedicated PPP units can help overcome these challenges. A transparent procurement framework with supporting anti-corruption measures needs to clamp down on corruption, market distortion and enable a fair competition. A competent transaction advisor can bring in the much needed knowledge to structure the deal and bring it to financial closure. Pro-active investor outreach communicates the PPP pipeline to the investor community and can increase the level of competition – an essential guardian of adequate risk allocation. Similar, transparency and pro-active advocacy helps managing social and political risk to communicate the nature and impact of a PPP on average citizens.[29]
The evaluation will assess the effectiveness of World Bank Groups transaction support, either through IFC Advisory Services or World Bank TA, Reimbursable TA or lending.	
Performance and contract monitoring - sustainability of PPPs	
For the private sector, the question in how far PPPs sustain their service delivery over the long term depends, *inter alia*, on cost recovery and demand factors. A predictable regulatory regime and the rule of law bring in cash flow certainty and fast dispute settlement, in case needed. Planned reviews and adjustments need to be in place as things inevitably happen that was not predictable at contract signing.	From the public sector side, ensure the quality of performance and contract compliance monitoring are vital to guard the public interest and avoid rent seeking to the society's expense, necessitating a good rule of law to settle resulting disputes smoothly and fast. In case they need to take place, re-negotiations of the entire contractual provision leave the government usually in a weak position, likely to take on undue risk. MDB's "after care", i.e. support beyond financial closure, is hence essential for PPP sustainability.
The evaluation will assess factors that contribute to sustaining PPPs, including cost recovery and demand, regulatory frameworks and rule of law, along with the role of re-negotiations and World Bank Group's "after care" support.	

36. **In addition, several issues emerged during the preliminary analysis that relate to the manner in which the World Bank Group manages its PPP agenda.** The evaluation will address these issues with a view to identifying lessons to improve the coordination and management of the World Bank Group's PPP agenda.

Strategic alignment in a common results framework - Other multilateral development banks and trust funds

37. The World Bank Group is, of course, not the only organization assisting countries in dealing with PPPs. Other multilateral development banks (MDBs) and bilateral agencies play a role as well, and the World Bank Group collaborates with these organizations at times. Such collaborations could result in allocation of priorities that are not necessarily aligned with the original strategic in-

[29] Farquharson, Torres de Mästle, and Yescombe, with Encinas (2011), Guasch (2004).

tent of the World Bank Group. In a similar vein, World Bank Group-administered trust funds dealing with PPP issues (for example, PPIAF) pose the challenge of aligning their activities with the main thrust of the Bank Group's PPP strategy and making them part of an overall results framework. This evaluation will therefore assess questions of strategic alignment of PPP-targeted activities across the World Bank Group, with a view to identifying if and how "mission creep" occurred.

Leveraging synergies - Complementary nature of upstream work and transactions

38. The World Bank Group is in a unique position to provide assistance to countries along the entire PPP delivery chain. This requires coordination and—as needed by the specific sector—collaboration. Upstream work by PPIAF and the World Bank Institute, World Bank lending and nonlending and IFC Advisory Services should be useful for subsequent PPP transaction, regardless of whether World Bank Group entities have an actual stake in it or not. When evaluating World Bank Group-wide coordination of its PPP response, the study will look at the extent to which the various arms of the World Bank Group play a complementary role along the PPP delivery chain.

Incentives to pursue PPP projects – Resources, risk appetite, and mobilization of funds

39. PPPs are complex, risky, and time consuming for the World Bank Group and client governments. Although IFC has a dedicated PPP Advisory Services business line, the World Bank has few incentives other than the recently formulated guidelines to get involved in PPP transactions.[30] Traditional operations within the IBRD lending envelop may be more convenient, in particular, as resources mobilized from private sources are not yet fully accounted for nor integrated in the incentive system (World Bank Group 2012) In contrast, client governments also face the issue of incentives, and units managing the national investment programs need to be considerate of this. Therefore, incentive structures across the various units engaged in PPPs will be assessed for their capacity to trigger a coordinated and effective PPP response across the World Bank Group.

Organization, processes and skills – Coordination and standards for a group-wide PPP response

40. The World Bank Group has about 20 units contributing in one way or another to the PPP agenda. Adding to the issue of incentives outlined above, such an organization set-up may exacerbate the difficulty of having a group-wide policy basis and standards on which to base a coordinated response (World Bank Group 2012).This evaluation hence will review the extent to which the current organizational set-up, allocation of skills, and functions across the World Bank Group with regard to implementing the PPP agenda, and its embedded incentives systems and standards are conducive to a group-wide PPP response.

[30] IBRD/IDA Operational Incentives for Mobilizing Private Capital for Public Private Partnerships in Infrastructure, by Rachel Kyte, VP, SDNVP, 10/20/11.

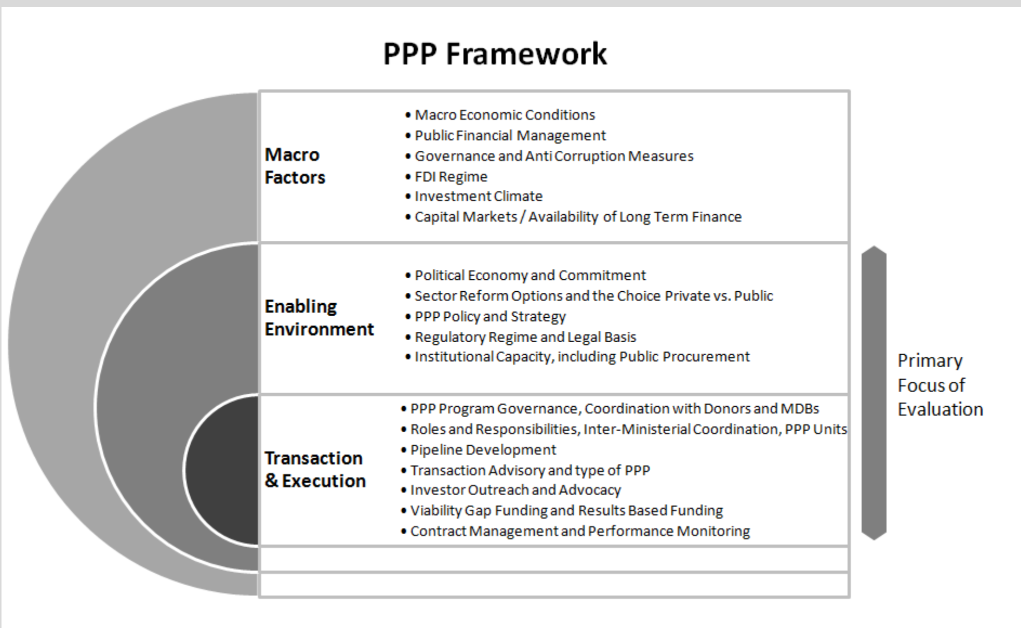
Conflicts of interest

41. Any organization that provides inputs to a PPP transaction on both ends of the delivery chain, that is, upstream as well as downstream, is exposed to potential conflicts of interest. With the World Bank and IFC Advisory Services being involved upstream and IFC Investment Services downstream, the management of conflicts of interest gains utmost importance and will hence be reviewed.

CONCEPTUAL FRAMEWORK AND EVALUATION RESULTS CHAIN

42. **The rationale for the World Bank Group's engagement in PPPs, as outlined above, forms the basis for the conceptual framework for this evaluation.** The successful application of the PPP instrument hinges on several determinates, ranging from a handful of macro factors, the enabling environment, and the quality of PPP transaction and execution itself. Figure 7 summarizes all major factors within a comprehensive PPP framework. The better these factors are developed in a given country, the better it can reap the potential benefits from PPPs—and the more likely the country will achieve its policy objective.

Figure 7. PPP Framework



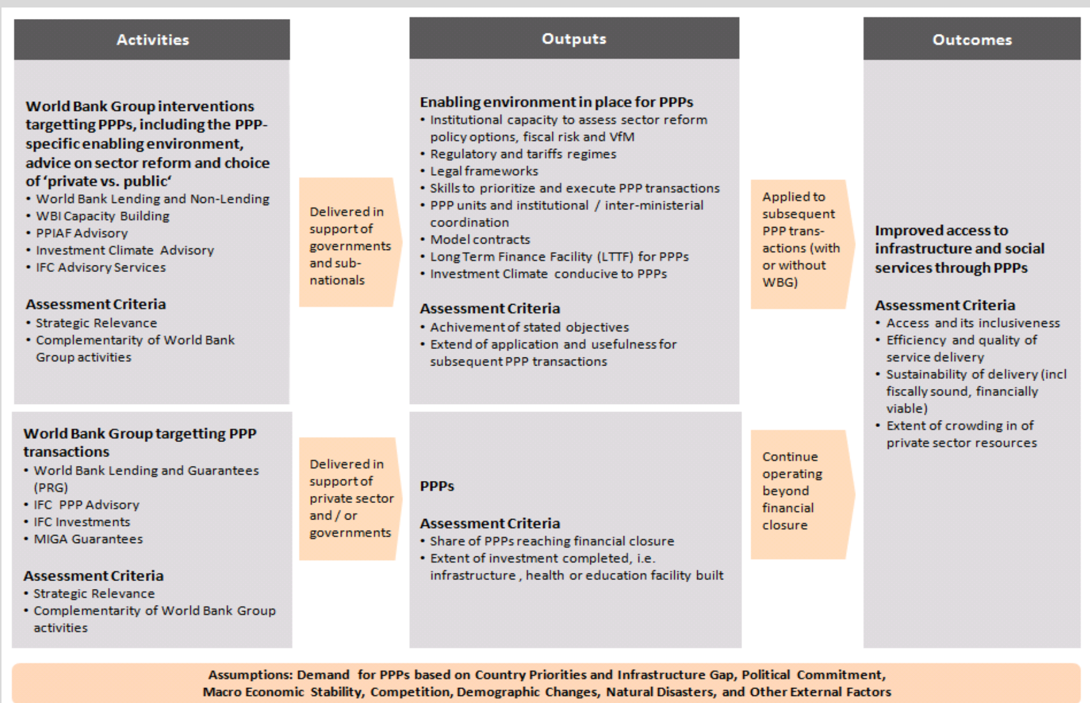
Source: IEG, developed based 33 interviews with World Bank Group managers.

43. **Given the wide variety of factors affecting PPPs, this evaluation will primarily focus on interventions targeted at PPPs' enabling environment, transactions, and execution.** Several macro factors play a decisive role for PPPs: macroeconomic stability was found essential for PPPs by the IMF—and so was aggregated demand for PPP services and market size (Hammami, Ruhashyanki-

ko, and Yehoue 2006).However, attributing effects of World Bank work related to a country's macro stability on the success of PPPs is deemed too remote and too difficult to make for the sake of this evaluation. Hence this evaluation focuses on interventions "targeted" specifically at PPPs, in particular, World Bank Group activities supporting(i) the enabling environment for PPPs, and (ii) PPP transactions and executions, including support to existing PPPs, as set out in Figure 7. Selectively, it may also extend to macro factors in a selective fashion: advisory activities on investment climate and capital markets/long-term finance will be covered, provided there is a clear and explicit reference to PPPs in their objective. Issues of public finance management and governance/anti-corruption will not be assessed as programs per se, but issues of assessing contingent liabilities and ensuring transparency will be considered as they relate to specific PPP projects.

44. **The results chain for this evaluation that links the various World Bank Group interventions with outputs and intended outcomes is illustrated in Figure 8.** This results chain builds on the PPP framework and complements the overall evaluation framework by introducing outputs and outcomes. The ultimate impact that sound PPP arrangements are expected to deliver—through improved access to infrastructure—is economic growth and poverty eradication; these impacts are not explicitly visualized in the figure.

