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Project Selection - Primer on Project Development Funds

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The PPPRC section on Product Development Funds (PDFs) will be periodically updated to continuously identify lessons learned and success factors that influence the design and operationalization of PDFs. Let us know what you think by taking a Quick Survey.

A key motivation of PDFs, as noted in Chapter 2, is to improve the quality and efficiency of PPP project preparation through the provision of PPP advisory services. Decisions related to the nature of PPP advisory services that a PDF will support and how that support will be allocated to specific projects, are therefore central to a PDF's operation. As with other aspects of a PDF's design, how PDF projects are selected is often inextricably linked with the overall PPP framework within a country. Moreover, the effectiveness of PDFs is noted as being dependent on the capacity of the PPP program to identify suitable projects and develop a robust project pipeline. [1]

This section explores the key decisions that determine the work a PDF ultimately delivers. They include:

- The scope of PPP advisory services a PDF will support;
- The point in the PPP project cycle at which projects may apply for PDF funding, in particular whether prefeasibility work is supported by a PDF; and
- The eligibility criteria against which any application for PDF funding will be assessed.

Scope of PDF Support

A PDF's scope should be determined as a part of the PDF design process. [2] The scope is often laid out at a high-level in a PDF's establishing instrument and/or defined in subsequent policy or regulation, in order to clearly guide prospective implementing agencies on the support available. In the majority of cases, PDFs are established with a broad scope, providing the flexibility to prepare projects that support the general development of the PPP program. Despite a general tendency to support a wide range of projects, PDF scopes do vary and may also evolve over time as PPP programs develop. The following elements determine a PDF's scope, and the issues necessary for their consideration are discussed in this section:

- Project type and beneficiaries: what types of projects can access PDF funds and which entities can apply;
- Focus: sectoral or other thematic range supported by PDF funds;
- Activities: the nature of the support that PDFs may fund.

Project Type and Beneficiaries

The range of projects that a PDF will support is often linked to the definition of a PPP in a country's PPP framework. The World Bank defines a PPP as "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance."[3] However, there is no universal

definition of PPPs, and PPPs exist along a spectrum of private sector participation, as shown in the figure below.

Figure 9: Spectrum of Private Sector Participation[4] -

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The range of PPP modalities permitted under a PPP program can vary between countries, based on the country's definition of a PPP. The range of projects eligible for PDF support will therefore also vary because they are often determined based on PPP enabling legislation. For example, in Kenya, the establishment of the PDF Window was enabled under the 2013 PPP Act. Clarity on the PDF Window's scope was provided in the subsequent PFF Regulations, which specify that only PPP projects as defined within by PPP Act are able to receive PDF Window support.

In some circumstances, PDFs have supported project preparation activities that cover a wider range of projects than PPPs. This may include all public investment projects, or projects that incorporate private sector participation but would not meet the typical definition of a PPP. This is the case for Mexico's FONADIN, which was established with a broader objective of increasing investment in infrastructure. In its rules of operation, FONADIN is authorized to support studies for infrastructure projects in general, which are defined as including public works, concessions, and PPP projects. [5] This approach may enable PDFs to better align with public investment management (PIM) frameworks[6] that provide comprehensive processes for the development of infrastructure projects, regardless of financing mode. There are also many other development partner operations and programs that focus on improving infrastructure project preparation and are not specifically targeted at PPPs, such as the Infrastructure Investment Program for South Africa (IIPSA) and the World Bank-supported Infrastructure Project Preparation Facility in Afghanistan. Although these funds are not the focus of this Primer, because their focus is far broader than PPPs, it is important to note that improving infrastructure project preparation in general is likely to support PPP program growth.

An exclusive focus on PPPs may prejudice the selection of a project's procurement approach. Good practice requires that governments should only determine whether a project is appropriate for delivery as a PPP during project development.[7] Countries with well-developed PIM frameworks may therefore require feasibility study work to be completed prior to designation of a project as a PPP. However, PDF funding decisions may require projects to be defined as PPPs to access PDF funding before projects are adequately screened. This may risk PPP selection bias, and the development of unsuitable PPP projects where subsequent project approval processes are not sufficiently robust to remove such projects. Ideally, the determination of a project's procurement approach would take place following the completion of work enabling the assessment of the relative benefits of PPP versus conventional procurement approaches.[8] This should be specified in a country's PIM system where PIM and PPP Frameworks are integrated. Where this is not the case, and/or where PIM frameworks are not otherwise well-developed, PDF design can mitigate the risk of developing unsuitable projects by including the consideration of VfM principles in the funding application process and during the project preparation process.

