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PROJECT DEVELOPMENT FUNDS (PDFs)

Supporting project preparation to structure successful public-private partnerships (PPPs)

A Primer



WORLD BANK GROUP
Infrastructure Finance, PPPs & Guarantees

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LIST OF ACRONYMS

ADB	Asian Development Bank
AEP	BNDES Project Development Division
BANOBRAS	Mexico national development bank
BAPPENAS	Indonesia Ministry of National Development Planning
BNDES	Brazil National Development Bank
BOT	build-operate-transfer
DFI	development finance institution
E&S	environmental and social
EBP	BNDES project structuring company
FCCL	fiscal commitments and contingent liabilities
FONADIN	Mexico National Infrastructure Fund
GDP	gross domestic product
GIF	Global Infrastructure Facility
GIH	Global Infrastructure Hub
GIIF	Ghana Infrastructure Investment Fund
IADB	Inter-American Development Bank
IDC	indefinite delivery contract
IGF	Indonesia Guarantee Fund
IIFCL	India Infrastructure Finance Company Limited
IIPDF	India Infrastructure Project Development Fund
IIPSA	Infrastructure Investment Program for South Africa
IPDF	Indonesia Project Development Fund
MoF	Ministry of Finance
NEDA	Philippines National Economic and Development Authority
NITI Aayog	India National Institution for Transforming India (formerly Ministry of Planning)
OBC	outline business case
PAD	project appraisal document
PDF	project development fund
PDMF	Philippines Project Development and Monitoring Facility
PFF	Kenya Project Facilitation Fund

PIF	public investment fund
PIM	public investment management
PIU	India Private Investment Unit (formerly PPP Cell)
PPI	Private Participation in Infrastructure
PPP	public-private partnership
PPPAC	India Public-Private Partnerships Appraisal Committee
PSAT	World Bank Project Screening and Analytics Tool
PT SMI	Indonesia PDF facility implementer
QBS	quality-based selection
SDG	Sustainable Development Goal
SDIP	Sustainable Development Investment Partnership
SHCP	Mexico Secretary of Finance and Public Credit
USP	unsolicited proposal
VfM	value for money
VGF	viability gap fund
WBG	World Bank Group
WEF	World Economic Forum

GLOSSARY

development partners	Development partners refers to multilateral or bilateral development banks, or any other form of official development assistance.
implementing agencies	Government agencies empowered to prepare and implement public-private partnership (PPP) projects.
project development fund	Project development funds are funds created by governments to support project preparation activities for PPPs, including feasibility studies and transaction advisory work leading to commercial and financial close. They are often funded from a government's budget but may also receive funding from other sources.
PPP enabling environment	Broader than the PPP framework, the PPP enabling environment encapsulates relevant laws, regulations, and guidance that are not restricted to PPP-specific instruments but nonetheless impact PPP projects. For example, this could include investment laws, banking laws, and environmental laws, etc.
PPP framework	The collection of PPP laws, regulations, and guidance that applies to the development and implementation of PPP projects within a country.
PPP project cycle	Encapsulates the full project development process. Within the PPP project cycle, upstream refers to project identification and preliminary project assessment (up to pre-feasibility study), and downstream refers to project preparation and tender leading to commercial and financial close (transaction advisory).
PPP unit	Central PPP institution, typically responsible for working with implementing agencies to support the implementation and management of public-private partnerships.
Primer	This report, which captures findings on project development funds and their contribution to the overall success of PPP programs, and provides recommendations to government practitioners considering their implementation.
value for money	A calculation or assessment of the merits of undertaking a PPP project, frequently as compared to the merits of undertaking the same project through another procurement alternative. Such an assessment is often undertaken when determining whether to pursue a project as a PPP or via public procurement. It may also be used as a point of comparison for bids or for ex-post project evaluation.

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This Primer continues a previous phase of the Building Stronger Institutions to Deliver Better PPPs program that was led by Jane Jamieson and Bailo Diallo, which detected, among other issues, PPP project preparation as one of the key bottlenecks for the development of successful PPP programs. The program was partly funded by the Public-Private Infrastructure Advisory Facility (PPIAF). PPIAF, a multidonor trust fund housed in the World Bank, provides technical assistance to governments in developing countries. PPIAF's main goal is to create enabling environments through high-impact partnerships that facilitate private investment in infrastructure. For more information, visit www.ppiaf.org.

