

# BUILDING STRONGER INSTITUTIONS TO DELIVER BETTER PPPs

## Funding and financing support to PPP programs

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There is unprecedented interest among developing countries to attract private investment into infrastructure and basic services to meet growing national demand. Today, nearly all developing countries have successfully brought an infrastructure PPP to market. Following a substantial drop in private participation in infrastructure due to the COVID-19 pandemic, private participation rebounded in 2021<sup>1</sup> and many governments are looking to the private sector to help finance and deliver infrastructure investment—seen as a key driver of post-pandemic recovery.

Establishing strong PPP frameworks and institutions communicates a government's commitment to PPPs and is expected to foster efficiency and accountability in their governance and lead to higher quality transactions. PPPs can be implemented on a one-off basis without any specific supporting legal and institutional framework. However, to fulfill countries' ongoing infrastructure investment requirements, and to generate "value-for-money" transactions, they will need to go beyond first-mover projects to establishing PPP programs that encourage an active bidder and financing market.

To better understand the drivers of success for PPP programs and how development partners can best provide support to national governments to establish and build their PPP program, the World Bank

<sup>1</sup> Global private participation in infrastructure (PPI) in 2020 was at \$45 billion in 252 projects—a 52 percent drop from 2019. PPI investment in 2021 accounted for \$76.2 billion across 240 projects – [PPI Database](#).

Group's Infrastructure, PPPs & Guarantees (IPG) group and the Public-Private Infrastructure Advisory Facility (PPIAF) established the PPP Institutions Building Program.

The PPP Institutions Building Program aimed to distill collective experience of delivering PPP support across the World Bank Group and learn from other institutions and global experience. The program undertook: i) analysis and research to identify critical factors for success and failure of PPP programs and ii) a review of tools, resources and technical assistance provided to develop PPP institutions. The program is also providing comprehensive institutional building support to selected countries funded by PPIAF.

While there is no one-size-fits-all solution that will guarantee success and the drivers of success for PPP programs are complex and multifaceted, findings around how to support PPP program success have been identified. These findings have been grouped into five key themes: capacity building, legal and institutional frameworks, project preparation, funding and financing, and contract management. This practice note, together with notes on the other four key topics, aims at disseminating the findings of the program on these specific themes. These notes are complemented with a note that maps the tools and products utilized to provide PPP institutional support that were reviewed as part of the research.

This practice note describes findings and lessons learned relating to the impact that funding and financial support from government can play—in both project preparation and investment—on the development of PPP programs.

# 1. What role does government support for the funding and financing of PPP projects play in PPP program success?

Governments provide a range of support to PPPs through a variety of different mechanisms. This support is provided during the project preparation phase, via funding for transaction advisors and other preparation costs, and during the project implementation phase, via both direct (e.g., capital subsidies and availability payments) and indirect measures (e.g., guarantees), as well as the establishment of financial intermediaries to provide or mobilize finance. Government support can often be critical to ensure the robust preparation of projects and to underpin the bankability of projects, but also impacts a government's fiscal position and therefore needs to be considered carefully.

In the Philippines, a facility to support project development and monitoring (PDMF) was established in 2011 as a part of a broader PPP reform program. It supports contracting authorities through all stages of the project lifecycle and is designed as a revolving fund to support sustainability.

Project preparation supports the success of PPP programs through encouraging the development of well-structured, bankable projects. Despite its importance, many governments struggle to allocate sufficient preparation funding. Several countries, including the Philippines<sup>2</sup> and India, have created successful and sustainable project development funds (PDFs) to systematically support project preparation. The markets where PDFs have been successfully established are characterized as having practical PPP experience and strong political commitment to PPPs. Other countries, such as Jordan, Nigeria, and Kenya, have enabled PDFs but have struggled to fund them, undermining their potential impacts.

Development partners have also supported the creation of PDF-like instruments in countries such as Jordan, Egypt, Kenya, and Ghana. This type of development partner support, often delivered alongside significant technical assistance, has been seen to drive PPP project development. However, as these funds have a finite life and are often established as vehicles that operate in parallel with any government-funded PDF, they may delay the development of sustainable institutional funding solutions unless carefully structured.

In Kenya, the World Bank Group provided PDF-like support for PPP project preparation and transaction advisory. Subsequently, the government of Kenya has established its own permanent fund for project preparation support and, in the longer term, project financing.