PPP frameworks also typically define the implementing agencies that are eligible to utilize PDF support. Most PDFs allow a wide range of actors to access the PDF, consistent with how the PPP framework defines an implementing agency. For example, in India eligible entities include central and state government ministries and departments, public sector enterprises, and statutory authorities. Sub-national entities are also generally eligible to avail PDF support, although demand for PDF support from local governments has been weak in many cases. For example, in the Philippines, only three of the 45 projects supported by the PDMF were sponsored by local governments. [9] On occasion, financing vehicles are also able to access a PDF. Ghana's GIIF, as a state-owned enterprise (SOE), is an eligible entity under Ghana's PPP Act, and is therefore able to apply for PDF funding (although it has not yet done so).

Although most PDFs are designed with a focus on public sector-driven project preparation, some PDFs can support activities related to USPs. Private sector initiation of PPP projects is common, and in one study 85

percent of countries analyzed formally allow USPs within their legal framework, whereas 60 percent of countries accept USPs that require some form of government support. [10] As such, many governments face the challenge of managing the assessment of a range of USPs, and they often lack the capacity and/or systematic processes to deal with these proposals efficiently. Some PDFs, therefore, provide an option to support public sector entities to assess and manage USPs. The PDMF in the Philippines and Kenya's PDF Window both allow funding to be used to support negotiation of USPs, although few USPs have been supported to date. Development partner operations financing programmatic project preparation in Afghanistan and Ghana have also allowed for funding to support public sector entities in the negotiation of USPs.

Focus

PDFs typically provide support across a wide range of infrastructure and social sectors. PDFs are generally established with a broad objective to support the PPP program, and in particular, enable the preparation of PPP projects. As such, most PDFs align with the multi-sector nature of applicable PPP legislation. For example, in Ghana and Kenya, eligible sectors are drawn directly from the definition of eligible sectors under PPP legislation, which include infrastructure and social sectors. In India, eligible sectors are drawn from a harmonized list of infrastructure sectors under the VGF scheme. In practice this provides broad sectoral coverage, and for example, the VGF scheme was revised in 2013 to allow support to social sectors and special economic zones. Mexico's FONADIN was one of the few PDFs reviewed for this Primer which was established with a focus on a sub-set of sectors. However, these sectors still cover a wide range of infrastructure sectors, and FONADIN has supported projects in sectors ranging from transport to waste to tourism.

A narrow focus on a particular sector or project feature is not common. Although it is noted that a sectoral or thematic focus can help to achieve better VfM and create a demonstration effect, [11] no examples of national PDFs which have taken this approach have been identified. It is most often seen in global or regional preparation facilities supported by development partners. Examples include the Clean Technology Fund and the Green Climate Fund Project Preparation Facility. Both of these facilities support the preparation of projects with a climate adaptation and/or mitigation impact, such as renewable energy and clean transport. In addition to supporting projects in a wide range of countries, neither fund is exclusively focused on PPPs, ensuring a large pool of eligible projects despite a narrow focus.

In national PDFs, a narrow scope may limit flexibility, which could inhibit PDF effectiveness. Although a PDF with a narrow focus may be better able to manage the higher costs that are often associated with supporting projects in new sectors or where capacity is low,[12] demand for PDF funding, as covered in Chapter 6.2, has not always materialized as expected. In fact, several multi-sector PDFs have struggled to deliver the number of projects they were originally expected to support. As a result, limiting the scope of projects that a PDF can support may be counterproductive, particularly in smaller or less mature PPP markets. In addition, a narrow focus could potentially require the development of additional PDFs or other facilities to cover other themes/regions as government priorities emerge or change, which could result in fragmentation.

Climate Considerations

There is limited experience with PDFs that focus on projects which meet requirements with respect to climate mitigation and adaptation. However, because a PDF's scope is often aligned with the PPP program, where such requirements are included as a part of routine project assessment, the PDF will incorporate them automatically. Where such requirements do not apply more broadly to PPP projects, PDFs could signal the importance of this issue, by adopting eligibility criteria to assess a project's responsiveness to overall national climate priorities or its specific climate risks.