Figure 8. Results Chain



Source: IEG.

45. **In summary, the World Bank Group deploys its instruments, ranging from lending, non-lending technical assistance to AAA, economic and sector work, fee-based services, and advisory**

services to put in place needed sector reforms and the enabling environment. Successful interventions in this area help countries deal with PPPs in a more informed manner and enable them to take the strategic decision of if and how to engage in PPPs ,given their respective policy objectives. Second, such interventions help develop the needed enabling environment, for example, regulatory and legal frameworks and institutional capacity to better plan and assess PPP options and their fiscal implications. This should spur the development of fiscally responsible and sustained PPPs, that is, PPPs that reflect the countries' fiscal situation, the overall sector reform pathway, infrastructure demand factors and deliver their services for the intended contractual period according to quality specifications. The World Bank guarantee program (PRGs), IFC investments, and MIGA guarantees complement this effort by providing financial and nonfinancial additionality, insuring political risk for PPP transactions, thus enabling specific PPP transactions to reach financial closure and thus setting demonstration effects. Such PPPs then contribute to improving access to infrastructure and social services, which drives economic growth and poverty reduction.

EVALUATION QUESTIONS

46. **The overarching question that this evaluation seeks to answer is:"How effective has the World Bank Group been in assisting the private and public sector in client countries in improving access to infrastructure and social services through PPPs?"** This overarching question addresses the extent to which PPPs have been instrumental in achieving the envisaged policy objectives of improved access, expressed in World Bank Group strategies and project. This overarching question will be addressed with a view to gaining an understanding how successful PPPs can be replicated in different country contexts.

Relevance

1. Has the World Bank Group's support for PPPs been relevant to client countries?
    a. How well did PPP-targeted interventions of the World Bank Group address the client countries' development priorities, as evidenced by Country Assistance Strategies?
    b. How well has World Bank Group provided strategic advice to client countries in making informed decisions about the nature and level of private sector involvement in sector reform, the choice between public investment versus PPP, and type of PPP?

Effectiveness

2. Has the World Bank Group been effective in their *upstream work*, that is, in creating an enabling environment so that countries can engage in PPPs?
    a. To what extent have projects and project components that targeted the enabling environment for PPPs achieved their stated objectives?

   b. What can we learn from cases where the implementation of upstream measures was particularly successful or failed?

3. Has the World Bank Group's upstream support helped countries improve access to infrastructure and social services through subsequent PPPs, regardless of World Bank Group involvement in the actual PPP transaction? In countries that had received upstream support:

   a. Is there evidence that PPPs contributed to improved and inclusive access, quality of service delivery, and increased efficiency?

   b. Is there evidence that PPPs have leveraged scarce public sector resources through private sector funds?[31]

   c. Is there evidence that PPPs deliver their services in a sustained manner?

   d. What can we learn from successful or failed PPP transactions?

4. Have PPPs that benefited from World Bank Group *downstream* support in the form of IFC investments, advisory services, MIGA guarantees, and/or World Bank lending and guarantees contributed to improved access to infrastructure and social services?

   a. Is there evidence that these PPPs have contributed to improved and inclusive access, quality of service delivery, and increased efficiency?

   b. Is there evidence that these PPPs have leveraged scarce public sector resources through private sector funds?

   c. Is there evidence that these PPPs provided sustained services?

   d. What can we learn from successful or failed PPP transactions?

Coordination of World Bank Group response

5. To what extent do the World Bank Group's organizational structures, processes, and incentives enable a coordinated and effective delivery of PPP targeted activities?

   a. To what extent has World Bank Group's upstream work on PPP strategically, sectorally, geographically, or at the project level been complementary to downstream, more transaction-oriented work?

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[31] Leveraging refers to direct leveraging through World Bank Group guarantee and insurance products (partial risk and credit guarantees, political risk insurance, and so forth) and mobilization of private finance through public financing. The evaluation will also take stock of ongoing efforts of the way the World Bank Group accounts guarantees overall.

b. To what extent has the World Bank Group deployed its different products and services in a complementary fashion strategically, sectorally, geographically, and at the project level?

c. In countries with continuous World Bank Group support throughout the entire PPP delivery chain, that is, upstream work and downstream transactions, has the World Bank Group leveraged synergies and exploited the comparative advantages of its various public and private sector arms?

d. What can we learn from successful or failed World Bank Group coordination across the various units contributing to the PPP agenda?

47. **In answering the above questions, the evaluation will focus primarily on *projects* as the *unit of analysis*, but a country perspective will be added where appropriate.** The assessment of relevance and effectiveness in evaluation questions 1-3 will focus on individual PPP-targeted interventions, for example, IFC Advisory Services, IFC investments, World Bank lending, PRG, or AAAs, MIGA guarantees, or PPIAF advisory activities, embedded in their context. Multiple PPP-targeted interventions will be assessed jointly for evaluation questions 1(c), 4(a), and 4(b), to analyze their complementary nature. Evaluation question 1(a), 1(b), and 2(b) also have a country focus; in particular, question 2(b) calls for evidence that World Bank Group's upstream support of PPPs contributed to subsequent PPP transactions – not necessarily limited to the immediate project scope, but including evidence that institutional arrangements, knowledge, or processes were applied at a broader basis in the country.

Evaluation Scope

48. **World Bank Group interventions targeting PPPs during the past 10 years (FY02–12) will be covered.** The term "targeted interventions" refers to activities aimed at either improving the enabling environment specifically for PPPs—as opposed to broad-based macroeconomic or investment climate interventions—and or at facilitating specific PPP transactions. [32]The evaluation will cover IFC Investment and Advisory Services, MIGA guarantees, World Bank guarantees, lending and in principle also nonlending (AAA, including nonlending technical assistance, economic and sector work, and reimbursable technical assistance),[33] World Bank Group-managed trust funds with a focus on PPPs, that is, PPIAF, as well as activities of the WBI that target PPPs. Because a significant number of World Bank projects have only an ancillary PPP reference, sometimes only in one of their subcomponents, of which the results are usually not followed up in ICRs, this evaluation has to focus primarily on projects where PPPs are the *major theme*. PPIAF supports many activities financially, which are implemented by IFC Advisory Services or the World Bank. To avoid double accounting, this evaluation will assess their outcomes as part of the implementing unit's activities and refrain from assessing PPIAF as a trust fund per se.

[32] Covers also support to rehabilitation or expansion to existing PPPs.
[33] PPP-targeted AAA activities of World Bank will be assessed in country case studies only.

49. **With regard to status of the projects, the evaluation will focus on projects that were "active" during FY02-12.** That includes projects that were "closed" (for World Bank) or reached "operational maturity" (for IFC and MIGA) during FY02-12, hence including projects that were approved *prior* to FY02; and "ongoing" projects, that is, those approved FY02-12, that have not yet reached closure/operational maturity. The purpose of including the cohort of ongoing or not yet operationally mature projects is to answer questions of design and general trends. See Table 3 for an overview of the coverage. Important lessons can also be learned from projects that were dropped*, cancelled, or prepaid,* which are not yet included in Table 3; these will be covered to the extent that records are available.

50. **Analyzing PPPs as an instrument, this evaluation will cover all sectors** in which PPPs are applied, in particular, transport, energy, water, sanitation, telecom, health, and education. Generally, this evaluation focuses on projects where PPPs are the *major theme* of the implementation, as opposed to the numerous projects—in particular on the World Bank side— where a PPP is only an ancillary component.

51. **In terms of types of PPPs, this evaluation focuses on the core PPP types and their derivatives (defined in Figure 1)**. These range from performance-based management and operating contracts to build-own-operate (BOO) ventures as well as joint ventures, which must have some sort of risk-sharing arrangement, for example, a government guarantee or an off-take agreement by a national energy utility, to be included in the sample of PPPs reviewed by this study. Note that other forms of private sector participation in infrastructure and social service provision are specifically excluded, as they are not PPPs. During the evaluation IEG will work with World Bank Group management to ensure that the application of this PPP definition produces a consistent and complete universe of projects to be evaluated.

52. **PPPs supported by other MDBs or promoters will be considered insofar as they can show the effectiveness of the World Bank Group's upstream work.** The focus of this evaluation will be on World Bank Group activities targeting PPPs. However, within the context of specific country case studies, the evaluation will also look at countries' experience with PPPs beyond the World Bank Group's immediate assistance, in cases where this would help or is necessary to assess the usefulness and effect of support to upstream policy issues. To enrich the evaluation, a review will be commissioned on the experience of other MDBs with PPPs, addressing the differing policies regarding use of grant funds in private sector investment operations.

Table 3. Coverage of Evaluation – PPP-Targeted Projects FY02–12

	All projects approved or closed / operationally matured during FY02-12(1)	Of which, projects closed (World Bank) or operationally matured (IFC/MIGA)	Ongoing / recently approved projects as of FY12
Coverage of Lending/Investment/Guarantee Operations			
IBRD/ Operations /IDA	286	144	142
IFC investments	216	122	94
MIGA guarantees	96	70	26
Total number of projects	**598**	**336**	**262**
Coverage of IFC Advisory Services, World Bank AAA, WBI and Trust Fund Operations			
	All	Completed	Ongoing
IFC Advisory services PPP (C3P)	157	80	77
IBRD/IDA AAA (2)	1036	1036	n.a.
WBI	120	120	n.a.
PPIAF	788	678	110
Total number of AAA / AS	**2101**	**1914**	**187**

Sources: World Bank and IEG.
(1) The data presented refer to projects where PPPs are a component, regardless of whether PPPs are a major or a minor component. This evaluation will focus preliminary on projects where a PPP are the *major theme* which may decrease the number of data.
(2) IBRD / IDA AAA / non-lending include *all* AAA in infrastructure, education, and health. The PPP-targeted AAA activities will be identified and assessed for country case studies; a broader identification of PPP-targeted AAA activities is impossible as these are neither comprehensively documented nor captured in an adequately codified database.

Evaluation Design and Evaluability Assessment

53. **The evaluation questions will be answered through a combination of the following methodologies:** (i) a review of policy and strategy documents at country and corporation levels; (ii) a portfolio review of World Bank Group projects and activities targeting PPPs; and (iii) country case studies complemented by a portfolio analysis of Country Assistance Strategy Completion Report Reviews (CASCR-Rs). The approach will be non-experimental, combine qualitative and quantitative methods and draw on evaluation reports of other MDBs on PPPs.

54. **A desk review of strategy and policy documents will provide the basis for the assessment of the entire spectrum of PPP support activities.** In addition to the preliminary strategy review conducted for this Approach Paper, the evaluation team will analyze strategy and policy documents to assess the degree of complementarity of the various World Bank Group interventions at the strategic, sectoral, and geographic levels. Project-level complementarity will be analyzed based on project documents, interviews, and country case studies. The latter two approaches will also be helpful in assessing group-wide coordination with regard to up- and downstream work as well as

with regard to the different types of products and services. IEG will review Country Assistance Strategies or Country Partnership Strategies to assess the strategic relevance of the World Bank Group's interventions (evaluation question 1).

55. **The strategy and policy review will also be helpful in assessing the level of guidance provided on specific PPP issues**, ranging from sector reform issues to a systematic approach to address, for example, fiscal risk issues. Further interviews will be conducted to triangulate findings and reveal additional issues. The preliminary organization mapping will be completed to address questions of organizational set up and provide a more refined basis for the analysis of synergetic effects across the various units contributing to the PPP agenda.