Overall, PDFs, whether government- or donor-supported, have had mixed results on PPP program development, and many countries, such as Brazil, have had considerable success delivering PPP projects without them. Given the transaction and funding costs involved in setting up a PDF, a successful track record of PPPs and clear government commitment to future PPP implementation are likely necessary preconditions for a PDF to impact PPP program development. PDFs may, therefore, be most useful to target specific project preparation challenges but require careful design to ensure sustainability.

Government support for project financial viability or financing is also often considered to support broader PPP program development. This is despite the fact that financing constraints alone do not seem to be a key constraint for many developing country PPP programs, particularly where these programs

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<sup>2</sup> The Philippines' PDF was supported by the government of the Philippines (\$87 million) and Australia (\$18 million) with assistance from the Asian Development Bank.

are relatively small. The use of indirect support (e.g., guarantees) is most common and is strongly linked with PPP investment in lesser-developed PPP markets and lower-income countries. However, while indirect support can enable projects, there are instances where governments have used guarantee instruments to accept considerable project risk, for example, guaranteeing repayment of project debt, which may undermine key PPP benefits. Direct support is not used frequently overall, potentially as a result of the large upfront capital commitment required, but is a tool that appears particularly relevant in mature markets when used programmatically. In these cases, governments have established a funding vehicle to provide direct support with a clear policy objective, for example:

- Unlocking large programs of deals in specific sectors, such as India's or Colombia's road program, which relied on Viability Gap Funding; or,
- Targeting a specific project development issue, such as the development of a fund to support right-of-way acquisition for PPP projects in the Philippines.

Programmatic government support has also been provided for project financing vehicles, such as the establishment of public investment funds (PIFs) to provide or mobilize finance. These are relatively

**Colombia's Financiera de Desarrollo Nacional (FDN) was established to support PPPs and infrastructure development and has catalyzed private investment, particularly institutional investors (local pension funds), via debt, equity, and liquidity lines.**

infrequent interventions given the large upfront financial commitments required, and successful examples are, to date, confined to relatively developed PPP programs, for example, in Brazil, Colombia, and India. However, where utilized, they have generally been extremely impactful for PPP program development, often through addressing specific challenges related to the local financing of PPPs, such as the lack of longer-term financing in India. Despite their success, PIFs, if not designed carefully, can crowd out private financing, ultimately stymying the development of local project

finance capacity. For example, BNDES' dominant role in Brazil, and its provision of subsidized financing until relatively recently, has not facilitated the participation of local private sector financiers in PPP project finance.

Overall, the government support for funding and financing PPP projects described above can be critical to PPP program growth, but the nature of the support that appears most impactful varies at different stages of PPP program maturity. Lesser-developed programs should focus support narrowly on delivering a small number of initial priority projects, while more developed programs may have sufficient breadth to develop programmatic project preparation and financing support. In all cases, however, government support needs to be controlled and managed within the context of a sustainable approach to financial commitments and contingent liabilities (FCCL).

## 2. How has technical assistance supported government funding and financing of PPPs to date?

Although raising private finance is a key objective for many governments when embarking on PPP projects, government funding or financing support is often provided to PPP projects in order to ensure they are bankable. Despite the frequency with which government support is provided to PPP projects, there has not been significant technical assistance focused on this topic; however, development partners are increasingly concentrating their efforts in this area. Development partner support provided to date has included both technical assistance and products designed to support government PPP practitioners. This support generally focuses on: (i) project preparation funding and the creation of institutional funding mechanisms (PDFs); (ii) the creation of project financing facilities/vehicles to address project financing constraints (PIFs); and (iii) management of government support (FCCL issues, guarantee instruments, accounting treatment of PPPs).

Development partner support that has been provided in this area has been reviewed with the intent of identifying gaps and overlaps in the guidance, tools, and products that exist and understanding how specific technical assistance may be most useful or face challenges in supporting PPP institutions. The key findings of this review are presented below in two broad categories: (i) the development of best practice guidance, tools, and other products related to government support; (ii) technical assistance covering government support issues, which may or may not leverage specific tools or products.

### 2.1 Guidance, Tools, and Products

A number of tools and products have been published by development partners that are used to support the development of approaches to government funding and financing of PPP projects. The table below captures a selection of these tools and products. In addition to these tools and products, funding and financing constraints may also be touched on in PPP assessment tools, which are captured in the PPP Framework Practice Note.