There are approaches that have been used to focus on a narrow range of projects without restricting PDF flexibility. For example:

- Creation of sub-programs: FONADIN has created several programs in different sectors, including public transport, water, and solid waste, to drive project development in these areas. Each program has signaled the availability of funding for projects in these sectors, and has included the development of specific sectoral guidance for the project preparation process. Although other sectors do not have specific guidance, they remain eligible for FONADIN support.
- Differentiated support: FONADIN offers differentiated support depending on the social profitability of a project. Projects that demonstrate high social profitability and low financial viability are eligible to have 100 percent of their costs funded, instead of implementing agencies having to pay for 50 percent of project costs out of their own budgets. This approach could be used to communicate clearly the project features a PDF, or a PPP program more generally, wishes to support.
- Engagement with key implementing agencies: As noted in Chapter 4.2, a smaller PDF fund size may be relevant while capacity and familiarity with PPPs and PDFs are being built. If fewer projects are to be initially supported by the PDF, consideration should be given to the types of projects that may be better suited to be first-mover projects. Although this does not require an explicit focus on certain sectors or project features, efforts to engage with specific implementing agencies, discussed further in Chapter 6.2, may be targeted. This could include initially working more closely with those implementing agencies with higher capacity or with a strong project pipeline.

Supported Activities

Project preparation and transaction advisory are the core focus of PDF funding. PDFs are primarily designed to support the preparation of PPP projects. As such, PDFs typically fund aspects of PPP project preparation and transaction advisory required to structure and tender a viable project. These requirements will vary from project to project, depending on the specific characteristics, size, complexity, and context of the project being studied. General components of the feasibility study developed during project preparation and key transaction advisory tasks are presented in the figure below. [13] All PDFs assessed for this Primer cover project preparation and transaction advisory for publicly supported projects, although the stage at which they engage varies. [14] Where USPs are eligible, PDF funding is often able to support their evaluation, as well as their eventual tender or negotiation, as noted above in the case in Kenya and the Philippines. However, the Philippines' PDMF only expanded its coverage for USP evaluation and direct negotiation in 2020, and has not yet been used to support a USP.

Figure 10: Feasibility Study and Transaction Advisory Tasks

Feasibility Study	
Demand Study	Assess user needs and required service levels, demand for project services, and tariffs to be charged (including ability/willingness to pay).
Technical Study	Define project output performance specifications; assess technical options (including site assessment); estimate capital, maintenance, and operating costs.
Legal/Regulatory Assessment	Assess project's compliance with relevant laws and regulations, and identify required regulatory approvals and permits.
Financial Analysis	Determine the financial and fiscal sustainability and affordability of the project through an assessment of project costs and revenue (with the help of financial modeling).
Economic Assessment	Estimate the full costs and benefits of the project, including financial and non-financial, to determine the project's economic feasibility and desirability for society as a whole.

VfM Assessment	Assess whether implementation of the project through a PPP approach offers better value than other approaches, including via conventional procurement.
Risk Analysis	Develop risk matrix to identify and assess key project risks, and propose allocation of each risk to the party best able to manage it.
Commercial Terms	Define the project's key commercial principles, to support subsequent preparation of tender documentation during transaction advisory phase.
E&S	Assess project's E&S impact, and develop appropriate plans to address and/or mitigate these impacts.
Market Sounding	Identify potential investors, lenders, and operators and determine their interest in the project through interviews, surveys, etc.
Procurement Plan	Lay out the key actions to be undertaken by the implementing agency to procure and implement the project, with associated timeline

Transaction Advisory

Marketing	Prepare information memorandum and conduct investor conferences and roadshow events to develop market interest.
Tender Documents	Prepare PPP tender documents, which can include invitation for expressions of interest, request for qualifications, request for proposals, and draft PPP contract.
Procurement Process	Maintain project data room, assess/approve bidder qualifications, conduct bidder site visits for qualified bidders, evaluate/rank bidders based on technical and financial proposals. Based on the evaluation of technical and financial proposals, award project to preferred bidder, and proceed to negotiation, finalization of PPP contract, and contract signing.
Financial Close	Assist in the execution of various tasks necessary to meet conditions precedent under the project agreements to enable the project to become effective and for the project to reach financial close.