56. **To be able to assess the success rate of PPPs, IEG will develop sector-specific indicators to capture what constitutes success for the various types of PPPs, keeping in mind product differences across the World Bank Group.** The assessment criteria (see results chain) will be applied using several sets of indicators and performance standards/benchmarks. These indicators will be developed with input from sector specialists to ensure that they capture what represents success or failure in those specific subsectors. For example, the assessment of "access" will use subsector-specific indicators related to connectivity for electricity utilities; "quality of services" indicators will capture technical features of the service delivery such as hours of service delivery/day and water quality for water utilities. Note that a "wholesale type" of PPP, for example, power producers, will require fundamentally different indicators of success than an energy utility, where household connectivity and service quality vis-à-vis the end consumer matter most. "Sustainability" will be assessed, for example, based on the financial soundness of the PPP enterprise as evidenced by its capacity to meet debt covenants and generate the hoped-for earning , as expressed by the financial rate of return values measured against predefined thresholds set by the established IEG micro evaluation system for IFC and MIGA projects. To the extent that data are available, contractual compliance, frequency of renegotiations, and fiscal effects will also be assessed as a proxy for sustainability, either at the portfolio level or in selected country case studies. The formulation of indicators will consider the differences in products. The ultimate performance of a PPP may be judged by the same yardstick within a given sector, but subcriteria to assess effectiveness of advisory type of services may differ, as even when projects do not reach financial closure, they may have a positive effect on the country through capacity building or secondary channels.

57. **A portfolio analysis will be conducted to identify and categorize the characteristics, objectives, and components of the activities covered by this evaluation and to analyze their results.** World Bank Group activities will be integrated in a joint database to assess their components and objectives for strategic relevance and complementarity. This database will represent the basis for the subsequent analysis of results achievement, when the various success indicators from IEG micro evaluation systems will be added to these data. Complementary data of World Bank Group's own monitoring and evaluation systems will be used as well, with the understanding that these have not

been subject to an independent IEG validation.[34] This portfolio analysis will be conducted by country; that is, all World Bank Group activities related to one country will be assessed jointly and against the background of findings from the respective CASCR-Rs. This is intended to enable the assessment of country level and sector level engagements that go beyond the individual intervention.

58. **Primarily relying on the available micro evaluation data, IEG will analyze results achievement at project closure for World Bank lending projects and at the point of operational maturity for IFC and MIGA projects.** For World Bank projects, Implementation Completion and Results Reports (ICRs) and their IEG reviews will be the primary source of results information, complemented by Project Performance Assessment Reports and conducted for about one-quarter of projects two years after their closure. For IFC Investment Services and MIGA, this evaluation will largely rely on Extended Project Supervision Reports (XPSRs), Project Evaluation Summaries, and Project Evaluation Report conducted at operational maturity, about two years after financial closure. To the extent monitoring data is available for IFC's investments throughout the entire lifetime of the investment, these will be used to extend the assessment of sustainability beyond maturity. Project Completion Reports, the 11 Post Implementation Monitoring reports, and the two evaluation reports of IFC's PPP Advisory Services will be the primary source of output and results information for these types of interventions. All these data will feed into answering evaluation questions 2-4. To the extent that information is available in country case studies, the assessment will go beyond operational maturity (IFC/MIGA) and project closure (World Bank) to assess the link between long-term objectives of PPPs and measurement of World Bank Group upstream support for transactions.[35]

59. **Country-level aspects will be covered through country case studies and a portfolio analysis of CASCR-Rs.** IEG will carry out country case studies to identify drivers of success, assess nonlending and advisory work, and address issues of complementarity and synergies. These will primarily try to answer questions of "how" and "why," that is, to obtain the necessary contextual information and insights to identify drivers of success, to collect qualitative and quantitative information on the implementation of upstream measures and their effect on subsequent PPP transac-

[34] Including PCRs = Project Completion Report; PIMs = Post Implementation Monitoring reports (both IFC Advisory Services); IFC investment supervision and monitoring reports; and PPIAF data on outputs and outcomes achievement.

[35] For IFC, data beyond operational maturity will be assessed to the extent available as supervision reports will allow capture of the main indicators of PPP performance (financial and operational performance, fiscal effects, and lack of renegotiations). This may be more difficult for World Bank and MIGA projects, as no data are recorded during the **lifetime of the PPP.** For World Bank projects (where no monitoring beyond closure exists), the assessment is suggested to focus on the (i) major cases (or a representative sample thereof) (ii) where World Bank-supported the actual structuring of a PPP and (iii) that matured enough to be assessed for their longevity/sustainability (that is, approved FY97-05) and where data are available through task team leaders or country case studies.

tions, and to assess PPP sustainability in the longer term, including the need to renegotiate PPP during their lifespan. To this end, IEG will conduct three country case studies. These will also be the primary data source for answering evaluation question 4 on World Bank Group continuous support and leveraging of synergies. For a more comprehensive assessment of country level effectiveness, in particular related to evaluation questions 1, 2 ,and 4, a portfolio review of all available CASCR-Rs will be conducted.

60. **The multiple country case studies design will focus on three regional clusters—two with traditionally high PPP activity levels and one with low usage of PPPs.** Nine country case studies will be selected on a purposive basis[36] with a view to generating three sets of case studies in Latin America and the Caribbean and East Asia and Pacific, the two most active regions in applying PPPs, and Sub-Saharan Africa, with one of the lowest PPP activity levels and high cancellation rates. This should allow learning from both the "common case" as well as the "critical case." Each set is intended to contain one country where the World Bank Group provided only upstream support to study its effects on subsequent PPP transactions not supported by the World Bank Group; one country where the World Bank was active only downstream; and one country where the World Bank was active upstream and downstream to study the added value of continuous engagement and the effects of direct support to PPPs. Drawing lessons within and across these regions, in particular across these "horizontal" cases is expected to yield more valid and robust lessons. Given the above regional focus, further selection criteria for case studies countries are population over 1 million; at least one World Bank/IFC/MIGA/WBI/PPIAF activity closed (World Bank) or operationally matured (IFC/MIGA); and representation of a balanced mix of small and large countries. A specific country-level assessment methodology will be developed to ensure a systematic analysis across all nine countries.

61. **Country case studies will also address the question of whether PPP projects produced desired outcomes as a result of specific sectoral factors or as a result of overall governance/framework factors** that could be transferred *across* sectors. Using this information, the evaluation can highlight two dimensions: how sectoral factors play a role in successful PPP development and how overall policy guidance/governance frameworks can also lead to desired outcomes for PPP projects.

LIMITATIONS

62. **Broader development outcomes of PPPs will be reflected through a synopsis of secondary literature and independent impact studies.** The focus of the study is on assessing to which extent the World Bank Group has assisted countries in applying PPPs, upstream as well as downstream. But the assessment will not cover further developmental effects of increased access to infrastructure or on overall economic growth or poverty eradication. To demonstrate the potential broader deve-

[36] A statistically significant sample of the 110 developing countries using PPPs would require 86 countries to be covered.

lopmental effects of PPP transactions and to embed them into right context, secondary literature and independent impact studies will be consulted. This applies also to IFC Advisory Services even if the actual transaction got executed by another advisor later on due to political economy reasons.

63. **The extent to which PPPs deliver their services over the long term, i.e., their sustainability, can only be assessed to the extent that information from the World Bank Group's monitoring and evaluation systems is available beyond project closure or operational maturity.** This poses a particular challenge for World Bank projects, for which monitoring typically stops at project completion , with only about 25 percent being subject to a subsequent Project Performance Assessment Report. MIGA projects are evaluated at operational maturity, but no data are collected thereafter. For IFC PPP Advisory Services and investment climate advisory services there are only Completion Reports available, summarizing basically output delivery at project closure. The Post Implementation Monitoring recently introduced for IFC PPP Advisory Services has, to date, produced 11 reports documenting outcomes at operational maturity, again with no data available beyond this point. WBI does not have a micro evaluation system at all that would capture their outputs and outcomes in a systematic manner, and PPIAF's system largely focuses on output delivery. Sustainability can hence only be assessed for these activities in country case studies.

64. **The assessment of World Bank nonlending activities will have to follow a pragmatic approach.** The World Bank's nonlending (economic and sector work, nonlending technical assistance, and reimbursable technical assistance) is not integrated in an overall results framework; hence evaluation benchmarks, that is, "objectives" against which these activities could be assessed, do not exist. The evaluation will adapt a pragmatic approach, that is, make reasonable assumptions about what non-lending work was trying to influence. As many nonlending activities also lack proper documentation, the evaluation will focus on the major pieces where a sufficient documentation can be retrieved. In general, nonlending will only be covered for countries that will be studied in depth in country case studies—and to the extent that they are referred to in CASCRs.

65. **The scant availability of project-level evaluations will also pose limitations, primarily for World Bank nonlending activities, IFC Advisory Services, and MIGA projects.** World Bank lending operations and IFC investments have been subject to a systematic ex post evaluation system over the last 10 years. MIGA is mainstreaming its evaluation and self-evaluation systems; as a result, 21 of 96 PPP guarantee projects have been subject to evaluation or IEG validation, (about 22 percent). Similarly, within the selected sectors of energy, water, sanitation, health, and education, 13 PERs are available of 41 PPP projects in these sectors. Findings on MIGA will hence not be fully statistically representative of their portfolio. World Bank's nonlending, trust-funded upstream activities by PPIAF, Investment Climate advisory and World Bank Institute's activities are generally not subject to ex-post assessments, hence can only be assessed for their outcomes in country case studies.

66. **The cohort of ongoing or not yet operationally mature projects will be used to answer questions of design and general trends.** As more recent projects have not yet progressed sufficiently to assess their outcomes in terms of real effects on infrastructure or social service delivery, the primary purpose of including them is to assess their design or trends which may be particularly useful to see, if lessons learned from previous – older – cohorts of projects were integrated in the design of newer ones.

Quality Assurance Process

67. **This Approach Paper has been peer reviewed to ensure relevance of evaluation questions and issues covered, adequacy of scope of the evaluation, and appropriateness of methodology and so will be the subsequently to be prepared draft evaluation report to ensure accurateness, credibility, and impartiality of the findings and recommendations.** Peer reviewers for the evaluation will come from outside IEG, that is, academia, the European Bank for Reconstruction and Development (EBRD) and the World Bank Group's "PPP Hub", the Global Expert Team on PPPs (GETPPP). Peer reviewers will be Rosario Macario, PPP expert and Professor at the Instituto Superior Técnico at the Lisbon Technical University; Gary Bond, former Manager IFC / Infrastructure and Director Monitoring and Impact Assessment, EBRD; and Raymond Bordeaux, Lead Infrastructure Specialist (GETPPP).

Expected Outputs and Dissemination

68. **The primary output of the evaluation will be the report to the Board's Committee on Development Effectiveness (CODE)** that will contain the main findings and recommendations. Ultimately, the finished evaluation will be published and disseminated both internally and externally. Beyond the primary output, IEG will develop working papers, presentations, quick notes, and other products as appropriate for other audiences for the evaluation, including the key stakeholders.

69. **Regular stakeholder interaction will be sought to enhance the evaluation process.** This will include consultation and outreach while the evaluation is under way, and dissemination and outreach once the study is complete. During evaluation preparation, the team will solicit feedback and comments from stakeholders, in particular World Bank Group management and PPP practitioners in the industry and government agencies in client countries, to improve the evaluation's accuracy and relevance. An added benefit is stimulating interest in the evaluation results. The principles of transparency and participation will guide this process. Such stakeholder interaction will contribute important information and qualitative data to supplement data, interviews, case studies, and other research.