EXECUTIVE SUMMARY

Project development funds (PDFs) are dedicated vehicles that governments establish to systematically support the preparation of public-private partnerships (PPPs). The lack of adequate and consolidated resources to appropriately evaluate and prepare potential PPP projects is a key constraint faced by many PPP programs, and inhibits the ability of PPP projects to raise private investment. PDFs are generally established to address this challenge, by providing dedicated and centralized funding for PPP project preparation that is not subject to the constraints of typical government budgeting processes. Moreover, they often go beyond the provision of funding to address a range of challenges that can undermine the provision of high-quality and efficient PPP project preparation. By driving a cultural shift to encourage a greater consideration of PPPs, PDFs also serve as tools that can support overall government policy for, and signal political commitment to, the use of PPPs.

PDFs have contributed to the successful implementation of PPP projects, which can serve to support the increased private investment that will be critical if the United Nations Sustainable Development Goals (SDGs) are to be achieved. PDFs have directed significant funding to the preparation of PPP projects and contributed strongly to PPP projects reaching financial close and implementation. They have also supported the building of critical PPP capacity within governments and driven private sector confidence in PPP programs. These impacts help to increase private investment in infrastructure, a critical source of finance to support the achievement of the US$2 trillion to US$3 trillion of investment per year estimated to be necessary to achieve the SDGs. Although PDFs are not a panacea—they must be supported by a conducive PPP enabling environment and are often accompanied by other reforms—they can support the transmission of infrastructure development good practices. However, PDFs require deliberate design and management to be successful, and a wide range of issues—from legal status and governance to sustainability—need to be considered prior to their implementation.

This primer on project development funds (hereafter, "Primer") seeks to capture and distill lessons for public sector and other PPP practitioners related to how and why PDFs are established, and how best to enable them to contribute to the success of PPP programs. Through its review of PDF and other relevant experience, this Primer seeks to identify lessons learned and success factors that influence the design and operationalization of PDFs. It aims to paint a clear picture of how and why PDFs can support the development of PPP programs to assist policy makers in understanding whether a PDF can help to address their particular PPP program challenges. Where practitioners are developing a PDF, this Primer provides detailed information on PDF design features to assist them in establishing a PDF that will deliver on its objectives.

PDF Design Findings

There is no one "right" PDF design, only a PDF design that best supports project preparation in a particular jurisdiction. PDFs take a wide range of forms, whether an independent legal entity with complex revolving features intended to support a large number of projects, a much simpler separate line item in the budget, or anything in between. Ultimately, they are tools and must be designed to work within an existing

environment for existing users. Their effectiveness therefore depends on how well they address the project preparation challenges facing PPPs in a specific country. Despite the fact that PDF design is necessarily contextual, there are clear lessons that may be useful to practitioners to develop effective PDFs. Key questions that should be addressed when considering, designing or implementing a PDF are captured in the figure below, along with a reference to where they are covered in the Primer. This is followed by a summary of key findings by topic.

Figure 1: PDF Design Checklist

Topic	Read more in Primer section
PDF Motivations and Experience	
What is the rationale for the establishment of a PDF and what are its key objectives?	2.1
Are there preconditions to the establishment of a PDF?	2.2
PDF Design: Structure	
What legal instruments are appropriate for the establishment of a PDF?	3.1
How can a PDF's legal structure support its effectiveness?	3.1
Where should a PDF be situated within government?	3.2
What governance structure is appropriate for a PDF?	3.2
How (and by whom) should a PDF's day to day operations be administered?	3.3
PDF Design: Funding	
What sources of funding should a PDF expect to access?	4.1
What level of funding is necessary to support PDF operation?	4.2
Should PDFs incorporate revolving features that may improve financial sustainability, and if so, how?	4.3
PDF Design: Project Selection	
What users, projects and activities should be eligible for PDF support?	5.1
How advanced should projects be in order to access PDF support?	5.2
What other eligibility criteria may be considered to allocate PDF funding?	5.3
What project implementation arrangements can support the effective use of PDF funds?	5.4
PDF Operational Considerations	
What considerations should be taken into account when staffing a PDF?	6.1
How can PDFs drive demand for their services?	6.2
What role should a PDF play in advisor procurement and management?	6.3
How do PDFs report on and monitor performance?	6.4

Designing an Effective PDF: Structure

PDFs function within and alongside the broader PPP enabling environment, which often underpins a PDF's structure. Although there are exceptions, PDFs are most often established as part of a country's PPP framework, and are enabled within PPP legislation. They are typically governed by an independent committee or board, whose composition resembles broader PPP governance structures thereby supporting alignment between the PDF and PPP policy. PDFs are generally located within an existing institution—generally the central agency responsible for the PPP program, which also commonly houses the PPP unit and is often responsible for PDF administration. This model provides a number of benefits, including allowing the PDF to leverage scarce capacity and existing relationships, create a "one-stop shop" for PPP program tools and support, and build traction and engagement between PPP units (armed with project preparation funding) and implementing agencies.

