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PPP UNITS CONSULTATIVE FORUM (3PUCF) OF FGN MDAs

which holds under the Chairmanship of the Office of the Head of the Civil Service of the Federation; the Federal Ministry of Finance, Budget and National Planning as the Co-chair and Infrastructure Concession Regulatory Commission as secretariat

cordially invites you to its

THIRD QUARTER (Q3) 2020

3PUCF MEETING



David Baxter

Global PPP Expert, International
Sustainable Resilience Centre USA
International Guest Speaker

Thursday 3rd September 2020

10.00am



Meeting is hosted by Infrastructure Concession Regulatory Commission, the Secretariat

The background features abstract, overlapping green geometric shapes, primarily triangles and polygons, in various shades of green, creating a modern and dynamic visual effect.

164 PPP Practitioners from 70 Countries Share their Insights on the Status of PPPs in the Pandemic Epoch

Content of Presentation

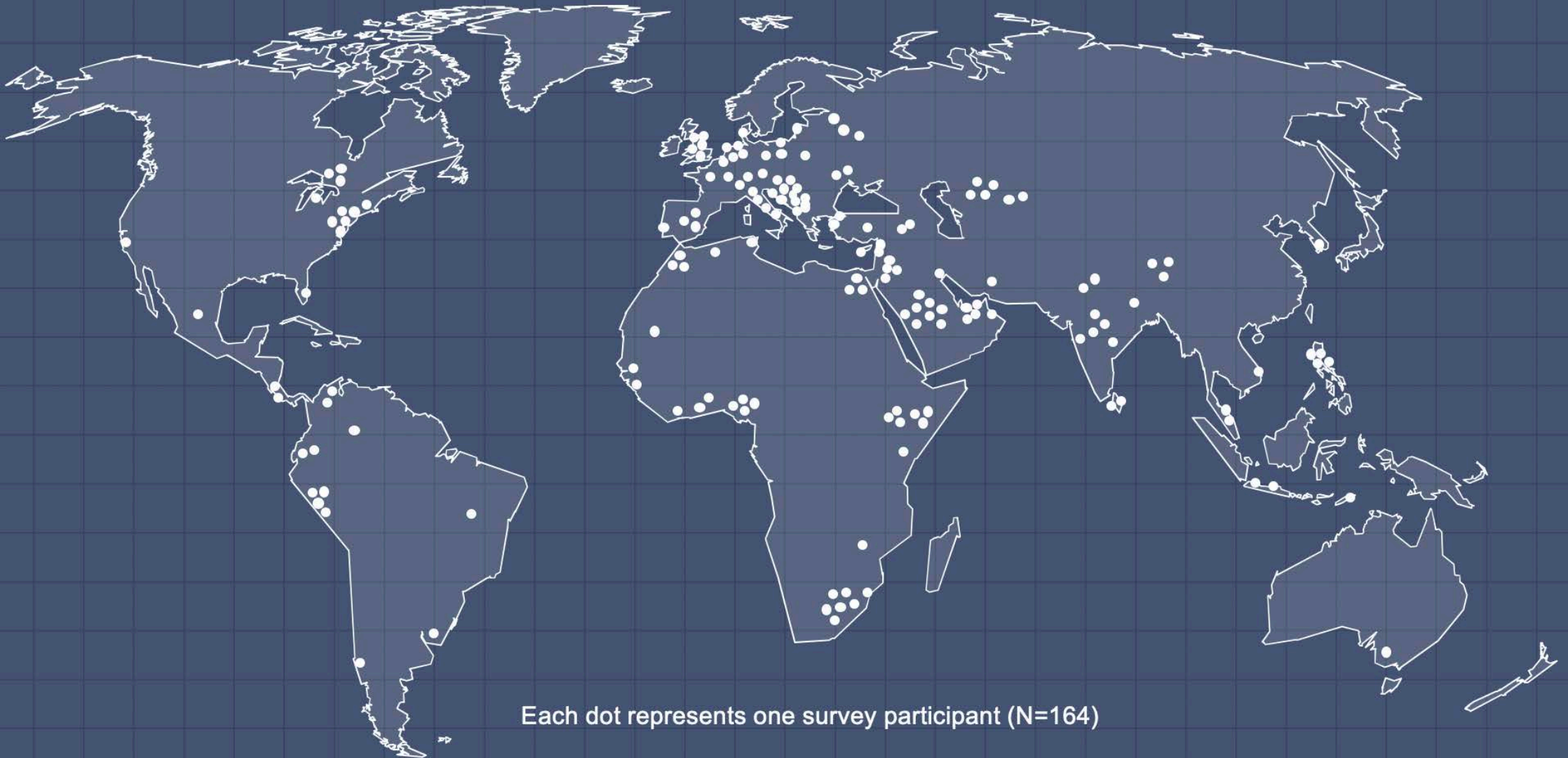
- Launch of survey
- Respondents - countries
- Survey questions
- Survey results by question
- Closing comments
- Additional readings