#### Overview of Tools and Products

Tool/Product	Development Partner
<b>PFRAM 2.0:</b> Quantitative tool to assist governments in assessing and managing the fiscal risks and costs of potential and ongoing PPPs.	World Bank Group
<b>Global Review of Infrastructure Funds:</b> Lessons learned and guidance material on the design of public infrastructure funds to leverage private financing.	World Bank Group
<b>Guide to Statistical Treatment of PPPs:</b> Guidance on the evaluation of PPP projects/contracts to determine appropriate statistical treatment.	European PPP Expertise Centre
<b>State Guarantees in PPPs:</b> Guidance on the range and use of guarantees as appropriate policy options.	European PPP Expertise Centre
<b>Public-Private Partnership Funds: Observations from International Experience:</b> Lessons learned from international experience in the implementation of project funding and financing facilities.	Asian Development Bank
<b>Guidance Note on National Infrastructure Banks and Similar Financing Facilities:</b> Guidance and lessons learned on establishing or reforming national infrastructure banks and other facilities to support PPP project financing.	Global Infrastructure Hub

In general, it is not clear that assessments of PPP programs and markets facilitate an understanding of the funding and financing constraints that face specific PPP programs or that such understanding informs the design or implementation of technical assistance to PPP programs and institutions.

With respect to **funds that support project preparation**, development partners clearly recognize the importance of project preparation and have established a variety of funding mechanisms to provide preparation funding assistance. However, these are rarely the country-specific PDFs that directly address a project preparation funding constraint. In addition, there are no specific tools or products that have been identified that focus on supporting the development of country-specific PDFs.

With respect to **funds that support the financing of PPP projects**, it is only recently that products have been developed reviewing experience with the establishment of country-specific project financing facilities or investment funds. These products review international experience in this area, but do not provide detailed guidance related to how to develop or establish a PIF, such as what pre-conditions should be met prior to a government's decision to establish a PIF and how to determine an appropriate strategy, capitalization requirements, or product offering.

With respect to the **management of government support** (FCCL issues, guarantee instruments, accounting treatment of PPPs), guidance is available; however, the products that exist support institutions in the understanding of fiscal constraints in rather different ways, with most products focusing on high-level guidance around the use of, or accounting treatment of, a specific type of government support, while one product, PFRAM, focuses on calculating the impact of specific projects on a government's fiscal position.

The tools/products identified touch on some of the policy issues related to contingent liabilities (notably related to guarantee instruments) and provide guidance to institutions to understand whether projects will be captured in financial statements and, if so, estimate how FCCL will impact financial statements. However, there is little guidance on how to use this information to responsibly manage a program of PPPs. Standardized guidance on managing FCCL is therefore lacking. This includes high-level policy guidance around the treatment and assessment of different government support options, as well as a more detailed discussion of approaches like provisioning or developing funds that can be used in the event that various FCCL (particularly contingent liabilities) are realized.

## **2.2 Technical Assistance Covering Government Support Issues**

Funding and financing constraints are often key issues driving governments to pursue PPPs, although they are often addressed indirectly by supporting the development of a PPP program in general. The remainder of this section discusses specific technical assistance provided to governments as they attempt to directly address funding and financing constraints. However, it should also be noted that these constraints are relevant for a broad range of technical assistance to PPP programs and it is not clear that the specific funding or financing constraints relevant in a country are being appropriately considered in the design or development of technical assistance. This is particularly notable for pipeline exercises, where resource requirements for project preparation and implementation are often not estimated, much less used to facilitate a discussion around how or whether such funds will be available. A general understanding of PPP program potential, informed by expected funding and financing constraints, is also likely to be useful to underpin the design of technical assistance for capacity building and PPP framework development.

### 2.2.1 PDFs

A lack of sufficient resources to appropriately evaluate and prepare potential PPP projects is a key constraint faced by many PPP programs. Some countries have established PDFs to address this constraint, although technical assistance for PDF establishment, for example, related to PDF design, governance, or funding/business model, has been very limited. Notably, success of technical assistance for PDF establishment is heavily dependent on whether a PDF is capitalized, and resourcing such funds can be a challenge for many governments. In addition, ensuring the long-term sustainability of PDFs following initial capitalization, via a revolving funding mechanism or another type of re-capitalization, is also important, but it is unclear that many PDFs have been designed with this consideration in mind. As noted above, there is a lack of good-practice guidance on the establishment and operation of government PDFs, which also challenges the provision of technical assistance on this topic.