PDF legal structures vary considerably, but they are typically focused on enabling the functionality necessary to fund PPP advisory services. Effectively managing the high costs, long timeframes, and expertise requirements associated with PPP advisory services often requires functionality that may not be enabled under existing financial management or public procurement rules. PDFs are, in many cases, special purpose bank accounts, operated by governments to disburse funds for project preparation. The legal structure of a PDF is therefore often designed around ensuring the PDF bank account can function as required. This often, but not always, requires the creation of a separate legal entity, depending on the specific needs of the PDF and the financial management policies of the country in which it operates.

Designing an Effective PDF: Funding

Although PDFs are more than just a funding source, a PDF's funding model is central to its ability to deliver on its objectives. PDFs are generally designed to address funding challenges; however, they must still raise funds in order to function, often from constrained sources. PDFs that have lofty ambitions, but insufficient funding, will fail to deliver. Determining how to fund a PDF requires making decisions on where the funding will be sourced, how much will be required both initially and over time, and whether the PDF will seek to operate on a self-sustaining basis.

Government contributions are by far the most common form of funding for PDFs, highlighting that PDFs do not often relieve governments of carrying the burden of PPP project preparation costs. The majority of PDFs are funded either entirely, or in large part, through government contributions. Development partners have provided extensive support for PPP project preparation, but the use of development partner funds to capitalize a PDF is relatively uncommon. Development partners have also financed programmatic project preparation through specific lending operations, which enables support for a country's PPP program, but does not directly capitalize a PDF. Private investment in PDFs is likely to remain limited in many PPP markets.

PDFs do not require large initial capitalization, and funding requirements are largely driven by the size of the PPP pipeline. The number of projects a PDF aims to support is a key driver of PDF funding requirements, because the majority of PDF costs are a function of project preparation costs. Although a large PPP program could require substantial capital, expected funding requirements do not need to be available at the time the PDF is established, and many countries have established successful PDFs with US$20 million or less. A smaller initial PDF size may be particularly appropriate for supporting less developed PPP programs to allow time to build capacity and experience. In all cases, political commitment is necessary to ensure sufficient funding allocations over the life of the PDF.

The use of revolving features can stretch scarce project preparation funds, but financial sustainability is elusive. The sustainability of a PDF, in particular the need for ongoing funding contributions, can be influenced by the use of revolving features, which enable the PDF to recover the costs of project preparation. Revolving features typically include success fees, which the private partner is obligated to pay upon successful closure of the project, and in some cases reimbursement requirements for unsuccessful projects. Although these revolving features can reduce the need for external funding to support the PDF's costs, they are unlikely to fully alleviate the need for government funding. In addition to supporting cost recovery, revolving features are expected to support increased focus on project success and ownership by implementing agencies. However, they can also undermine a PDF's attractiveness as a source of funds and

can bias project selection against early-stage or more challenging projects. As a result, the use of such features should be carefully considered.

Designing an Effective PDF: Project Selection

The scope of a PDF, which guides overall project selection, is often inextricably linked with the overall PPP framework within a country. The range of projects and users that a PDF will support is often linked to the definition of a PPP and relevant institutions in a country's PPP framework. Most PDFs provide support across a wide range of infrastructure and social sectors, with a focus on public sector-driven PPP project preparation (although some PDFs support unsolicited proposals). A narrow mandate to support specific sectors or project types is not common, and may limit the PDF's flexibility.

The point at which a PDF engages in the project development process is a critical design decision. PDFs typically fund all aspects of PPP project preparation and transaction advisory required across the typical PPP project cycle to structure and tender a viable project. However, PDFs must determine how "ready" or developed a project should be to access PDF support. Determining an appropriate point when projects can access the PDF 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. Supporting projects in earlier stages of development can help to ensure sufficient demand for PDF support and avoid gaps in project development support, but may also lead to a higher number of projects supported by the PDF which are not ultimately implemented as PPPs.