Outside of core project preparation work, some PDFs provide other types of support. These other types of support have not been regularly used to date; however, the following have been considered:

- Capacity support: Several PDFs allow funding to be used for capacity building activities, such as Indonesia and Kenya. In India, the redesign of the IIPDF in 2022 also enabled implementing agencies to request support for capacity building activities, although this support is limited to 20 percent of total IIPDF funding.
- Probity advisory services: These services provide independent oversight of project procurement and were enabled by the Philippines' PDMF in its updated 2020 Guidelines.
- Project implementation: Support to monitor PPP project implementation and meet PPP contractual obligations, such as retaining an independent engineer. Support for ongoing contract management or possible renegotiation of PPP agreements may also be considered, although such support was not provided by the PDFs reviewed for this Primer.

Key Takeaways

- A PDF's scope is generally reliant on the definition of PPP projects within the relevant PPP framework. In general, few PPP frameworks or PDFs restrict support to particular sectors or projects. Some PDFs can support USPs.
- PDF beneficiaries are also generally consistent with how implementing agencies are defined under the PPP framework. They generally include all national and sub-national entities.
- A narrow PDF scope is not generally recommended. However, there are approaches that can target certain projects, sectors, or themes without unduly restricting flexibility.
- Project preparation and transaction advisory services are the core areas of PDF support. However, some PDFs provide support for capacity building activities, initial evaluation of USPs, probity advisory, and monitoring of PPP project implementation.

Project Readiness

The typical PPP project cycle sees a project move through various stages of development, starting with identification and selection, to preparation, tender, and implementation. Most PPP frameworks define a clear process for assessing project readiness and the progression of projects through the PPP project cycle. A PDF will therefore need to make decisions related to how "ready" a project should be, or how far it must have moved along the PPP project cycle to access PDF support. Determining an appropriate point when PDF funding becomes available within the PPP project cycle has important implications for the overall project preparation landscape within a country as well as the funding requirements and sustainability of a PDF.

Many PDFs only support projects that have been approved to proceed as PPPs, focusing their support on downstream project preparation. Given the general integration of PDFs with PPP frameworks, whether a project is sufficiently ready to apply for PDF funding support can sometimes be tied to its approval to proceed as a PPP under the PPP framework, following preliminary project assessment (such as a prefeasibility study). In India and Kenya, PDF funding approval for project preparation support generally comes after implementing agencies have completed pre-feasibility studies and the project is approved as a PPP by the relevant PPP approving committee. In other cases, PDF funding is not available until some or all feasibility work has been completed. For example, in Indonesia, the PDF initially only funded work following approval of the outline business case (OBC), which includes work that goes well beyond pre-feasibility assessment, [15] and in South Africa, the PDF only provided funding after feasibility study approval. Although this approach is consistent with recommendations that PDFs should support projects that have completed at least a pre-feasibility study in order to improve their financial sustainability,[16] it may fail to address challenges in undertaking pre-feasibility work that can undermine PDF performance.

Figure 11: PPP Project Cycle, Project Readiness and PDF Funding

[Insert Figure 11]

Where there are challenges delivering pre-feasibility work, PDFs may also seek to engage at the prefeasibility stage. For example, the Philippines' PDMF is authorized to support the full PPP project cycle, from preparation of business case to pre-feasibility study, feasibility study, and tender documents. In India, although the IIPDF typically intervenes after pre-feasibility work is completed, it may intervene earlier in certain circumstances, particularly for less experienced or lower capacity implementing agencies. Because PPP suitability may not have been demonstrated at this stage, PDFs that engage early in the project development process should ensure PPP suitability is assessed before allocating funding. In addition, they should also ensure that projects remain open to non-PPP procurement options, in case additional work demonstrates that a PPP is not appropriate.[17]

In rare cases, PDFs may fund support for more upstream sector planning and project development work. In Mexico, FONADIN's broader infrastructure development mandate translates into support for a wide range of

upstream project development work, in some cases even focusing on sectoral planning work that may, or may not, ultimately identify projects suitable for private participation. Brazil's BNDES also supports similar upstream work through its separate Project Structuring Fund for activities such as confirming the PPP enabling environment for particular sectors and identifying suitable projects.[18] However, these PDFs have access to greater capital than is typical of the PDFs reviewed for this Primer and are in more developed PPP markets, which can provide additional flexibility to support activities less likely to result in successful PPPs. In addition, both FONADIN and BNDES have separate funds that focus exclusively on downstream project preparation and transaction advisory.