Launch of Survey

- Since March I had been globally engaged in an ongoing conversation with PPP practitioners both from the public and private sectors about the impact of the COVID-19 Pandemic on PPPs
- Undertook a simple survey and send a simple questionnaire to PPP professionals, peers, colleagues, practitioners, and friends around the world who are engaged in seeking solutions to a post pandemic world
- The survey was sent to approximately 1,000 LinkedIn contacts who indicated in their profile that they were involved in PPPs in some or other way.
- Of the approximately 1,000 survey invitations sent I received 164 responses from 70 countries
- This survey was not intended to be statistically verifiable study, but more of a structured conversation with PPP practitioners

Respondent Countries

Locations of Survey Participants

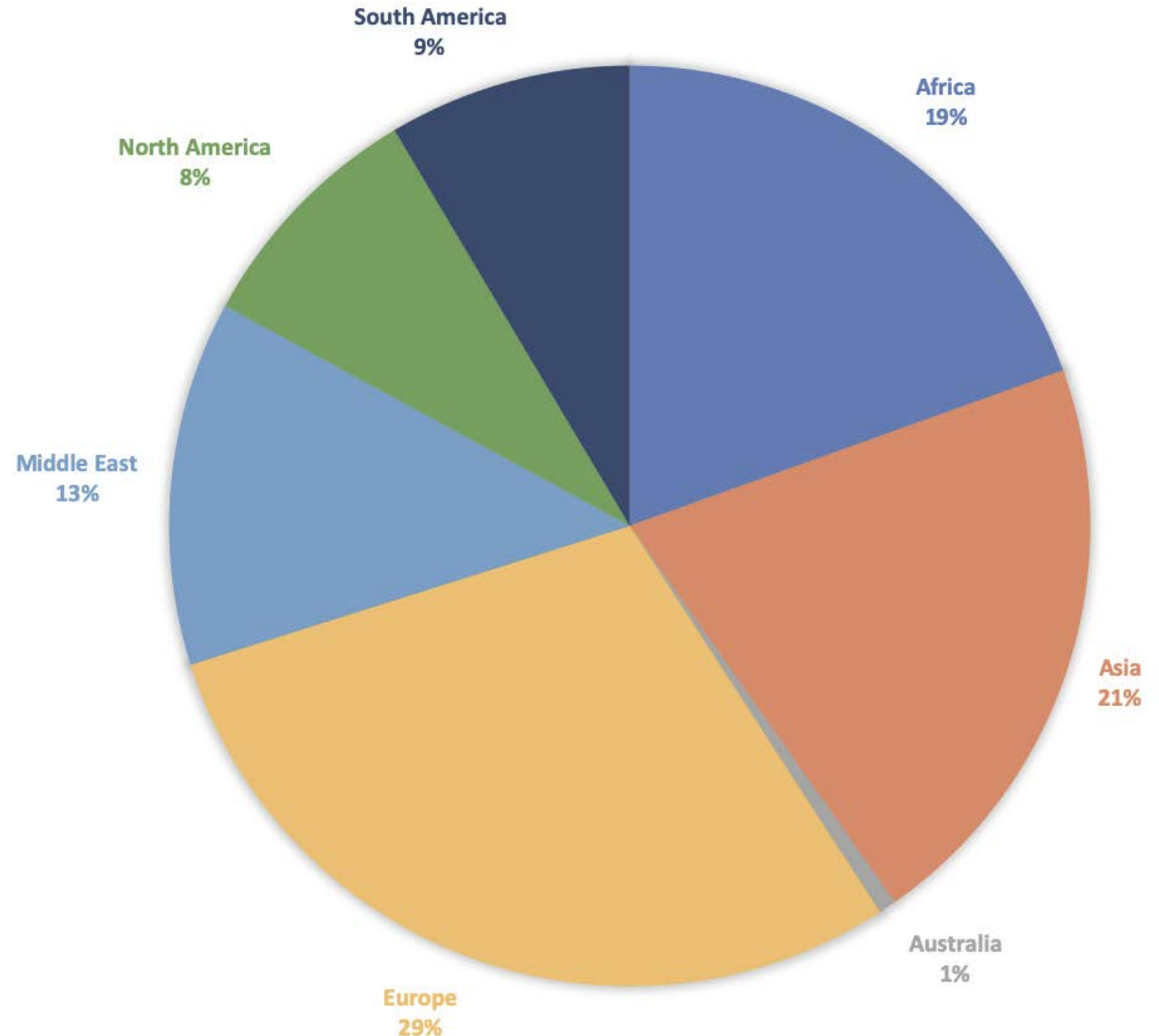


Respondent Countries

The countries were the following: Afghanistan; Albania; Algeria; Armenia; Australia; Austria; Belarus; Belgium; Brazil; Canada; Colombia; Costa Rica; Croatia; Cyprus; Czech Republic; Denmark; Ecuador; Egypt; El Salvador; Estonia; France; Germany; Ghana; India; Indonesia; Iran; Italy; Jordan; Kazakhstan; Kenya; Korea (South); Kosovo; Kuwait; Kyrgyzstan; Lebanon; Malawi; Malaysia; Mauritania; Mexico; Morocco; Nepal; Netherlands; Nigeria, Oman; Peru; Philippines; Poland; Portugal; Russian Federation; Saudi Arabia; Senegal; Serbia; Sierra Leone; South Africa; Spain; Sri Lanka; Switzerland; Tanzania; Timor-Leste; Togo; Tunisia; Turkey, UAE; Uganda; United Kingdom; Ukraine; Uruguay; United States; Uzbekistan; and Vietnam.

Regionally, the distribution of survey respondents is as follows: Africa 20.4%; Asia 19.1%; Australia 06%; Europe 27.4%; Middle East 13.4%; North America 8.9%; and South America 7.6 %.

RESPONDENT'S LOCATIONS