PDF eligibility criteria tend to reflect project assessment criteria found within the PPP project approvals process. PDFs cannot support all PPP projects in a country, and applications for PDF support are generally reviewed on a rolling basis, with funding provided on a first-come, first-served basis. Eligibility criteria guide PDF funding decisions and tend to closely reflect the project assessment criteria used more broadly within the PPP project cycle. However, given the importance of implementing agencies in driving PPP project development, additional weight is often placed on evaluating their commitment to PPP project implementation to help allocate PDF funding to projects with a higher likelihood of success.

Key Issues in PDF Operationalization

Specialized skill sets are often required for the effective performance of PDF functions but can be hard to find. The role of a PDF strongly influences staffing requirements, with some PDFs serving only to allocate funding, and others engaging heavily in interacting with implementing agencies, and procuring and managing PPP advisors. This means that appropriate staffing levels and costs vary considerably across PDFs. Despite varied staffing levels, most PDFs will require technical experts who are well-versed in PPP policy and PPP frameworks, transaction requirements and contract structures, as well as procurement. The requisite skill sets are, however, often difficult to find in many countries. To address these challenges PDFs often leverage external resources, either through development partners or, less commonly, local development finance institutions (DFIs), to supplement internal capacity.

Ensuring demand for PDF support requires a focus on the needs of implementing agencies. A key challenge for many PDFs is receiving sufficient, suitable applications from implementing agencies. Overcoming this challenge requires addressing issues such as a lack of interest in PPPs, concerns about a loss of control over project development, and a lack of capacity to identify and assess PPP projects. PDFs should adopt a

demand-led approach by thinking of implementing agencies as clients. A PDF's services should be tailored to implementing agency needs, which should be continually assessed over the life of the PDF, both to attract new users and to stay relevant for those with increased PPP experience and capacity.

Procurement and management of PPP advisors are core functions for many PDFs. PDFs are seen to play a critical role in maintaining consistent and appropriate quality standards that support both PPP projects and the development of the local PPP advisory market. This often translates into supporting procurement and advisor management, including through the empanelment of advisors, to expedite the procurement process and help to ensure the quality of advisory support.

Key Lessons for Practitioners

The following lessons can help to guide practitioners as they consider the design and implementation of PDFs.

Figure 2: Summary of Key Lessons for Practitioners

1. Ensure that the PPP enabling environment is sufficiently well developed to support appropriate preparation and implementation of PPP projects.
The PPP framework is often a critical building block for PDF design, and it, and the broader PPP enabling environment, must be sufficiently developed if PPP projects are to be successfully implemented. Without a conducive environment, PDFs are unlikely to be able to grow the PPP program. ▪ Prior to developing a PDF, assess the PPP enabling environment, and identify key barriers to effective project preparation and implementation. Ensure key challenges are either addressed prior to or in parallel with PDF development, or are otherwise reflected within PDF design. ▪ Where internal resources for addressing challenges are not sufficient, seek development partner support to assess and help address PPP project preparation and implementation challenges.
2. Determine a PDF's role within the PPP project preparation landscape early in the PDF design process.
A PDF is only one part of the project preparation puzzle, which relies on and co-exists with other sources of support. PDF design is therefore strongly impacted by the specific role it is expected to play, as defined by its scope, the nature and volume of projects it is intended to support, how those projects are expected to be developed up to the point of PDF intervention, and the nature of PDF engagement in projects it supports. In particular, where sufficient funding is not available for upstream project identification and prioritization, PDFs may be unable to achieve their objectives. ▪ Assess the resources available across the entire project preparation landscape, including funding for upstream project development to ensure that a PDF's design is consistent with the likely PPP project pipeline. ▪ Engage early with implementing agencies to identify project preparation challenges and design the PDF to reflect them.
3. Ensure PDF funding strategies are realistic and consistent with a PDF's broader goals.

PDFs are predominately funded by governments and therefore do not typically relieve governments of the burden of supporting the costs of PPP project preparation. Initial PDF funding strategies should generally focus on government funding as a main source. Small initial capitalization amounts are not uncommon. However, strong, continued political commitment will be necessary to drive the recurring or multi-year government funding allocations necessary to ensure a PDF is financially secure, because few PDFs are financially sustainable. PDFs that are not sufficiently funded over time are unable to meet their objectives.