Regardless of whether it is funded through a PDF, upstream project development is critical for a PDF to achieve its objectives. Upstream project development work lays the foundations for a robust project pipeline, and PDFs rely on these pipelines. [19] However, there are significant gaps in the assistance available for these upstream activities.[20] If PDFs do not fund this work, implementing agencies must find the resources to deliver this work. Although this approach may be considered a way to demonstrate commitment to PPP project delivery, it can also reduce the number of projects that are qualified to access the PDF or lead to fragmentated project preparation, with different advisors responsible for different stages of project development. These challenges may be pronounced in less developed PPP markets, where capacity is lower, and funding may be less readily available. PDFs should ensure that adequate resources are available for upstream project development work, either within the PDF or elsewhere in the project preparation landscape. In Indonesia, for example, many implementing agencies struggled to access PDF support due to difficulties obtaining approval for the pre-requisite OBC. As a result, in 2018 the PDF amended its policy to allow funding to be provided further upstream to support the preparation of OBCs.

PDF project readiness requirements need to balance PPP development objectives with financial sustainability goals. As discussed in Chapter 4.3, PDFs are often recommended to focus on sustainability, which is generally predicated on supporting a high percentage of projects that are successfully closed. Upstream project development support is noted for having a higher failure rate than downstream project preparation support. However, some PDF practitioners reject the view that projects which do not reach financial close are failures, noting the relevance of upstream project development for both capacity building and pipeline growth, and the importance of weeding out inappropriate projects to build a PPP program's credibility with private investors. Nevertheless, PDFs that support upstream project development may have greater challenges achieving sustainability. Governments must carefully consider their requirements with respect to sustainability in conjunction with their determination of an appropriate entry point for PDF support in the project preparation process.

Key Takeaways

- PDFs are generally dependent on, and aligned with, the PPP project cycle defined in the relevant PPP framework. Many PDFs only focus on projects which have already entered the PPP project cycle and have received approval to proceed as PPPs.
- Some PDFs provide support for more upstream project development activities, and in rare cases PDFs support a wide range of sectoral or project identification work, although these PDFs tend to be larger in size and serve more developed PPP markets.
- Upstream project development work is essential for PDFs to be successful. PDFs should ensure that adequate resources are available for this, either within the PDF or elsewhere in the project preparation landscape.
- The ideal entry point for a specific PDF will be influenced by PPP market maturity, the overall project preparation landscape, funding availability for early stage project preparation, and the PDF's financial sustainability goals.

Eligibility Criteria

Many PDFs have developed specific eligibility criteria to guide funding decisions. Although a PDF's scope and readiness requirements define the universe of projects that may be eligible to receive support, PDFs do not support all PPP projects in a country. Implementing agencies must therefore request such support in order for it to be provided. It is recommended that a request for support receive considerable scrutiny to ensure PDF funds are allocated appropriately.160 As a result, many PDFs have defined detailed eligibility criteria to support the review of funding applications.

Eligibility criteria are generally similar across PDFs and tend to reflect project assessment criteria found within the PPP project approvals process. As with PPP project approvals, applications for PDF support are generally reviewed on a rolling basis, and funding is therefore provided on a first-come, first-served basis. This means that each project is assessed on a stand-alone basis, and there is no evaluation as to whether one project better meets the criteria than another. Eligibility criteria commonly seen in PDFs reviewed for this Primer as well as cited in other studies[21] are noted in the figure below, although the extent to which each is explored in detail and influences the approval decision varies.

Figure 12: Eligibility Criteria for PDF Funding

Common Eligibility Criteria

Project Need	Projects should be included within approved national/sector development plans and/or long-term budget planning, and reflect government development priorities.
PPP Project Suitability/ Viability	Project information includes a clear definition of roles for the public and private sector, PPP type, revenue model, and risk allocation, as well as a demonstration of affordability and value-formoney, developed in accordance with PPP procedures and guidelines.
Project Readiness	Projects should be ready to be implemented in accordance with the readiness requirements specified by the PDF and as may be consistent with the PPP framework.
Capacity	Implementing agency should have a good track record in delivering public investment and/or effective use of PDF funds, and demonstrated capacity to manage transaction advisors and prepare a PPP project.