In **Indonesia**, institutional support to establish a PDF was provided as part of more general support to the PPP Unit. However, the PDF was not immediately operationalized due to a lack of funding for capitalization.

In **Kenya**, the World Bank Group provided two phases of support for project preparation via PDF-like operations. These operations were successful in catalyzing the PPP pipeline in Kenya, with 20 projects reaching the tender stage and one reaching financial close to date.

In some cases, development partners have provided project preparation support through country-specific PDF-like vehicles, typically via the provision of a pool of funding for project preparation. This is usually administered by the development partner but can also be administered through a government PDF vehicle, where one exists. In general, PDF-like vehicles appear to have been very successful in supporting PPP programs through the development of a number of successful projects.

This success of PDF-like vehicles cannot be attributed purely to the availability of funds for project preparation. Importantly, the provision of parallel technical advisory support is also critical to their effectiveness. This often relies on funding for the recruitment of additional staff and embedded advisors to increase institutional capacity and focuses on issues such as the preparation of templates and operational manuals, and policy and procedural support to clarify or streamline processes; the incorporation of environmental and social issues; and audit support. In addition, the flexibility of the technical advisory support available through these vehicles has been cited numerous times as being particularly beneficial to overcoming PPP program roadblocks and bottlenecks.

In **the Philippines**, the Asian Development Bank and Australia successfully supported the government's Project Development and Monitoring Facility. It included funding for project preparation, on-call support through embedded advisors, and transaction advisors.

Despite the success of many PDFs and PDF-like vehicles, a number of challenges have also been noted with respect to development partner support of their operation. The project-by-project nature of approvals necessary in the operation of PDF-like vehicles can present administration challenges for development partners. In addition, development partner environmental and social requirements may restrict the projects that governments can prepare using available funding. Finally, sustainability remains a challenge once the development partner funding has been fully deployed and government budget is required to continue PDF operations.

### 2.2.2 Technical Assistance to PIFs

PIFs, a specific type of infrastructure financing fund that uses public resources to leverage private financing for infrastructure development, are sometimes utilized by PPP programs to address financing constraints of PPP projects. PIFs can be particularly impactful for PPP program development, but



generally require large capital requirements and need to be carefully designed to crowd in, as opposed to replace, private financing. However, there has been relatively little support to PPP institutions related to the study or implementation of PIFs. Of the technical assistance that was reviewed, much focused on evaluating options for a PIF. However, this technical assistance did not often translate into the establishment of a PIF. This may be due to the fact that specific objectives or PPP program roadblocks<sup>3</sup> to be addressed by the PIF were not often identified or that private sector capitalization of a PIF was sometimes considered. In both cases, this is inconsistent with successful experiences captured in the recent Global Review of PIFs<sup>4</sup>. Technical assistance studying PIFs was also hindered as a result of the fact that PIFs are often led by different government counterparts than those leading PPP institutions, creating institutional coordination challenges.

In **Indonesia**, a guarantee fund was established to support project bankability. Institutional support from the World Bank Group focused on fund design and governance issues as well as capitalization. It has been extremely successful in terms of projects evaluated and the provision of guarantees.

Technical assistance has also been provided to PPP institutions to support the establishment of PIFs. However, this assistance has been relatively infrequent and has had mixed success. Where successful, it has been attributed in part to ongoing ad hoc support, much like the technical advisory support that was considered critical to the success of several PDF-like vehicles. However, challenges were experienced in applying development partner environmental and social requirements.

### 2.2.3 Management of Government Support (FCCL)

Although the management of FCCL has not historically been an area of focus for technical assistance to PPP institutions, it is increasingly becoming so. This may be a response to the growing importance placed by development partners on appropriate accounting for PPP projects, as well as the impact of COVID-19 on PPPs, which has increased the visibility of FCCL in many operational PPP projects.

Technical assistance to PPP institutions related to FCCL management generally falls into two categories: i) the refinement of the PPP framework to capture appropriate roles, responsibilities, and procedures around FCCL issues; ii) the development of practices or tools to enable the evaluation of FCCL, frequently using the PFRAM tool. The section below reviews the experience to date in both areas.