Survey Questions

Respondents were asked the following questions -

- *What are the two biggest challenges that you are facing in regards to COVID-19 impacts on your PPP projects*
- *What two PPP sectors do you see being the most vulnerable to COVID-19 impacts?*
- *What two PPP sectors do you see as being the most promising in a post-COVID-19 era?*
- *What help would you most appreciate from development banks, donors, investors, and developers as you move forward with your PPP programs during economic recovery?*
- *What positive opportunities do you see the Covid-19 Pandemic creating for a new approach paradigm to PPPs in the next few years?*

The Biggest Covid-19 Challenges that PPP projects are facing

- Concern about shrinking investor interest in certain types of PPP projects (especially future projects) due to the weakening financial global market and investors' concerns about project bankability due to declining economic and user activity
- Concerns about current projects being able to generate revenues and the ability of governments to make availability payments and meet deferred concession payments from the private sector
- Project risk management and mitigation under pandemic conditions and emerging risk pushbacks
- Delays in government project procurements/tenders due to changing priorities and timelines
- A loss of a long-term focus on PPP programs due to a short-term crisis management focus on pandemic mitigation
- Technical advisors being unable to advise on projects, especially new procurements due to social distancing
- Concerns on how to address force majeure provisions in contracts (this was the most common concern) in a global pandemic crisis of a scale never seen before
- Adjusting project contract deliverable expectations due project delays and potential terminations and the cost thereof