Other Eligibility Criteria

Sectoral Balance	Kenya's PDF Window considers the equitable application of support by the fund, to ensure that fund disbursements are not dominated by a specific sector/implementing agency.
Transaction Advisor Experience	South Africa's PDF assessed transaction advisor experience, given that implementing agencies needed to retain transaction advisors prior to applying for PDF funding.
VGF Funding	In countries where VGFs have been established, projects may include a request for estimated VGF funding as part of a preliminary project viability assessment. This may also include a requirement for the demonstration of a positive economic impact, to justify the need for VGF support.
Climate Resilience	Although not observed in the PDFs reviewed for this Primer, PPP programs that are increasingly focused on climate resilience may consider the extent to which a project's design appropriately identifies and addresses climate impacts and risks.

The commitment of implementing agencies receives special focus in many PDFs beyond typical PPP framework project assessment requirements. A lack of commitment has been cited as the single largest

barrier to successful implementation of projects by project preparation facilities, because this requires continual work to resolve obstacles that appear over the project development process.[22] This finding is highly relevant for PDFs, where implementing agencies that are not using their own funds and that are being guided in the PPP project cycle by other agencies may feel less project ownership. PDFs therefore look closely at the track record and capacity of implementing agencies, as noted above, but many also assess commitment through a willingness to meet a range of specific requirements imposed by the PDF, as further discussed in Chapter 5.4.

Key Takeaways

- Eligibility criteria for PDFs are similar across PDFs, and are generally aligned with typical PPP project assessment criteria. Common criteria include: project need, viability/suitability, readiness, and implementing agency capacity.
- An assessment of implementing agency commitment is often given special importance in the evaluation of PDF applications to ensure PDF funding is spent on projects that have a better chance of success.

Project Implementation Arrangements

The provision of PDF funding requires clear arrangements for the allocation of responsibilities during project preparation and implementation. Implementing agencies are generally responsible for preparing and implementing PPPs. However, when a PDF provides project preparation support to an implementing agency, the ultimate accountability for the development of a PPP project can become blurred. To navigate this shared responsibility, it is important to have a clear understanding of institutional roles and where accountability lies.[23] Many PDFs put in place specific implementation arrangements to define which entity has ultimate authority over and responsibility for PPP project preparation teams and their external advisors. These arrangements are often aimed at providing oversight of the expenditure of funds, but in many cases are also designed to leverage additional capacity, beyond that found within the implementing agency, to support the project preparation process.

Project implementation arrangements must enable effective PDF oversight, while also supporting implementing agencies' ownership of the project development process. Although PDFs can support implementing agencies through the provision of funding and internal technical skills, a PDF may be reluctant to take full accountability for a project it does not own or control. [24] In addition, implementation arrangements that place a PDF as funder, facilitator, and implementer of projects can create the potential for conflicts of interest.[25] Just as importantly, and as noted in Chapter 5.3, implementing agency commitment is an important driver of successful PPP project delivery. Therefore, implementation arrangements must support implementing agency ownership of the project and the overall project development process.

Project implementation arrangements are generally captured in funding agreements signed between the PDF and the implementing agency. Although general PDF project implementation arrangements are often outlined in PDF guidance material (such as Kenya's PFF Regulations or the Philippines' PDMF Guidelines), specific project implementation arrangements are typically captured within PDF funding agreements. These agreements spell out the funding or advisory services to be provided to an implementing agency, as well as the conditions associated with this support. They often cover practical issues for the management of PDF support, related to the establishment and management of project teams, project development timetables, advisor management, and information and data sharing. They may also include requirements related to oversight and compliance and how PDF support may be terminated.[26] Although these agreements are wide ranging, they are usually straightforward, and template agreements are sometimes provided with PDF guidance, as the Philippines' PDMF has done.

Conditions that are commonly found in implementation arrangements include requirements around advisor procurement, advisor management and project management structures.