- PDF funding strategies should generally focus on determining the government funding allocation that can be made available, both initially and over time. Other sources should only be included in funding strategies where there is clarity that they will materialize. In particular, PDF design should acknowledge the challenges and/or implications of financial sustainability objectives.
- Revolving features should be implemented where they are likely to support, or at least not undermine, a PDF's ability to achieve its objectives. Care should be taken to design revolving features that do not unduly impact project viability or implementing agency interest.

4. Determine PDF structure based on how to best enable the functionality a PDF requires to achieve its objectives.

PDFs are not usually institutions, nor do they have a personality of their own. Rather, they are more often seen as tools that should, therefore, be shaped to meet the needs of their users. Consequently, a PDF's structure is only important to the extent that it provides the flexibility and functionality necessary to support successful PPP projects. How that functionality is translated into a formal PDF structure will vary considerably from one country to another, depending on local context.

Smaller economies and less developed PPP programs, in particular, may benefit from lighter PDF structures, which are less challenging to implement and which entail lower upfront resource commitments. PDF structures can then evolve to accommodate more sophisticated features or other PDF contributors as necessary.

- A PDF's structure should be dependent on local context and based on how best to deliver the PDF functionality required to enable the efficient delivery of high-quality project preparation. Key factors that should be well understood include public financial management and procurement requirements.
- PDF structure should be designed based on an assessment of project preparation challenges, PPP program needs, and funding sources available in the near to medium term, and the structure's effectiveness should be re-evaluated as conditions change.

5. Ensure PDFs are user-focused and able to evolve over time to maintain relevance.

PDFs provide a support service. Their ability to be successful depends entirely on how well that service is leveraged by implementing agencies. Where successful, PDFs can facilitate PPP program growth and increased experience with PPPs. As a result, the project preparation challenges experienced by implementing agencies, as well as the implementing agencies themselves, will change. These changes

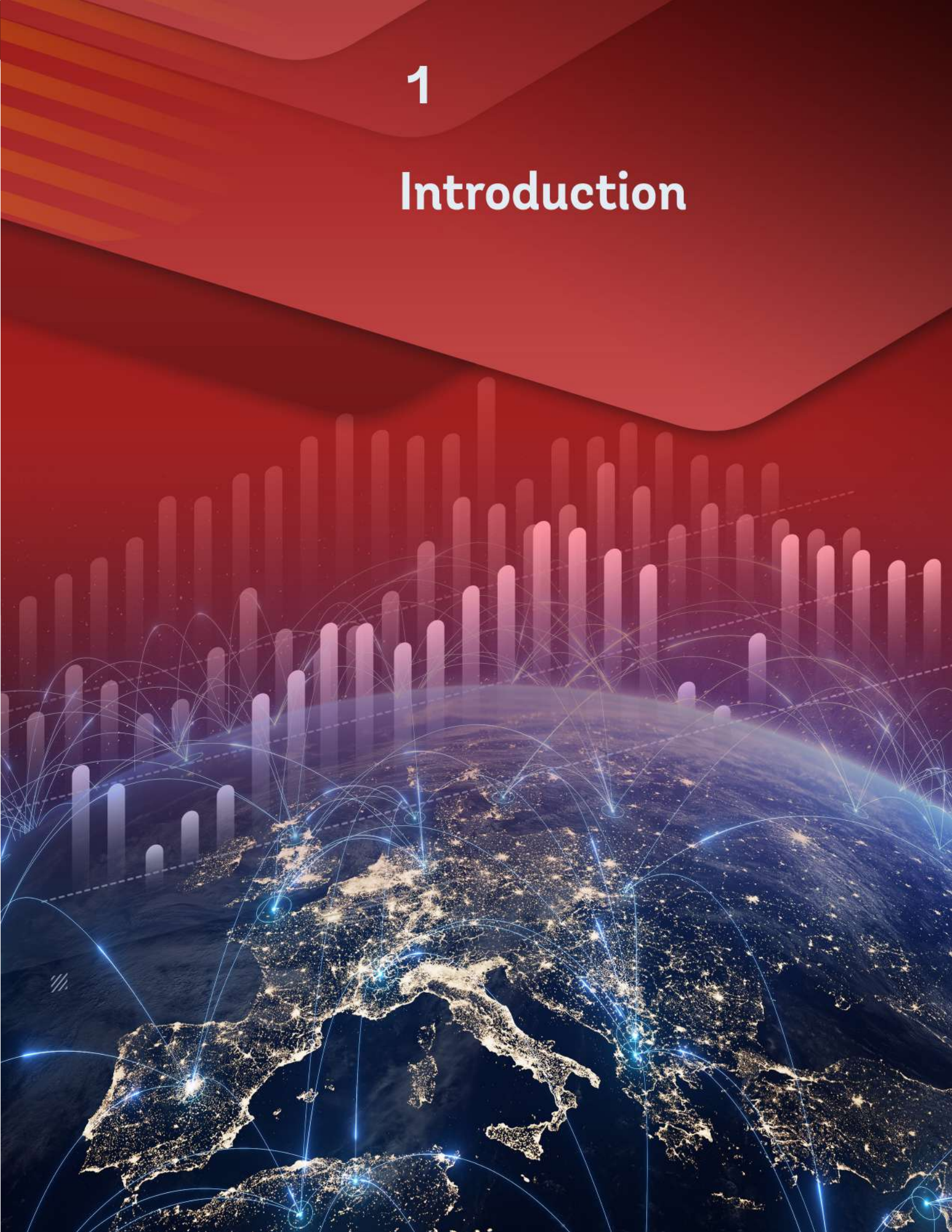
will in turn require a PDF's services to evolve alongside its users, and the PPP enabling environment, if they are to stay relevant.