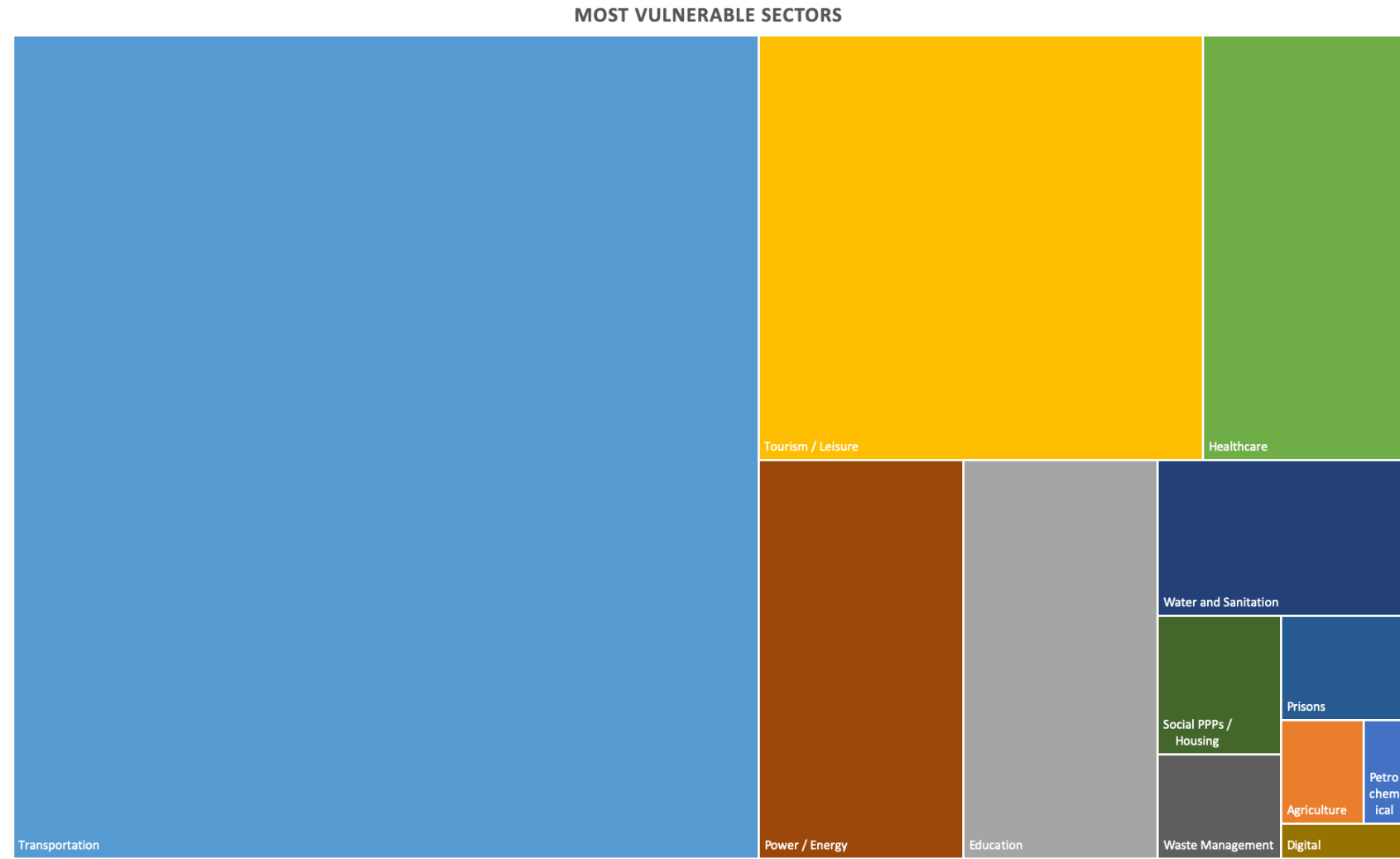
The Biggest Covid-19 Challenges that PPP projects are facing