- Advisor procurement: This specifies the role of the PDF in retaining advisors that will be supported with PDF funding. As discussed in more detail in Chapter 6.3, for many PDFs procurement is a key function, and PDFs are often directly involved in advisor procurement and may be entirely responsible for the prequalification of eligible advisors through an empanelment process. Where not directly involved, PDFs may still impose conditions or exert oversight. For example, Mexico's FONADIN does not manage procurement, but its approval is required in certain situations.
- Advisor management: Because PDFs are paying for advisory services, they generally have a role in ensuring the quality of those advisory services, as discussed further in Chapter 6.3. In some cases, such as in India, disbursement of funding is tied to specific pre-agreed payment milestones. In other cases, quality control is carried out through ensuring broader team management of the project development process. In addition to approving deliverables, PDFs also frequently retain some control over the advisory contract itself. For example, in the Philippines, transaction advisor contracts are not allowed to be modified without PDMF approval.
- Project management: The establishment of project teams to manage the development of a PPP project is common. They are generally chaired by the implementing agency, but may include representation from across government. PDFs may provide advisor oversight through these teams. For example, in Kenya, a representative from the PPP Unit, which administers the PDF, sits on the Project Appraisal Team for each project. In the Philippines, the PDMF requires that project committees are specifically formed for the management of advisors, which generally include two representatives from the PPP Center and one from the implementing agency. PDFs may also impose staffing requirements on implementing agencies to ensure appropriate project management by the implementing agency. For example in South Africa, the establishment of a PPP unit within the implementing agency and appointment of project officers was required, and the PDF could provide funding to support implementing agencies in meeting this requirement.

Refunding and co-funding requirements: Where PDFs require refunding or co-funding by the implementing agency, these requirements are spelled out in the PDF funding agreement. Refunding requirements, or obligations to pay back all or part of preparation costs, are discussed further in Chapter 4.1 and 4.3. Cofunding requirements generally refer to obligations imposed on an implementing agency to pay for a portion of the PPP advisory services which are being funded by the PDF, often to ensure implementing agency commitment. For example, in Mexico, FONADIN requires implementing agencies cover 50 percent of project costs for revenue generating projects, and India's IIPDF required implementing agencies cover 25 percent of project costs prior to the IIPDF's 2022 redesign.

Key Takeaways

- Clear project implementation arrangements should be agreed between the PDF and the implementing agency, and should strike a balance between supporting implementing agency ownership of, and commitment to, projects, while also enabling PDF oversight.
- Implementing arrangements are generally captured in PDF funding agreements, which cover a range of issues related to project implementation and oversight, as well as other conditions of funding.

Footnote 1: WBG. 2010. Review of Pakistan's Infrastructure Project Development Facility.

Footnote 2: ADB. 2012. PPP Operational Plan 2012-2020.

Footnote 3: WBG. 2017. PPP Reference Guide 3.0.

Footnote 4: Figure is adapted from: Delmon, J. 2010. Understanding Options for Public-Private Partnerships in Infrastructure. Washington, DC: World Bank.

Footnote 5: FONADIN's project financing and funding support does require that private participation in the project is envisioned.

Footnote 6: PIM is a component of public expenditure and a branch of a country's broader public financial management system that focuses on public investment in infrastructure projects. PPPs fit within a PIM system because they use public financial resources and therefore should have a public policy rationale.

Footnote 7: ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

Footnote 8: Kim, J-H., J. Fallov, and S. Groom. 2020. Public Investment Management Reference Guide. Washington, DC: World Bank.

Footnote 9: As of September 2022.

Footnote 10: WBG. 2014. Unsolicited Proposals: An Exception to Public Initiation of Infrastructure PPPs.

Footnote 11: GIH. 2019. Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation.

Footnote 12: ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

Footnote 13: A comprehensive list of potential project support can also be found here: WBG. 2019. Municipal Public-Private Partnership Framework.

Footnote 14: See Section 5.2 for further discussion of when PDFs engage in the project development process.

Footnote 15: Government of Indonesia. 2015. Ministerial Regulation272 04/2015.

Footnote 16: ADB. 2012. PPP Operational Plan 2012-2020.

Footnote 17: ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

Footnote 18: WEF. 2015. A Principled Approach to Infrastructure Project Preparation Facilities.

Footnote 19: WBG. 2010. Review of Pakistan's Infrastructure Project Development Facility.

Footnote 20: ICA. 2012. Assessment of Project Preparation Facilities for Africa.

Footnote 21: ADB. 2012. PPP Operational Plan 2012-2020.

Footnote 22: ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

Footnote 23: ICA. 2012. Assessment of Project Preparation Facilities for Africa.

Footnote 24: ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

Footnote 25: ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

Footnote 26: WBG. 2010. Review of Pakistan's Infrastructure Project Development Facility.

Footnote 27: ADB. 2012. PPP Operational Plan 2012-2020.

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