#### Development of FCCL Policy and Frameworks

Improving policy or other components of PPP frameworks with respect to FCCL has been a core component of technical assistance to date, either on a stand-alone basis or as part of a broader assessment of the PPP framework. Although the impact of technical assistance for FCCL management is difficult to assess given its recent implementation, some challenges have been identified. The most common challenge cited in technical assistance focused on FCCL reforms is related to the depth of engagement across government practitioners. The key counterpart for FCCL policy issues is often different from the central PPP institution that is the counterpart for most PPP technical assistance,

In **Jordan**, technical assistance has included the preparation of a framework and operational guidelines to support assessment and management of FCCL. This work followed broader PPP program support, including the development of the PPP framework.

<sup>3</sup> The World Bank Group Global Review of Infrastructure Funds has noted that objectives of successful PIFs included ring-fencing government risk and FCCL, ring-fencing public resources, overcoming government/public sector failures, and/or overcoming financial market failures.

<sup>4</sup> A follow-on study is planned that will focus on more practical aspects of the establishment of PIFs.



creating a need for strong institutional coordination. Debt or risk management offices within Ministries of Finance, that are generally key counterparts for FCCL work, tend to be less focused on PPP-specific issues due to their broader mandate. In some cases, the introduction of legal obligations to assess PPP FCCL has been necessary to ensure meaningful engagement on the issue.

Another challenge is related to the lack of good practice guidance on how PPP programs should manage FCCL over the project development life cycle. Existing guidance documentation covers the importance

**Kenya was one of the first countries to develop a specific FCCL framework with World Bank Group support. Its FCCL framework is widely cited as a useful guidance document.**

of managing PPP liabilities but does not provide detail on how this should be achieved. There is also little information available on actual FCCL management practice across developing country PPP programs and a lack of global, non-country-specific best practice guidance. Key areas where the need for guidance appears most relevant include standardized definition of key FCCL concepts, FCCL incorporation in the project development process, and FCCL governance and project

management practices geared towards avoiding the materialization of contingent liabilities. In addition, consideration should be given to how good practice should be adapted in lesser-developed markets where debt management practices may not be well developed.

### FCCL Assessment Tools

The implementation of specific tools to assist governments in understanding FCCL that arise from specific PPP projects as well as PPP project portfolios and the impact these FCCL have on government accounts has also been a focus of technical assistance. The primary tool utilized in the technical assistance reviewed is the PFRAM Excel-based tool developed jointly by the World Bank Group and the International Monetary Fund (IMF). This tool was developed to support government policy discussions around the future implementation of PPP projects, notably during the identification, selection, and structuring phases of the project development process, by demonstrating the impact of PPP projects on government financial accounts. It uses simplified modelling assumptions and focuses on three types of contingent liabilities: minimum revenue guarantees, debt guarantees, and termination payments.

Given that PFRAM is still a relatively new tool, it has not been used extensively and, to date, has had mixed results. In general, usage of the PFRAM tool by government PPP practitioners requires considerable capacity support over a long time frame to enable meaningful integration of the tool into day-to-day government functions. In addition, the complexity of the tool and a lack of project data availability may challenge its usage in less-developed contexts or where PPP portfolios are more limited. In markets that are very engaged on FCCL issues, additional functionality beyond what is included in PFRAM 2.0 has been requested by government practitioners. However, when appropriate to the context of a PPP program, the PFRAM tool can provide analysis that is extremely useful for policymakers assessing the appropriateness of PPP project commitments, either on a project-specific or program-wide basis.

**In Uruguay, the assessment of FCCL across the PPP program through the PFRAM tool led to a decision to pause the use of PPPs for a period of time to avoid exceeding debt ceiling targets.**

### 3. How can approaches to support government funding and financing of PPPs be strengthened?

***Understanding of funding and financing constraints should inform the design of technical assistance to PPP institutions.***

Funding and financing constraints impact the potential of a PPP program to grow and develop. Although such constraints are not frequently assessed, they should inform an understanding of a PPP program's potential—relevant for the design of all technical assistance to PPP institutions. They are particularly essential for tackling funding and financing constraints as well as relevant for project preparation support, where resource requirements for project preparation and implementation are rarely estimated, much less used to facilitate a discussion around how or whether such funds will be available.

#### **3.1 Considerations for Technical Assistance Related to PDFs**

***Detailed study of PDF development should be reserved for situations where warranted by a clear commitment to its capitalization (either by the government and/or a development partner).***

Technical assistance that includes the establishment of a PDF in a specific country should take into consideration the likelihood of subsequent capitalization. If there is no capitalization commitment from the government and no likelihood of development partner support for initial capitalization, technical assistance should focus on a high-level feasibility study designed to highlight the key steps necessary for the development of a successful PDF. Chief amongst these is likely to be the allocation of budget for initial capitalization based on a realistic assessment of infrastructure needs, country fiscal constraints, and PPP experience. More detailed design of a PDF vehicle, its governance and funding, as well as operational procedures, should be delayed until there is evidence that a PDF would likely be capitalized.