70. **In addition to outreach during the evaluation process, IEG will implement an outreach plan once the evaluation is complete.** Once the report is complete, IEG will launch the report both

in Washington, DC, and at a major international PPP conference, for example, the World Bank's PPP Days 2014. Further dissemination will be pursued through seminars and conferences in client countries. The efforts will target key stakeholders, including staff at headquarters and country offices, other MDBs and donors, government authorities, including PPP units, CSOs, and counterpart officials. Through these means, the team will seek to maximize awareness and the value and use of findings and recommendations to strengthen development outcomes.

Resources

71. **Timeline and budget.** The evaluation will be submitted to CODE by the end of December 2013. The budget for the study is estimated at $800,000, an amount consistent with other major IEG sector studies.

72. **Team and Skills Mix.** The skills mix required to complete this evaluation includes evaluation experience and knowledge of IEG methods and practices; familiarity with the policies, procedures and operations of IFC, MIGA, and the World Bank; knowledge of World Bank Group and external information sources; and practical, policy, and academic expertise in key areas of PPP support such as upstream policy work and country dialogue, PPP structuring, and finance.

73. The evaluation will be prepared by a team led by Stefan Apfalter (Task Team Leader) consisting of Maria Elena Pinglo (Evaluation Officer), Houqi Hong (Evaluation Analyst), Victor D. Malca (Analyst), Sanjivi Rajasingham (Subject Matter Expert PPPs/Consultant, former World Bank Sector Manager Africa Region), a Senior Public Sector Evaluator/ Consultant (IEGPS), and Urvaksh Patel (Consultant /Analyst World Bank). In addition, the team will be supported by experts in selected relevant areas, for example on fiscal management, on specific sectoral issues (for example, health, education, infrastructure), or on PSP questions, to ensure relevance of the analysis.

74. Together, this team affords substantial knowledge and experience on key subject matters as well as on the respective institutions of the World Bank Group, as well as on evaluation methodology. The report will be prepared under the direction of Ade Freeman, Head, Macro-Evaluations, IEGPE; Stoyan Tenev, Manager, IEGPE; and Marvin Taylor-Dormond, Director, IEGPE.

Attachment 1

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INDEPENDENT EVALUATION GROUP

Attachment 2

Evaluation Design Matrix

Evaluation questions	Information required	Information sources	Data collection methods	Data analysis methods	Limitations
How effective has the World Bank Group (World Bank, IFC and MIGA) been in assisting countries in developing PPP arrangements that are fiscally sound, financially viable and provide access to infrastructure and social services in a sustained manner?					
1. Has World Bank Group's support for PPPs been relevant to client countries?					
a. How well did the World Bank Group's support for PPPs address the client countries' development priorities, as evidenced by Country Assistance Strategies?	Information of strategic fit between PPP activities and country development priorities	Country Assistance Strategies (CAS) and their Completion Report Reviews (CASCR-Rs)		**Content Analysis** to assess in how far PPP projects addressed priority issues according to the relevant CAS and CASCR-Rs	
b. How well has the World Bank Group provided strategic advice to client countries in making informed decisions about the nature and level of private sector involvement in sector reform, the choice between public investment versus PPP, and type of PPP?	Information on nature, relevance and effectiveness of sector reform and policy advice on PPPs, given the country context and strategy	CAS, CASCR-Rs, project documentation (PADs, Board Documents, and so forth), project level evaluation data (ICRs, PPARs, PCRs, XPSRs etc.); country case studies		**Content analysis** to assess in how far PPP projects addressed priority issues; **Portfolio analysis** to assess effectiveness of the upstream components based on project level evaluation data; **Country case studies** to get context information and expand coverage to non-lending upstream work (nonlending technical	Potentially a large share of World Bank's upstream advice on sector reform options and issues has been delivered through non-lending work (nonlending technical assistance, economic and sector work, and so forth which is neither embedded in a results framework and nor subject to routine ex post evaluations. Upstream work as

Evaluation questions	Information required	Information sources	Data collection methods	Data analysis methods	Limitations
				assistance, economic and sector work, and so forth)	part of lending can be analyzed for relevance and effectiveness; non-lending work will be covered mainly in country case studies.
2. Has the World Bank Group been effective in its *upstream* work, that is, in creating an enabling environment so that countries can engage in PPPs?	Detailed information on the nature and volume of all major World Bank Group activities targeting upstream support for PPPs, covering lending and non-lending activities	Database of World Bank lending and nonlending, WBI, PPIAF, GPOBA, and IFC Advisory Services on upstream work Strategy, policy documents Expert knowledge	Data extraction and portfolio analysis of upstream work Policy/document retrieval and review Interviews with key staff	**Organizational mapping** to identify all major WBG units contributing to the PPP agenda **Portfolio analysis** of portfolio data to assess trends and patterns (components, numbers, volume, commitments etc.) in WBG assistance upstream	The challenge will be to identify the components that target PPPs, that is, filtering out activities with only a remote link to PPP. For example, Investment Climate advisory work arguably always benefits PPPs, but only a few specific investment climate projects target the PPP enabling environment
a. To what extent have projects and project components that targeted the enabling environment achieved their stated objectives?	Information on achieving the respective objectives of creating an enabling environment	Ratings and qualitative information on development outcomes and results achievement from IEG validated micro evaluation systems, including ICRs, PPARs, XPSRs, PES, PERs, PRC, PIMs	Data extraction of ratings and specific section within the micro evaluation documents referring to achievement of set objective (rating and other qualitative information indicating success or failure) and portfolio analysis of the thus obtained data	**Portfolio analysis** of portfolio data to assess development outcomes / results achievements including patterns	Several of the nonlending (nonlending technical assistance, reimbursable technical assistance, and so forth), WBI activities and trust-funded activities by PPIAF may not be embedded in a results framework, hence lacking the objective against which success can be measured Several of these activities will also lack evidence of results achievement as they are not evaluated upon completion on a regular basis, for example, PPIAF or WBI activities.
b. What can we learn from cases where the implementation of	Information on the drivers for success and challenges in	Qualitative information on drivers/reasons for	Data extraction and portfolio analysis of upstream work	**Content analysis** by means of ATLAS.ti to retrieve and analyze qualitative	Coding of factors of success and failure can be a challenge

Evaluation questions	Information required	Information sources	Data collection methods	Data analysis methods	Limitations
upstream measures was particularly successful or failed?	implementing the enabling environment for PPPs	failure from ICRs, PPARs, XPSRs, PES', PERs, PRC, PIMs Context information and country specific reasons for success / failure for country case studies		information on success and failure **Country case studies** to identify detailed context information and gain in-depth understanding factors of success and failure; identify common patterns across regions, if possible, sectors, subsectors, type of PPP arrangement etc. **Sectoral notes** to assess common factor for specific sectors, for example, water, sanitation, energy, based on country case studies and content analysis	Country case studies are limited to identifying reasons for success and failure for only a few, that is, nine countries, which will make findings and conclusions from them statistically non-representative.
3. Has the World Bank Group's upstream support helped countries improve access to infrastructure and social services through subsequent PPPs, regardless of World Bank Group involvement in the actual PPP transaction? In countries that had received upstream support:	Information on WBG upstream support and matching PPP transactions, with or without WBG engagement in the transaction	For World Bank Group upstream work – see above portfolio analysis For World Bank Group-supported PPP transactions: lending, investments, and guarantees For PPPs transaction without World Bank Group support – PPI database	Data extraction	**Mapping** out of upstream work as an input to below statistical analysis	
a. Is there evidence that	Information on	For World Bank	Data extraction and	**Statistically analysis** in how	Information on performance of

Evaluation questions	Information required	Information sources	Data collection methods	Data analysis methods	Limitations
PPPs contributed to improved and inclusive access, quality of service delivery, and increased efficiency? b. Is there evidence that PPPs have leveraged scarce public sector resources through private sector funds? c. Is there evidence that PPPs deliver their services in a sustained manner?	performance of PPPs: efficiency data; FRRs; technical performance, incl access, service quality; data on fiscal effects, availability payments, usage payments, called guarantees; Sector specific indicators to be developed.	Group-supported PPPs: ICRs, PPARs, XPSRs, PES', PERs, PRC, PIMs For PPP not supported by World Bank Group: PPI database, country visits, public domain information	portfolio analysis of PPP performance	far countries which received World Bank Group upstream support engaged in more successful PPPs **Country case studies** to provide quantitative and qualitative in-depth data on linkages between World Bank Group upstream work and PPP performance, on PPP performance *per se*	PPPs that were not supported by World Bank Group may be not available to the extent desired. May be limited to country case studies. Even in cases where PPP performance can be assessed, for example, in country case studies, the attribution of effects to World Bank Group upstream work may be difficult.
d. What can we learn from successful or failed PPP transactions?	Information on factors of success and failure	For World Bank Group-supported PPPs: ICRs, PPARs, XPSRs, PES, PERs, PRC, PIMs For PPP not supported by World Bank Group: PPI database, country visits, public domain information		**Content analysis** to identify patterns of success and failure in micro evaluation documents **Country case studies** to provide factors of success and failure **Sectoral notes** to assess common factor for PPPs in specific sectors, for example, water, sanitation, energy etc., based on country case studies and content analysis	Information about what contributed to success and failure of PPPs that were not supported by World Bank Group may be not available to the extent desired. May be limited to country case studies.
4. Have PPPs of which the transaction benefited from the World Bank Group downstream support in form of IFC investments, Advisory Services, MIGA guarantees, and/or World Bank lending and guarantees, contributed to	Information on performance of PPPs: efficiency data; financial rates of return; technical performance, incl access, service quality; data on fiscal	World Bank Group project level evaluation data, that is, ICRs, PPARs, XPSRs, PES, PERs, PRC, PIMs	Data extraction and portfolio analysis of PPP performance	**Portfolio analysis** of PPP performance **Country case studies** to provide additional information on PPP performance of quantitative and qualitative nature; to identify factors of	Project level evaluations may at times not provide all the technical data on PPP performance, for example, on service quality and access. Country case studies can help in this respect in obtaining more specific PPP performance data,

Evaluation questions	Information required	Information sources	Data collection methods	Data analysis methods	Limitations
improved access to infrastructure and social services? a. Is there evidence that these PPPs have contributed to improved and inclusive access, quality of service delivery, and increased efficiency? b. Is there evidence that these PPPs have leveraged scarce public sector resources through private sector funds? c. Is there evidence that these PPPs provided sustained services?	effects, availability payments, usage payments, called guarantees; Sector specific indicators to be developed.			success and failure	but as only nine countries will be covered, their findings cannot applied to the portfolio.
d. What can we learn from successful or failed PPP transactions?	Information on factors of success and failure			**Content analysis** to identify patterns of success and failure in micro evaluation documents **Country case studies** to provide factors of success and failure	
5. To what extent do the World Bank Group's organizational structures, processes and incentives enable a coordinated and effective delivery of PPP targeted activities?					
a. To what extent has World Bank Group's upstream work on PPP strategically,	Information on complementarity with regard to specific	Qualitative information from policy and strategy	Policy, document retrieval and review	**Strategy and policy review** to assess in how far operations were intended to	