- Practical concerns regarding staff availability, their access to project sites due to health concerns, and project partners being unable to physically meet to discuss project mitigations and recovery strategies
- Balancing immediate concerns with long-term concerns
- Accountability to stakeholders and declining project site monitoring (including environmental monitoring)
- Impacts on the balance sheets of investors, particularly where leverage is high
- Concerns about project liquidity
- Inflexible legislation (legal frameworks) that is unable to proactively address impacts to PPP projects
- Excessive public sector bureaucracy preventing proactive reactions to challenges and immediately needed mitigations
- Interventions by politicians who lack an understanding of PPP's complexity
- Impacts to supply chain logistics
- Long-term perceptions of project profitability in times of pandemic austerity when projects receive support from governments

The PPP Sectors most vulnerable to COVID-19 impacts

The most identified vulnerable sectors were as follows in decreasing order -

- transportation 53.9%;
- tourism/leisure 16.9%;
- power energy 7.5%;
- healthcare 7.1%;
- education 5.9%;
- water and sanitation 3.1%;
- waste management 1.2%;
- prisons 1.2%;
- social PPPs 1.2%;
- agriculture 0.8%;
- petrochemical 0.4%;
- digital 0.4%; and
- social PPPs / housing 1.6%.



The PPP Sectors most vulnerable to COVID-19 impacts

- Sector vulnerabilities vary between regions. The most mentioned vulnerable sectors by region identified by survey respondents in decreasing order are as follow -
- Africa - transportation; tourism/leisure; power/energy; and healthcare
- Asia - transportation; tourism/leisure; and power/energy
- Australia - education; schools; and transportation
- Europe - transportation; tourism/leisure; healthcare; and education
- Middle East - transportation; tourism/leisure; power/energy
- North America - transportation; tourism; health; power/energy; and education
- South America - transportation; tourism; and education
- In the transportation sector, the most commonly mentioned types of vulnerable projects were toll roads, rail; airports, and shipping ports

The PPP Sectors most vulnerable to COVID-19 impacts - Observations

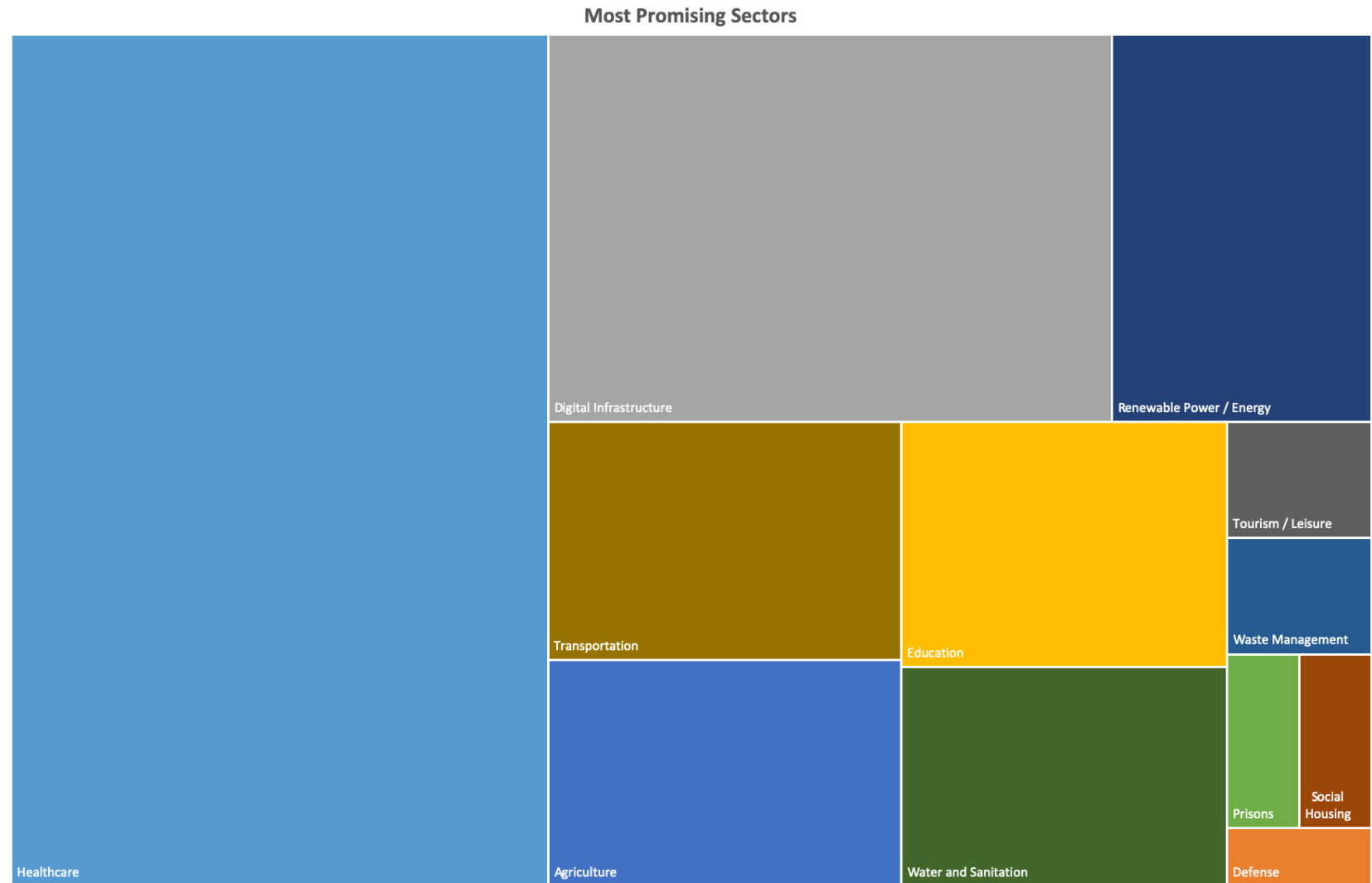
Additional comments that were made about the sectors most at risk include the following –