***Complementary technical assistance alongside development partner support to PDFs should be encouraged.***

Given the complementarity between the processes supported by PDF-like vehicles and the processes targeted by much PPP institutional technical assistance, as well as the outsized impact that PDF-like vehicles appears to have on PPP programs, technical assistance to PPP institutions to facilitate effective implementation of PDFs should be encouraged wherever possible.

#### **3.2 Considerations for Technical Assistance on PIFs**

***Technical assistance for the development of PIFs should be considered where the PIF is focused on addressing clearly identified PPP-specific challenges. The nature of the support should be based on the extent of a commitment to fund capitalization.***

Assessments of PPP programs should capture analysis of the specific roadblocks to the delivery of PPP projects, including whether a PIF is a tool that is likely to be well-positioned to address them. If there are no such roadblocks, further study of PIFs is likely to be ineffective. Where roadblocks exist, technical assistance should ensure that an estimation of an initial capitalization requirement, based on a realistic

project pipeline and the nature of the funding necessary to address the roadblock(s) in question, has been undertaken and that there is a credible plan for supporting initial capitalization requirements, either through public resources or development partner support.

### **3.3 Considerations When Providing FCCL Support**

***The level of government engagement on FCCL issues should inform the design of technical assistance related to FCCL framework development.***

When the institution responsible for managing FCCL arising from PPPs is not sufficiently engaged, a focus on the development of policy on high-level FCCL management framework issues is preferable, as opposed to the development of more detailed framework instruments. An FCCL workshop, using the PFRAM tool to support discussion of FCCL issues, may be an appropriate introductory tool to enable governments to assess their interest prior to embarking on a reform program.

***To build awareness of the importance of FCCL issues across government, ensure FCCL topics are more systematically incorporated across PPP technical assistance.***

Technical assistance to PPP institutions should include a focus on FCCL issues wherever relevant to support greater engagement on the topic. This has the following implications:

- General trainings on PPPs include appropriate coverage of FCCL, and more advanced trainings also raise this issue where appropriate. This issue should also be covered in trainings and awareness-building sessions targeted at broader audiences, including oversight/evaluator/approver agencies.
- Diagnostics and assessments of PPP frameworks should review relevant law governing fiscal management as well as actual practice with respect to managing FCCL in PPP projects.
- PPP framework support should be informed by an understanding of institutional roles on FCCL and ensure clarity on when and how FCCL issues are analyzed within the project cycle.
- Project preparation should include an assessment of expected project FCCL and their impact on a government's fiscal position. It may be useful to deploy the PFRAM tool as a part of pipeline exercises.

***The deployment of the PFRAM tool requires a high degree of government commitment to implement and should be considered carefully based on country context and interest.***

The PFRAM tool should be primarily considered to support central PPP institutions in facilitating discussions related to the implementation of projects as PPPs in the identification and feasibility stages of project development. Therefore, its deployment is most likely to be appropriate to support PPP programs that are considering implementation of a number of PPP projects or that are trying to better understand general fiscal limitations applicable across a PPP program. In these circumstances, technical assistance that utilizes PFRAM requires:

- A high degree of government engagement on the issue of FCCL, ideally with a basic FCCL framework or policy already in place, and an intention to regularly use the PFRAM tool.
- To be of sufficient duration (minimum one year) to incorporate PFRAM into PPP procedures.
- A reasonable level of PPP program maturity, with sufficient data available to assess FCCL across projects.

## 4. Checklist for technical assistance for funding and financing

This note has captured a range of different recommendations that are applicable to the design and development of funding and financing support to PPP institutions. These recommendations can be grouped into categories that are relevant for consideration at different stages in development, design, and implementation of institutional support. The key categories include findings related to:

- Selection: What support is appropriate given specific circumstances or objectives.
- Sequencing: When certain types of support may be appropriate given other components of a technical assistance program.
- Tool Usage: What tools or products may be particularly relevant and when.
- Design: Suggestions to improve the efficiency or effectiveness of how support is delivered.

The recommendations below are split between FCCL issues and institutional funding vehicles (PDFs and PIFs).