Evaluation questions	Information required	Information sources	Data collection methods	Data analysis methods	Limitations
sectorally, geographically, or at the project level been complementary to downstream, more transaction oriented work? b. To what extent has World Bank Group deployed its different products and services in a complementary fashion strategically, sectorally, geographically, and at the project level?	corporate strategic priorities (for example, strategic pillars), geographic regions, frontier regions and sectors/subsectors and projects	documents, portfolio data Context information from interviews	Interviews with key staff Portfolio analysis	be complementary **Mapping** of the different types of upstream operations to assess in how far they have actually addressed priorities in a fashion that allows to leverage the relative complementary advantage of the respective unit and is complementary to others **Portfolio analysis** to assess at project level in how far the various up and downstream activities were complementary.	
c. In countries of continuous World Bank Group support throughout the entire PPP delivery chain, i.e. upstream work and downstream transactions, has the World Bank Group leveraged synergies and exploited the comparative advantages of its various public and private sector arms? d. What can we learn from successful or failed World Bank Group coordination across the various units contributing to the PPP agenda?	Extent to which World Bank Group units worked in the same country Information on complementary role, coordination and collaboration of World Bank Group activities at country level	PPP project database of World Bank projects, WBI, PPIAF, IFC Advisory and Investment Services, and MIGA Interviews with experts	Data extraction and portfolio analysis Interviews	**Statistical analysis** of occurrence of coordination and collaboration **Country case studies** for an in depth analysis of quality of coordination	

Attachment 3

Preliminary Portfolio Review

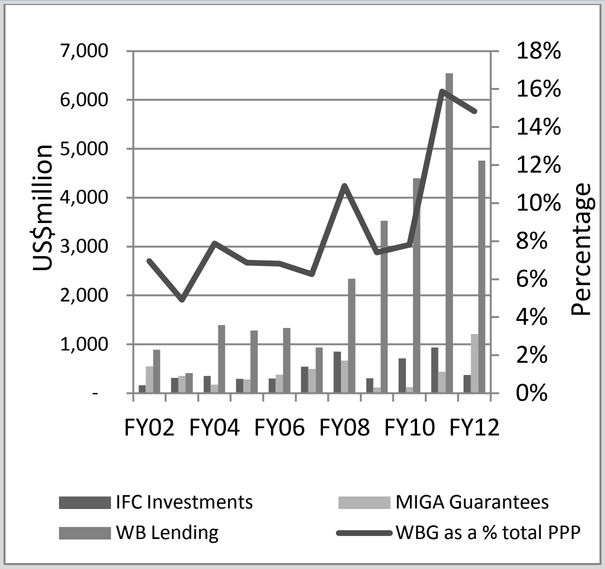
1. **This preliminary portfolio analysis aims at providing an overview of World Bank Group's interventions "targeted" at PPPs FY02-12.** In terms of tools and service, this comprises investments, guarantees, lending and non-lending (nonlending technical assistance, AAA), advisory services and capacity building activities by World Bank Institute (WBI) and trust fund-supported advisory activities by the Public Private Investment Advisory Facility (PPIAF). The term "targeted interventions" refers to activities aimed at either improving the enabling environment specifically for PPPs (as opposed to broad-based macroeconomic or investment climate interventions) and/or at facilitating specific PPP transactions. The analysis focuses on projects approved FY02-12 and presents data by approval year. The evaluation itself will also cover projects approved *prior* to FY02 and closed/operationally matured during FY02-12, not contained in the below analysis as such data cannot be presented meaningfully by approval year due to the varying length of time it may take to close a projects (3-7 years). These data are, however, contained in the presentation of the coverage.

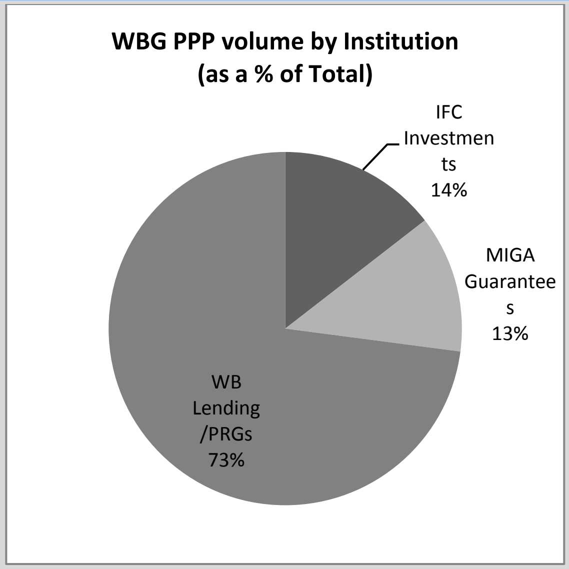
World Bank Group Support to PPPs

2. **The World Bank Group has been deploying a wide range of instruments and services targeting PPPs during FY02-12 amounting to a multi-billion dollar portfolio of lending and investments, complemented by a sizeable advisory and capacity building effort.** IEG's preliminary portfolio analysis identified 203 IBRD/IDA projects targeting PPPs and approved during FY02-12 amounting to a total commitment of $23 billion, complemented by 120 capacity building activities of WBI and 788 PPIAF operations with total expenditures amounting to $155 million. On the private sector side, the preliminary analysis identified 130 IFC investments with total commitments of $3.7 billion, 71 MIGA guarantees issued with $5.2 billion gross exposure, 220 IFC PPP Advisory Services with a total budget of $228 million, and 47 Investment Climate Advisory Services with PPP focus. In addition, World Bank delivered also 1443 nonlending activities (AAA) in infrastructure, health and education. PPP-targeted AAAs, however, can only be identified for country case studies as AAA work is generally poorly documented and not captured in an adequately coded database.

3. **During the last 10 years, World Bank Group support to PPPs has increased fourfold**. Despite a sudden shortfall in 2009 as a result of the 2008 global financial crisis, lending, investments and guarantees have risen both in absolute terms as well as relative terms, from $1.6 billion to 4 billion and from 7 percent in 2002 percent to 15 percent in 2012.

Figure 9. WBG Lending, Investments and Guarantees in PPPs – Volume and Percentage of total Volume per Institution FY02-12



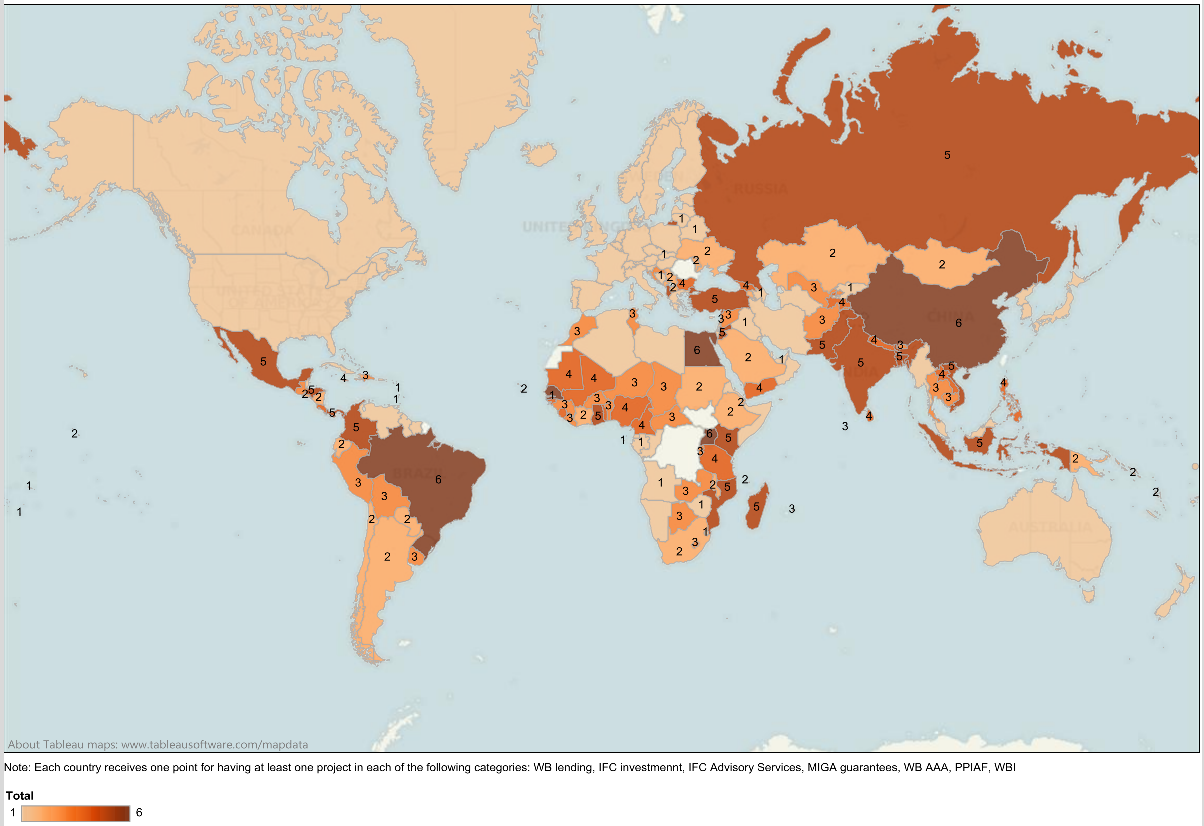


Source: IFC MIS extract Data as of June 31, 2012, MIGA Database, WB lending data. Volume = Sum of WB Lending, IFC investments and MIGA guarantees

4. **Globally, the World Bank Group's PPP-targeted interventions have assisted 134 countries.** The below figures visualize the "width" and "depth" of World Bank Group projects targeting PPPs at a global level. Figure 10 visualizes the global distribution of World Bank Group activities by type of targeted PPP intervention, that is, the "width" of using all World Bank Group type of services and products. In total, the World Bank Group has assisted 134 countries with PPP-targeted interventions, that is, with at least one intervention, but with 90 countries receiving multiple PPP-targeted interventions. Figure 11 depicts the distribution by total number of targeted interventions per country ("depth") which indicates a strong support to India, China and Brazil.

Figure 10. Width of World Bank Group's Support targeted at PPPs per Country

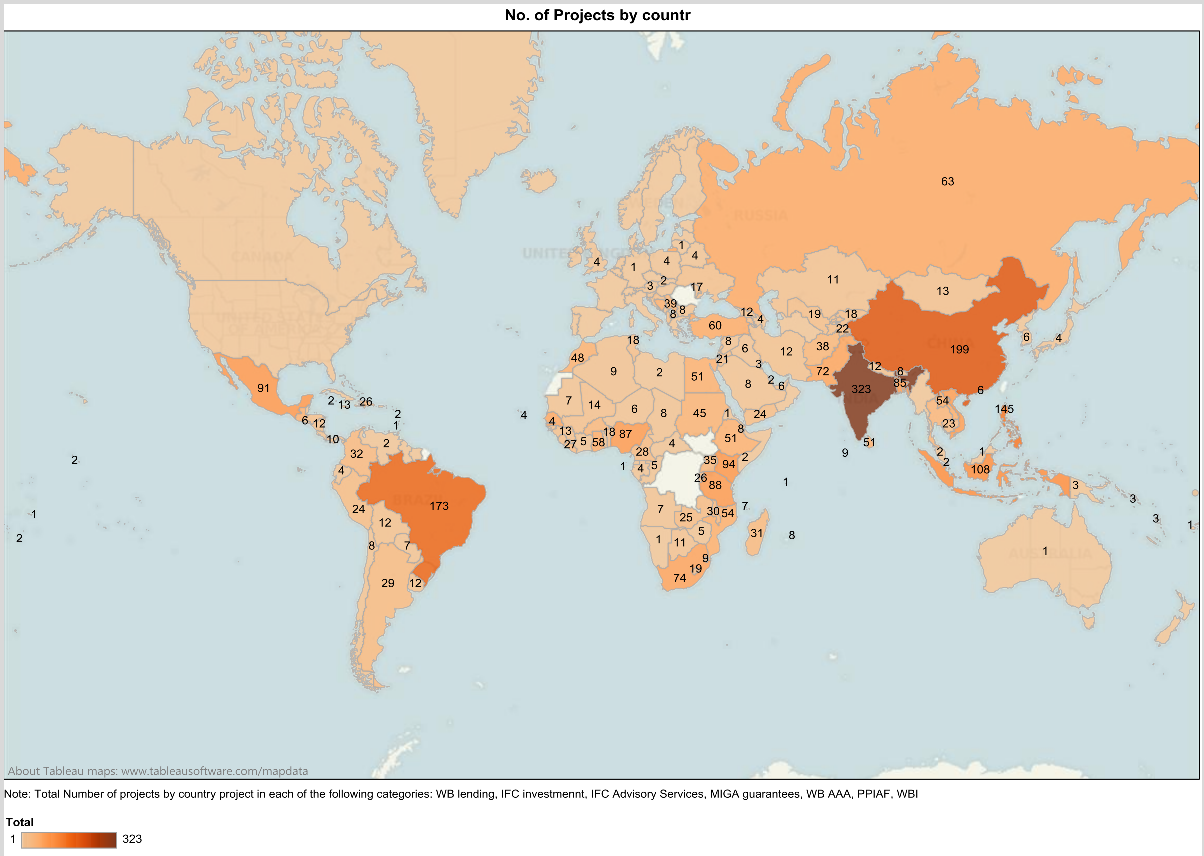
Geografic Distribution of PPP projects in World Bank Group by Countr



Note: Each country receives one point for having at least one project in each of the following categories: WB lending, IFC investmennt, IFC Advisory Services, MIGA guarantees, WB AAA, PPIAF, WBI

Source: IEG.
Note: Each country received one point for having at least one type of PPP-targeted project or intervention in each of the following categories: IFC Investment, IFC Advisory Services, World Bank Lending and PRG, MIGA Guarantees, PPIAF, WBI, World Bank AAA.