- Large scale projects will most likely have to be postponed in lieu of smaller projects in the foreseeable future
- Transportation projects have suffered the most due to a decline in users, user payments, global trade, and changes in commuter behavior
- Healthcare projects are facing considerable strain due to the massive increase in users and finite resources
- Payment guarantees might not be met by governments due to declines in taxation revenues
- Many projects that are reliant on labor are on hold because of quarantines and this has impacted operations and management activities
- Utilities are struggling because unemployed users are unable to pay for the services provided
- Existing PPP legislation has not considered severe pandemic events

PPP sectors Most Promising in a Post-COVID-19 era

The most identified promising sectors were the following in decreasing order -

- healthcare 39.4%;
- digital infrastructure 17.7%;
- renewable energy/power 8.6%;
- transportation 7.5%;
- education 7.1%;
- agriculture 7.1%;
- water and sanitation 6.4%;
- tourism and leisure 1.5%;
- waste management 1.5%;
- social housing 1.1%;
- prisons 1.1%; and defense 0.8%.



PPP sectors Most Promising in a Post-COVID-19 era

The sectors with the most potential - by region - identified by survey respondents in decreasing order are as follow -

- Africa - healthcare; digital infrastructure; agriculture; renewable energy; and water and sanitation
- Asia - healthcare; digital infrastructure; education; agriculture; and renewable energy;
- Australia - social housing and healthcare
- Europe - Healthcare; digital infrastructure; smart transportation; renewable energy; and social housing
- Middle East - healthcare; smart transportation; education, digital infrastructure; and water and sanitation
- North America - healthcare; digital infrastructure; power / energy; and transportation
- South America - healthcare; digital infrastructure; and transportation

PPP sectors Most Promising in a Post-COVID-19 era - Observations

- Although healthcare was considered one of the most vulnerable sectors, it is also considered the most promising for future PPPs.
- This is not surprising due to the awareness that the healthcare sector was woefully unprepared for the impacts of the pandemic.
- Green, renewable and smart technology reliant sectors are also seen as promising sectors for PPPs in the future by the survey respondents.
- These include agriculture (food security); digital infrastructure (improved broadband, systems supporting e-commerce, ITC, etc.); renewable power and energy; and transportation (green and alternative transportation modes that improve mobility); and education (especially remote learning platforms).
- It is of concern that tourism / leisure which are drivers of growth and a mainstay of economic activity in emerging economies was seen as a less attractive sector by respondents. However, the need for green tourism was mentioned.