### Project Development Funds and Public Investment Funds

<b>Selection</b>	<b>Technical assistance to public financing institutions, such as PIFs (or other financing vehicles), should only be considered when a PPP program roadblock has been clearly identified that such a vehicle would be well-positioned to address.</b>
<b>Sequencing</b>	Particularly useful following a pipeline exercise that has estimated project preparation requirements and/or funding and financing requirements for high potential projects and has also evaluated country-specific funding and financing constraints.
<b>Tool Usage</b>	The Global Review of Public Infrastructure Funds <sup>5</sup> is a useful resource and may be leveraged when designing PIF components to ensure that the objectives of a fund are consistent with the PPP program roadblock(s) it is being developed to address.
<b>Key Design Considerations</b>	<p><b>Technical assistance for PDFs and PIFs should be designed based on the likelihood of future fund capitalization.</b></p> <ul style="list-style-type: none"> <li>▪ If there is no credible plan for fund capitalization, consider a high-level feasibility study with a focus on providing the necessary information to develop such a plan. This may include defining initial capitalization requirements and identifying potential sources of support for capitalization, as well as general requirements for successful PDFs/PIFs.</li> <li>▪ Detailed study of PDF or PIF development, including fund structure, governance, and operational procedures, should be reserved for situations where a credible commitment to capitalization of the PDF/PIF exists.</li> </ul>
<b>Other Design Considerations</b>	The use of embedded advisors may be particularly useful to support the development and implementation of PIFs and PDFs.

<sup>5</sup> World Bank Group. Global Review of Public Infrastructure Funds. 2020.

## FCCL Assessment and Management

<b>Selection</b>	<b>Ensure that sufficient engagement with government PPP practitioners around FCCL issues has occurred prior to supporting technical assistance for FCCL management.</b>
<b>Sequencing</b>	Consider FCCL technical assistance primarily following other technical assistance that has identified relevant institutions and established FCCL issues/challenges. An FCCL workshop, which has been previously deployed and that uses the PFRAM tool to support discussion of FCCL issues, may be an appropriate introductory tool to gain a clearer understanding of potential government interest prior to designing an intervention.
<b>Tool Usage</b>	<p><b>Given the high level of government commitment required for PFRAM implementation, carefully evaluate country context and interest before incorporating PFRAM in the design of any technical assistance.</b> Its deployment is most likely to be appropriate to support PPP programs that are considering implementation of a number of PPP projects or that are trying to better understand the fiscal limitations of a PPP program. In addition, successful PFRAM deployment likely requires:</p> <ul style="list-style-type: none"> <li>▪ Sufficient duration (minimum one year) with appropriate resources to allow the incorporation of PFRAM into PPP procedures.</li> <li>▪ A consideration of the level of maturity of the PPP program in question. In less mature markets, PFRAM may be too complex to deploy effectively, and in more mature programs it may not offer sufficient flexibility to support government objectives.</li> </ul>
<b>Key Design Considerations</b>	<p><b>Ensure the design of technical assistance is tailored to the level of government engagement around FCCL issues.</b></p> <p>When the institution responsible for FCCL management is not sufficiently engaged, seek to support the adoption of policy around a FCCL management framework for PPPs as a first step to encourage engagement. More detailed support to enable FCCL assessment and management could then be considered in a second phase.</p>
<b>Other Design Considerations</b>	<p><b>Build government awareness of the importance of FCCL issues to encourage their engagement by more systematically incorporating FCCL topics into the design of institutional support.</b></p> <ul style="list-style-type: none"> <li>▪ Training and awareness building on PPPs should include coverage of FCCL, targeted across all potential FCCL stakeholders.</li> <li>▪ Diagnostics and assessments should review relevant laws and actual practice with respect to managing FCCL in PPP projects.</li> <li>▪ Legal and institutional framework support should review institutional roles related to FCCL and should ensure clarity on management of FCCL issues within the project cycle.</li> <li>▪ Project preparation should include an assessment of expected project FCCL requirements and the implications this may have given government fiscal constraints. Usage of the PFRAM tool may also be useful.</li> </ul>
<b>New Tools/ Products</b>	The development of good practice guidance around the development of FCCL frameworks and FCCL assessment and management practice would be useful to consider as part of institutional support in this area. This would build from existing guidance materials on FCCL and incorporate a range of different country contexts, in particular for lesser-developed countries that may not have a well-developed debt management framework.

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