Figure 11. Depth of World Bank Group's Support Targeted at PPPs per Country

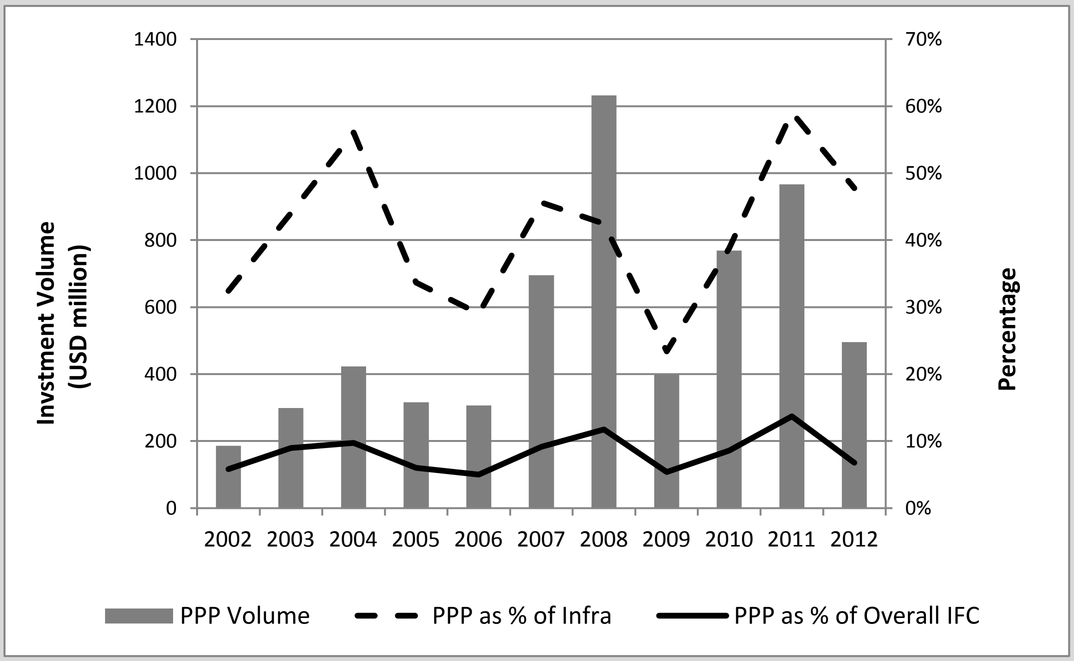


Source: IEG.
Note: Each country received one point for each project in each of the following categories: IFC Investment, IFC Advisory Services, World Bank Lending and PRG, MIGA Guarantees, PPIAF, WBI, World Bank AAA.

IFC INVESTMENTS IN PPPS

5. **IFC invested in 165 investments projects that have been identified to support PPPs amounting to $6.1 billion original commitments between FY02-12.** IFC's investments in PPPs represent41 percent of total infrastructure and 9 percent of total IFC investments. While volatile between years, total IFC Investments in PPPs have increased overtime from $186 million in FY05 to $496 million in FY12. PPP targeted investments grew up until the 2008 when the financial crises hit. However, support significantly increased in the following years and raised to a new all time high in FY11. (See Figure 12).

Figure 12. IFC's Investments in PPPs – Volume FY02-12



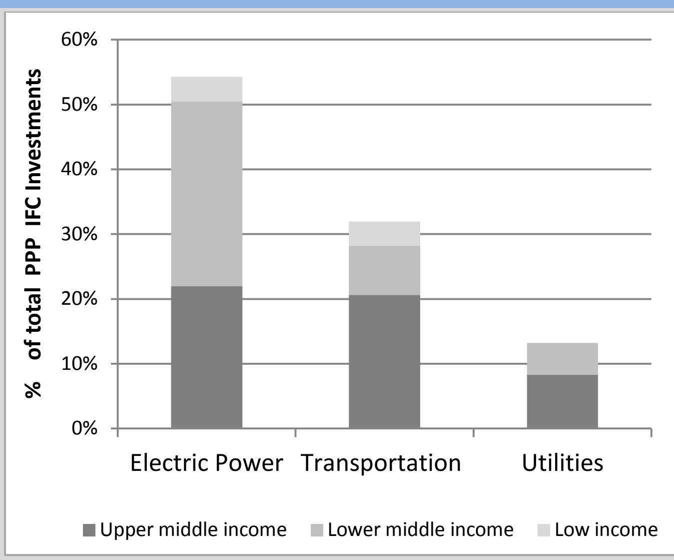
Source: IFC MIS extract data as of June 2012.
Note: Volume = original commitments.

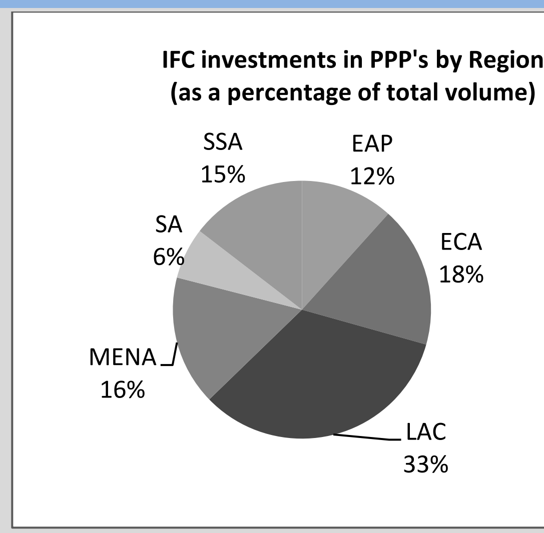
6. **The volume of investments in PPPs during the five year period (FY07-12) was about three times higher than the preceding period (FY02-06),** with $ 4.6 billion FY07-12 compared to only $ 1.5 billion during FY02-06. This rise can largely be attributed to an increase in investments in PPPs in the energy and transport sectors where investments increased from$ 0.7 billion and $0.8 billion FY02-06 to $2.5 billion and $1.6 billion FY07-12, respectively. With this increases, it is also not surprising that most PPPs can be found in energy, which represents over 55 percent by volume (50 percent by number).

7. **IFC's investments in PPPs are concentrated in upper middle income countries and more than a third occurred in Latin American and the Caribbean.** More than half of PPP in-

vestments can be found in upper MICs and in non-IDA countries (with 52 percent each). Conversely, low-income countries, accounting for only 7 percent IFC's PPP investments, also show regional concentration in Latin America and the Caribbean, with 33 percent by volume (and 43 percent by number); the remaining volume has been flowing more or less evenly into the other regions, with 18 percent (13 percent by number) in Europe and Central Asia, 16 percent(9 percent by number) in the Middle East and North Africa, 15 percent(10 percent by number) in Sub-Saharan Africa, 12 percent (14 percent by number) in East Asia Pacific and 6 percent (10 percent by number) in South Asia. Even though Latin America and the Caribbean leads in absolute commitment volume, it has remained constant over the last five years. In contrast, South Asia, the Middle East and North Africa, and Sub-Saharan Africa experienced an upward trend during FY06-12 compared to last five years. Growth in these two regions is mostly due to new investments in India and Pakistan. IFC is less concentrated by country compared to overall PPP trend. Top 5 countries hold about 48 percent of the entire PPP portfolio by volume (45 percent by volume).

Figure 13. IFC's Investments in PPPs – Original Commitments per Sector and Region, FY02-12





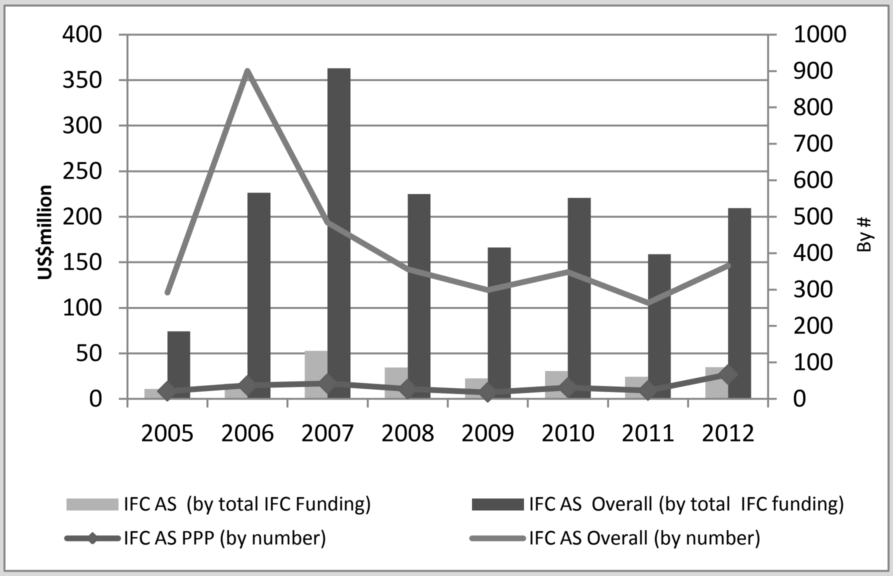
Source: IFC MIS extract data as of June 31, 2012.
Note: Volume = original commitments.

8. **Most of IFC investments targeting PPPs have been approved for the energy and transport sectors.** Energy accounted for 55 percent of IFC investment volume targeting PPPs, following by transport with 32 percent and utilities with 13 percent (see Figure 13).

IFC ADVISORY SERVICES IN SUPPORT OF PPP'S

9. **IFC advisory services under the PPP business line have increased in absolutes and relative values since FY05.** Between FY05[37]-12 the business lines of IFC Advisory Services PPP has supported 157 advisory services**.** These 157 advisory services comprise about 11 percent of IFC's total funding of advisory services and to about 10 percent by numbers. Total IFC funding for advisory services in PPPs have increased overtime from $9 million in FY05 to $29 million in FY12. Relative to all Advisory Services, these PPPs remain at about 13 percent (in terms of funding) (Figure 14).