Help Needed from Development Banks, Donors, Investors, and Developers

- **Additional Technical support** - the provision of technical assistance to help overwhelmed PPP units; support that improves knowledge transfers; providing advisory support to contracting authorities that addresses new procurement realities; offering technical support to revisit project financial models; and helping with improving feasibility studies
- **Fast Tracking Capacity Building** - providing support to strengthen PPP programmatic offices (units) and retraining their staff for new challenges; and additional institutional capacity building that helps with knowledge transfers
- **Supplementing Financial Support** - development of new and innovative project development funds to assist with project financing and liquidity; restructuring of debt repayment schedules; providing bridge loans; postponing of short-term debt obligations (6 months to a year) on a case-by-case basis for PPP projects with considerations of grace periods and credit enhancements; refinancing projects if necessary; exploring competitive financing solutions; providing direct financial support to sectors that are most impacted (i.e. tourism and transportation); and providing compensation for losses and higher costs

Help Needed from Development Banks, Donors, Investors, and Developers

- **Enhancing Stakeholder Collaboration** - making decisions together with improved communications between parties; improving trust between the public and private sectors
- **Improving Communication** - improving communication channels between project partners; and keeping all funders/ financiers of projects informed about decisions made by the greater PPP teams
- **De-Risking Projects** - finding ways to de-risk investments (possible through new de-risking tools and better risk assessments) thereby reducing costs of entry and interest rates; providing grants for better feasibility and due diligence studies and project preparation; addressing currency risk in volatile situations; and offering support for international guarantee packages and trust funds that could attract investors
- **Guaranteeing Packages for Force Majeure Events** - exploring and developing project clauses measure that would cover future pandemic force majeure events (improved insurance for force majeure); suspending punitive penalties for non-performance during the pandemic
- **Improving PPP Project Contracts** - exploring innovative types of PPP contracts that are more flexible regarding unexpected catastrophic events

Help Needed from Development Banks, Donors, Investors, and Developers

- **Cultivating PPP advocacy** - between the public and private sectors; stakeholders, and political interest groups; and developing new funding ecosystems and environments that are conducive to investment in a post-covid-19 environment
- **Reprioritizing PPP Programs and Pipelines** - Helping authorities to develop sustainable and resilient projects in new priority areas through conservative and pragmatic planning; improving tools that can truly assess the health of current projects; restructuring projects to match new realities and exploring new ways to incentivize investors; helping developing ways to avoid meritless projects; and focusing on projects that improve the livelihood of people
- **Helping Develop Targeted PPP Reforms in countries** supported by new responsive guidelines and revised legal frameworks;
- **Improving and Refining Project Procurement and Management Best Practices** - introducing new performance assessment tools; identifying key failures and avoiding them in the future; improving transparency and competitiveness in PPP procurements; improving ways to deploy PPP project procurements; and improving contract negotiations
- **Embracing Innovation Incentivization** - developing metrics to evaluate innovative ideas to repurpose present and future projects and incentivize out of the box solutions

Positive opportunities in a Post-Covid-19 Pandemic Era

It was felt that the pandemic aftermath will lead to opportunities that -

- **Enhance and Improve PPP contracts** - especially in the areas of force majeure impact actions stipulated in contract clauses; more flexible contract provisions that enhance project “survival” by allowing proactive mitigations in a crisis; and slimmer and more streamlined contracts
- **Implement legal reforms** that embrace new sustainable PPP policies and limit bureaucratic barriers that hinder innovative, flexible, robust and responsive PPPs
- **Streamline and introduce mandatory planning, procurement and implementation of future PPP projects** - with referencing to improved assessments of project feasibility, value for money, value for people, value for the future, sustainability, and resilience; enhanced project selection criteria that are tied to sustainable development goals; and enforcement of robust streamlined feasibility studies that will allow the selection of meritorious, viable and resilient projects
- **Change social contracts and increase the focus on People First PPPs**

Positive opportunities in a Post-Covid-19 Pandemic Era

- Pioneer paradigm shifts in ways that governments will implement PPPs in the future; and critical thinking about why PPPs are chosen as a procurement option
- Redefine PPP priorities that will focus on economic recovery and achievement of the SDGs
- Highlight the increasing importance of a new generation of smart projects - especially in healthcare, education and IT sectors
- Herald in a preference for smaller projects - instead of large risky mega-projects
- See a geopolitical leveling of the playing field between the North and the South - caused by innovation and technological leap-frogging
- Demand greater collaboration between domestic and international investors and stakeholders; and redefining what partnerships mean in PPPs