Figure 14. IFC's Advisory Services in PPPs – Volume of Funding of Services FY02-12



Source: IFC AS database by project as of October 31,2012.
Note: Volume = IFC Funding

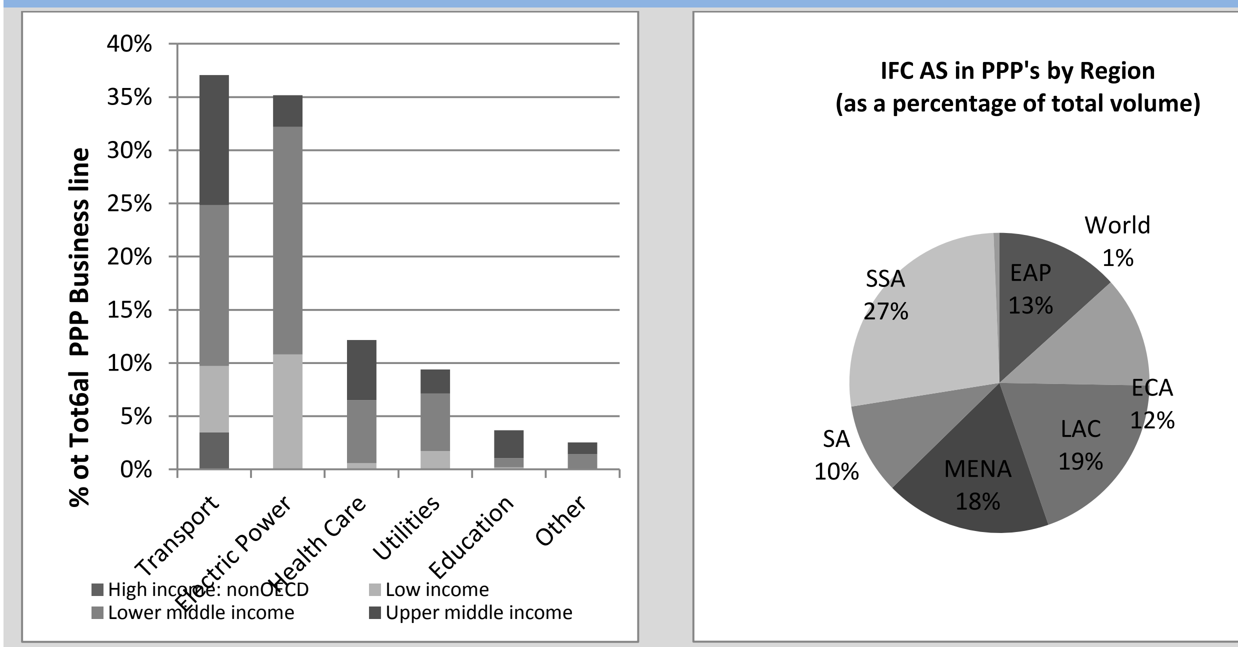
10. **In contrast to IFC investments, IFC advisory services in PPP's are found mainly in lower middle income countries and are concentrated in Sub Saharan Africa**, more than 59 percent of the projects (50 percent by volume) found are in lower middle income countries. By Region, about one third of IFC advisory services in PPP's support the SSA region (27 percent by funding and 21 percent by numbers) (see Figure 15). Although most of its portfolio is in the transport (36 percent by volume and 32 percent by number) and power (35 percent by volume and 29 percent by number) sectors, IFC's PPP advisory services target a variety of sectors including health (about 12 percent by volume and numbers), education (about 4 percent by vo-

[37] IFC advisory services started tracking activities reliably since 2005.

lume and numbers), among others, reflecting its diverse agenda and strategy within the business line.

11. **IFC's support to upstream policy work is limited though.** Although the IFC PPP business line mainly supports governments in developing PPP transactions (representing about 60 percent of the portfolio by numbers), it provides also to a limited extent upstream support through advise to governments on PPP strategy (13 percent), improvements in its legal and regulatory framework (14 percent) and capacity building (8 percent).

Figure 15. IFC's Advisory Services in PPPs – Sectors and Regions FY05-12



Source: IFC AS database by project as of October 31,2012.
Note: Volume = IFC funding.

PPIAF PPP PORTFOLIO

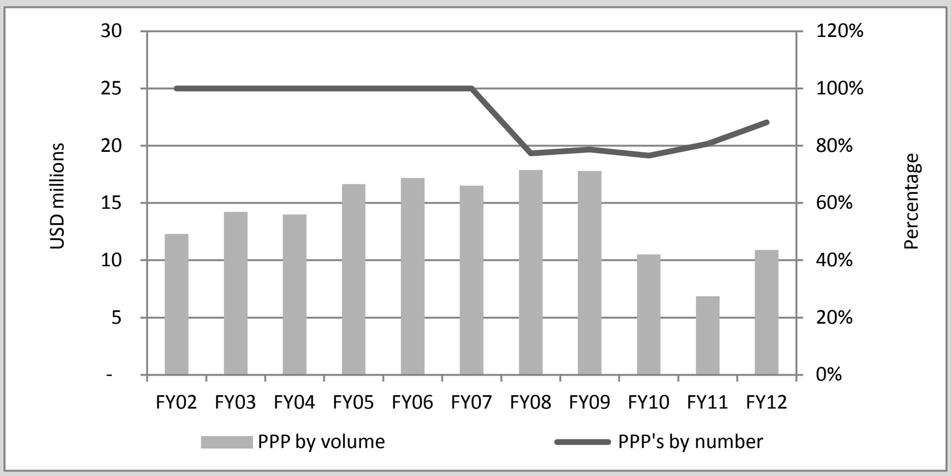
12. **Between FY02 and FY12 the World Bank Group supported 788 projects through PPIAF, comprising about 90 percent of total funding and by number of PPIAF operations.** Support to PPPs increased from $12 million in FY02 to $17m in FY09 and since has slowed down significantly to $10 million in FY12. See Figure 16.

13. **PPIAF support countries is mainly upstream, in developing the enabling environment for PPPs**. Most activities aim to help governments developing infrastructure strategies, which accounts for 40 percent of total funding, followed by support to policy and regulatory and institutional reforms (25 percent), capacity building (13 percent) and establishing institutional and regulatory frameworks to facilitate specific pioneering transactions (9 percent) and consensus building activities (4 percent). Although still a small percentage in the portfolio,

over five year period time there has been a threefold increase in support to pioneering transactions from 4 percent of total funding during FY02-FY06 to 12 percent during FY07-FY12.

14. **Most of the support (87 percent of activities, by numbers) can be found in LICs and LMICs,** were the enabling environment is less developed. Support is lead by LICs at about 46 percent by volume and numbers, followed by lower-middle-income countries at about 41 percent by volume and numbers. Moreover, the relative share of support towards LICs has grown during the last five-year period (FY07-FY12) – amidst a general downturn – mainly due to an increase of activities in African countries. PPIAF support is spread out evenly throughout most of the infrastructure sectors and have remained unchanged over time (between 16 and 20 percent).

Figure 16. PPIAF in PPPs – Volume and Numbers of Projects FY02-12

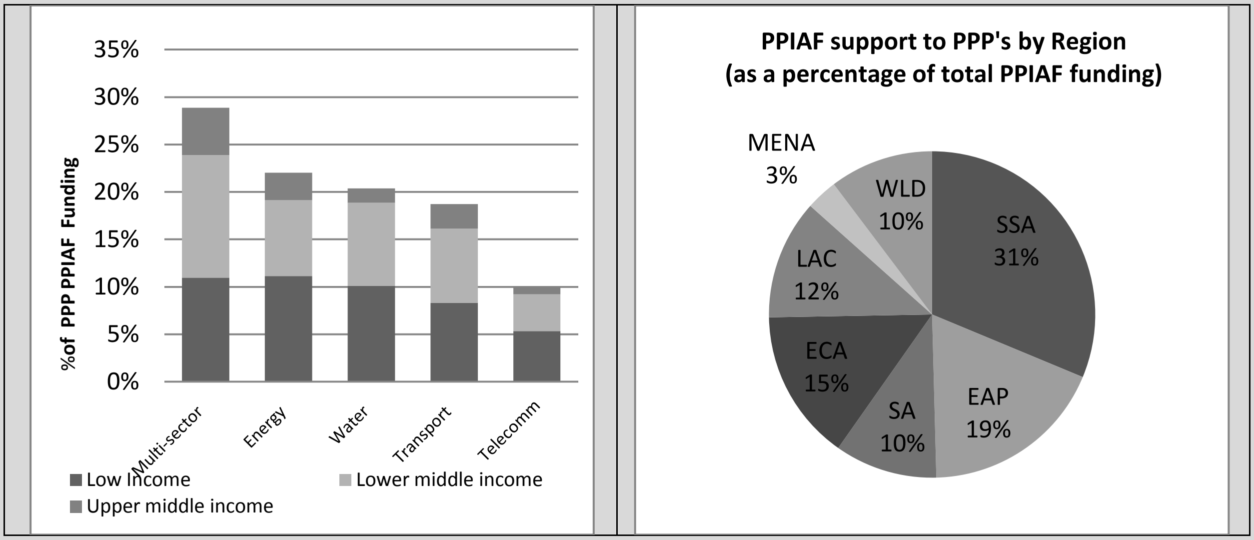


Source: PPIAF database by project as of October 31,2012.
Note: Volume = PPIAF funding.

15. **Of the six regions covered, the large majority of the projects are concentrated in Africa, accounting for 40 percent of total portfolio volume.** In contrast with other World Bank Group support, multisectoral projects [38] dominate, accounting for 40 percent of total PPP funding (by total funding) followed by support to specific sectors, that is, energy and water accounting each for about 20-22 percent of total funding.

[38] Activities that include more than one sector.

Figure 17. PPIAF in PPPs Sectors and Region, FY02-12



Source: PPIAF database by project as of June 30,2012.
Note: Volume = PPIAF funding.

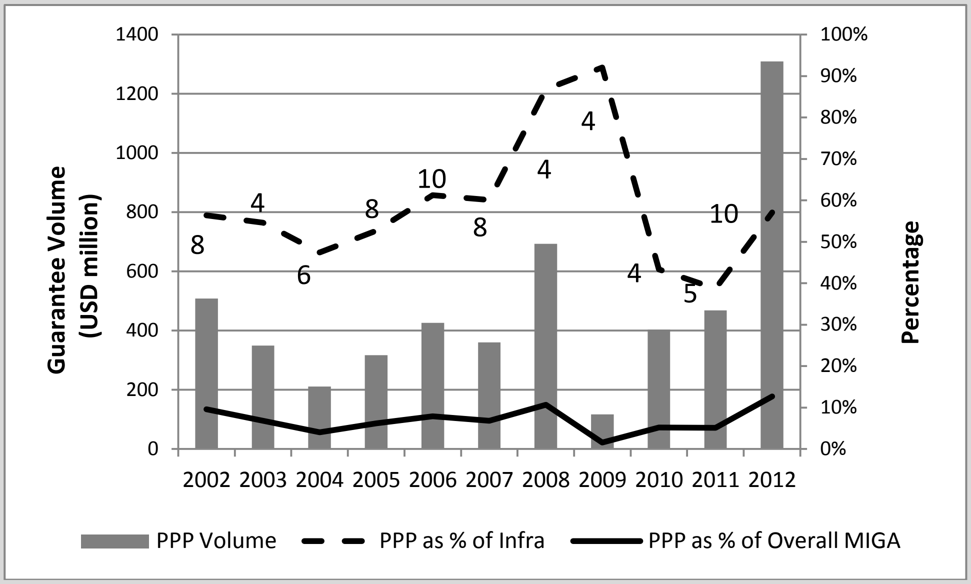
MIGA GUARANTEES IN PPP'S

16. **MIGA provided guarantees for 71 projects that have been identified as supporting PPPs, amounting to $5.2 billion gross issuance between FY02-12 – nearly half of its total guarantee volume issued during this period of time.** The volume of MIGA guarantees issued for PPP projects represent 71 percent of total infrastructure volume and 51 percent of total guarantee volume (gross). Figure 18 provides an overview of MIGA PPP guarantees FY02-12 by volume and numbers of projects.

17. **MIGA guarantees in support of PPPs have increased almost twofold during the last 10 years.** MIGA's guarantee volume issued (gross) in support of PPPs increased from previously $1.8 billion during FY02-06 to $3.4 billion during FY07-12.

18. **This was a result of large increases in the transportation sector**, where guarantee volume increased from $250 million during FY02-06 to $1.5 billion (FY07-12). As a result, MIGA's guarantees have become somewhat concentrated in this sector (35 percent and 17 percent by number). Although the telecommunications sector also holds a large share of the guarantee volume with 42 percent (44 percent by numbers), its volume has experienced only a slight increase over a five year period from 20 percent (FY02-06) to 22 percent (FY07-12).

Figure 18. MIGA Guarantees Targeting PPPs – Volume of Guarantees Issued (gross), FY02-12

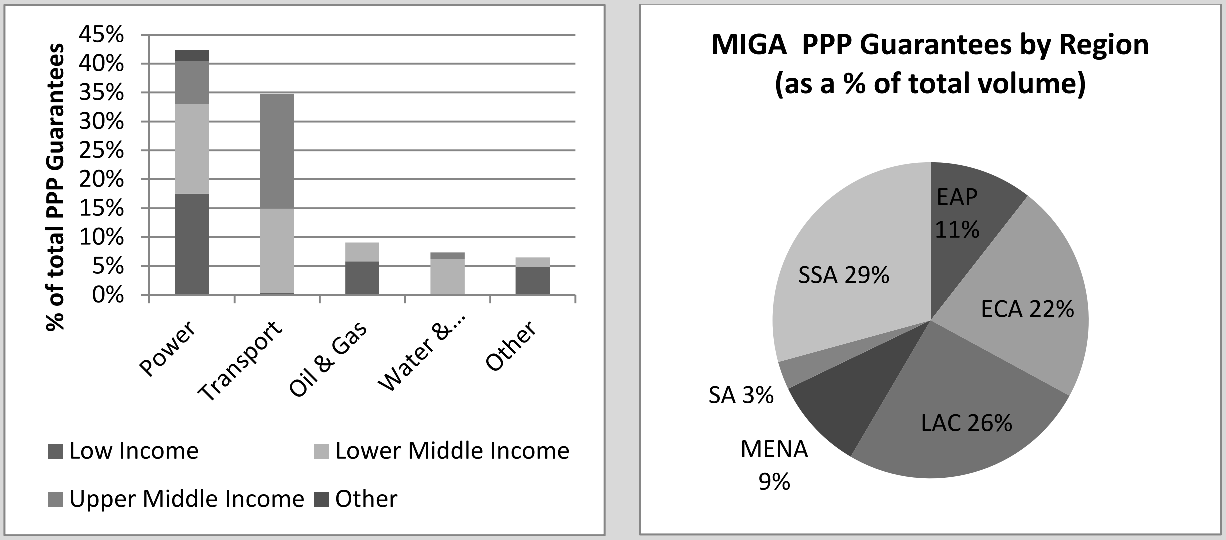


Source: MIGA database.
Note: Volume = gross guarantee volume.

19. **Most of MIGA's guarantees in PPPs were in MICs and more than a quarter in Latin America and the Caribbean and Sub-Saharan Africa.** The majority of guarantee volume issued in support of PPPs (70 percent) can be found in MICs and is concentrated in non-IDA countries (51 percent). MIGA's PPP guarantees are concentrated in Sub-Saharan Africa and the Latin America and the Caribbean Regions, with 29 and 26 percent by volume (and 32 percent and 31 percent by number, respectively) ,followed by Europe and Central Asia and the East Asia and Pacific Regions, each with 22 percent and 11 percent by volume (13 and 17 percent by number). Support to Sub-Saharan Africa and Europe and Central Asia increased from 12 percent and 8 percent in FY02-06 to 13 percent and 15percent in FY07-12. MIGA guarantee volumes in PPPs are not concentrated by country. The top five countries hold about 42 percent of total PPP volume (35 percent by number of projects). (Figure 19)

20. **MIGA's ability to insure stand-alone debt made it easier to provide non-honoring of sovereign financial obligations (NHSFO) coverage and was also a factor behind the increase in PPP volume in FY11 and FY12. MIGA's** ability to offer NHSFO coverage resulted in MIGA's backing of several large PPP projects in FY11 and FY12. NSHSFO is the newest type of guarantee and the least common, with 1 percent of the total number of guarantees. Transfer restriction and expropriation are the most common guarantees comprising 55 percent of all and followed by war and civil disturbance and breach of contract with 22 percent and 21 percent, respectively.

Figure 19. MIGA Guarantees in PPPs – Sectors and Regions, FY02-12



Source: MIGA database.
Note: Volume = gross guarantee volume.

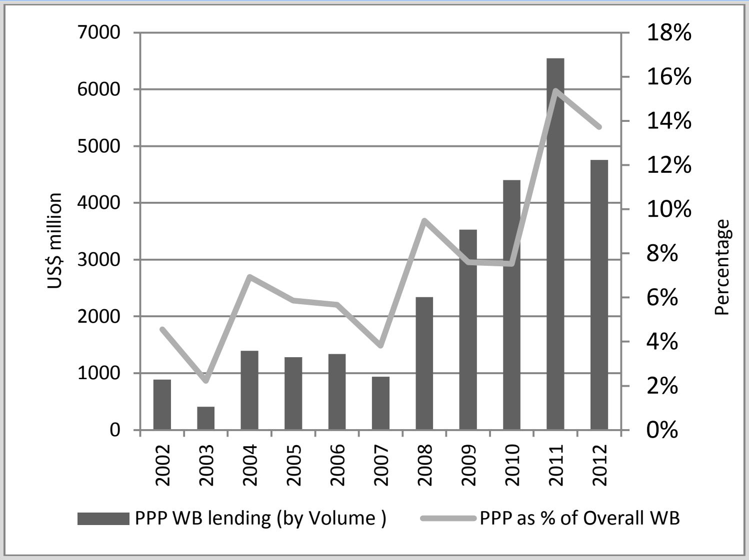
WORLD BANK LENDING

21. **The World Bank approved 203 lending and PRG projects targeted at PPP during FY02-12 amounting to a total $23 billion.** In terms of both numbers and volume, PPP targeted projects appear to show a decrease prior to the 2008 financial crisis, unlike World Bank Group's private sector instruments (IFC investment and MIGA guarantees) that grew until 2008, but then fell. Only after 2009 did the commitment amount of projects targeting PPPs rise to a new high in FY11.

22. **A breakdown by region or sector is at this stage not useful – although available to IEG – as the volumes do not yet reflect a real measure of PPP engagement of World Bank projects.** The term "targeted" interventions refers to activities aimed at either building or improving the enabling environment specifically for PPPs, regardless of whether an actual PPP transaction followed and/or at facilitating specific PPP transactions, including green as well as brown field operations. For a World Bank activity to be captured by this portfolio analysis as "targeting" PPPs, it must at least have one component addressing such PPP issues. The lending amount presented for the World Bank indicates the entire lending amount of projects that contain such PPP components. As many World Bank projects contain multiple components, the lending volume also includes volume targeting other components of these projects. As current information systems are unable to produce PPP-specific reports, only the detailed portfolio analysis of the evaluation will attempt to disaggregate lending volume with the goal to presenting a PPP specific lending volume. The same applies to World Bank Guarantee projects. Hence

a breakdown by region or sector is at this stage not useful – although available to IEG, as the volume does not yet reflect a real measure of PPP engagement of World Bank projects

Figure 20. World Bank Projects Targeting PPPs – Commitment Amount and Share in Total World Bank Portfolio, FY02-12



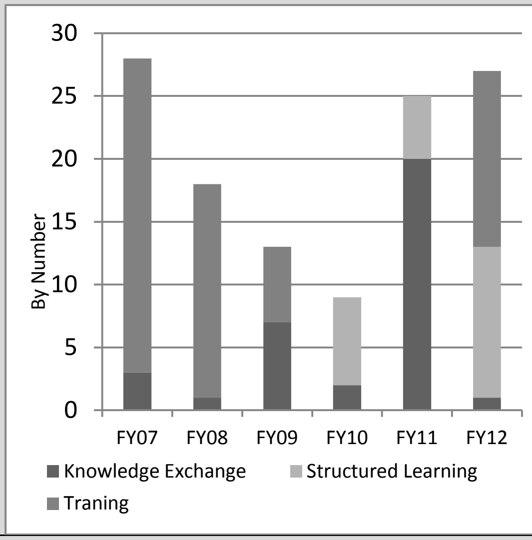
Source: World Bank Business Warehouse.

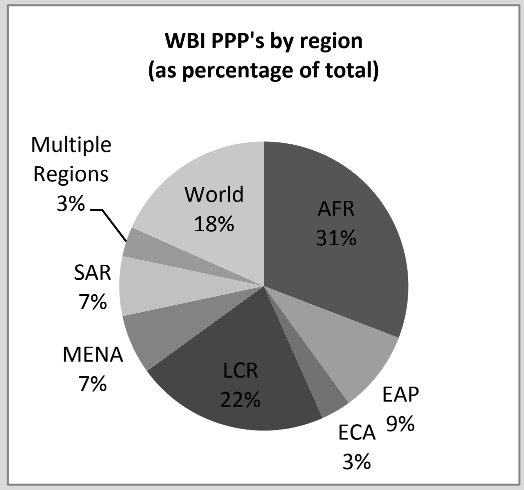
WORLD BANK INSTITUTE IN PPPS

23. **WBI provided assistance through capacity building at all stages of the PPP project cycle**. It provided capacity building on contract management and support to those involved in oversight of PPPs (for example audit agencies. In addition, as part of WBI-PPPs work on collaborative governance, they work with countries on disclosure of information and transparency of PPPs.

24. **IEG's preliminary portfolio analysis indentified 120 PPP projects between FY02-12.** This represents about two percent of total WBI projects and remained an even level of PPP engagement in terms of numbers of projects during the last six years (59 during FY07-09 to 61 during FY10-12)**.** The majority of projects in support of PPPs can be found in LICs (39 percent) and lower-middle-income countries (29 percent). Regionally, they are concentrated in the Sub-Saharan Africa with 31 percent and followed by Latin America and the Caribbean Region with 22 percent, Middle East and North Africa and the South Asia Regions each with seven percent by number of projects. Although the Sub-Saharan Africa Region holds the biggest shares in terms of number of projects, support has substantially decreased over a three-year period from 20 percent in FY07-09 to 11 percent in FY09-12.

Figure 21. World Bank Institute Targeting PPPs (by number) – Sectors and Regions, FY02-12





Source: WBI database by project as of June 30, 2012.

25. **WBI projects have mostly concentrated on training** (52 percent) and knowledge exchange programs (28 percent) during FY07-FY12, followed by structured learning (20 percent). However, training's share has decreased from 40 percent (FY07-09) to 12 percent (FY10-12) whereas knowledge exchange and structured learning increased from 9 percent to 39 percent over the same periods (see Figure 21).

Version control: March 14, 2013; CODE