Positive opportunities in a Post-Covid-19 Pandemic Era

- **Allocate of project risk better** - with improved approaches to due diligence on project risk profiles; recalibrated insurance models and a redefined approach by insurers such as MIGA
- **Necessitate financial reforms** - that recognized the potential of future shocks to the world's economic systems; and improved financial regulations regarding financing of PPP projects; and the introduction of refinancing flexibility and new financial models, products, new investment approaches
- **Necessitate financial reforms** - that recognized the potential of future shocks to the world's economic systems; and improved financial regulations regarding financing of PPP projects; and the introduction of refinancing flexibility and new financial models, products, new investment approaches
- **Improve dialogue and collaboration between the public and private sectors** due to dwindling resources and the need to leverage existing resources
- **Adopt lessons learned during the pandemic** to improve the practice of PPPs by PPP professionals (especially in crises management and shared decision making)

Positive opportunities in a Post-Covid-19 Pandemic Era

- Encourage more and improved cross-border (transnational) PPPs that integrate economies in the globalizing world

Closing Comments

- Although one would expect that many respondents would be jaded by the current impacts of the coronavirus pandemic, it was interesting to note a continuing pragmatic enthusiasm for PPPs.
- Respondents made it clear in their responses that the way of doing PPPs has changed and that PPP programs are facing a paradigm shift.
- Practitioners pointed out that it is time for refocused and more relevant projects, that are more defensible, sustainable and resilient, and which include improved collaboration and cooperation between the public and private sectors in redefined partnerships.
- People First PPPs are going to play an increasingly important role

Questions?

Biographical Information

I am originally from South Africa and lives in the USA. I am is the co-chair of the annual Istanbul PPP COE conference and a close collaborator with the center. Additionally I am a close collaborator with the AP3N network and a Senior Advisor to the International Sustainable Resilience Center for PPPs (ISRC) in New Orleans and a Steering Committee member of WAPPP. I am a freelance international development consultant and PPP navigator with 30 years of experience with international clients located in Africa, North and Central America, the Middle East, Europe, and Asia. Many client projects were sponsored by development/donor agencies including USAID, MCC, ADB, the Dutch Foreign Ministry, the African Development Bank, and the World Bank.

Much of my PPP experience came from the time I was the Director of the Institute for Public Private Partnerships (IP3).

Email - baxterintdev@gmail.com

LinkedIn - <https://www.linkedin.com/in/david-baxter-33531b15/feed/>

Skype - david.baxter22209

WhatsApp - +17034623661



Consulting Services – With an African Touch

I am an advocate of African PPPs that deliver Sustainable and Resilient Infrastructure projects that are –

- Planned, designed, financed, constructed, operated, maintained, and decommissioned in a innovative manner that supports ongoing economic development and which are future proofed
- Competitive, transparent and innovative
- Which advance social, economic, environmental and institutional sustainability over the full life cycle of the project

Consulting experience includes –

- Program and Project Planning, Procurement, and Implementation (Management)
- Policy Development and Analysis
- Strategic Sustainable and Resilience Planning
- Project Risk Identification
- Stakeholder Management
- Infrastructure and PPP Feasibility studies
- PPP Implementation Best Practices and Procurements
- Proposal Writing and Project Capture
- Institutional Capacity Building

Locations of Project Countries & Collaborations



For more details on projects and collaborations go to next slides

Selection of Past Clients & Collaborations



Additional Readings



Disasters - Is the Resilience Dialogue Bankrupt?

David Baxter on LinkedIn

August 10, 2020

<https://www.linkedin.com/pulse/disasters-resilience-dialogue-bankrupt-david-baxter/>



60 Years of Squandered African International Development Aid, Time to Implement PPPs with Integrity

David Baxter on LinkedIn

July 27, 2020

<https://www.linkedin.com/pulse/60-years-squandered-african-international-development-david-baxter/>