Given this expectation, PDF design should recognize that PDF scope, structure and/or funding strategy may need to change to meet PPP program and implementing agency needs.

- Ensure that PDF design enables strong implementing agency project ownership.
- Allow sufficient flexibility within PDF design to enable PDF operations and offerings to evolve to meet changing challenges and requirements.
- Regularly review the PDF service offering and user requirements to lay the groundwork for necessary adaptations.

1

Introduction



1 INTRODUCTION

Governments are constrained in their ability to invest sufficiently in infrastructure development. Governments have long been unable to meet infrastructure investment needs due to fiscal constraints that limit public investment. These constraints have been exacerbated by recent economic shocks, including the COVID-19 pandemic, the conflicts in Ukraine and the Middle East, and high inflation. Economic retraction, and fiscal responses to address these shocks, have led to a further increase in sovereign debt. For example, the average total debt burdens among low- and middle-income countries increased by roughly 9 percentage points of gross domestic product (GDP) during the first year of the pandemic, 2019-20, compared with an average increase of 1.9 percentage points over the previous decade.[1] The tightening of global financial conditions over recent years, combined with a long-term slowdown in potential growth,[2] has created significant additional fiscal constraints for governments looking to invest in infrastructure development**.**

Attracting private investment into infrastructure and basic services is critical to meeting growing demand for infrastructure and to achieving the United Nations Sustainable Development Goals (SDGs). Today, nearly all developing countries have successfully brought an infrastructure public-private partnership (PPP) to market, and many governments are looking to the private sector to help finance and deliver infrastructure investment. However, achieving the SDGs will require US$2 trillion to US$3 trillion of investment per year through 2030,[3] an unprecedented and unaffordable increase in global public sector funding obligations. According to the World Bank's Private Participation in Infrastructure (PPI) Database, PPI investment in 2022 totaled US$91.7 billion across 263 projects, representing 0.25 percent of the GDP of all low- and middle-income countries. This represents an increase of 23 percent from 2021, and signifies that 2022 commitments are now 4 percent higher than the previous five-year average (2017-2021), demonstrating an impressive recovery following the COVID-19 pandemic.[4] However, even with recent increases, investment levels still fall far short of those required to achieve SDGs.

It is more important than ever that governments invest in quality project preparation if they are to increase private investment in infrastructure. PPPs are key instruments used to enable private investment; however, effectively delivering PPP projects is not straightforward. Early-stage PPP project identification is recommended to consider: strategic suitability, preliminary feasibility, risk assessment, PPP suitability, fiscal affordability, institutional capability, climate change risk exposure, and climate-smart PPP suitability.[5] Full project preparation requires further work, and the successful implementation of PPPs has been directly linked to the appropriate completion of this work, in particular to projects which demonstrate an

[1] WBG (World Bank Group). 2022. *World Development Report*.
[2] WBG. 2023. *Global Economic Prospects*.
[3] UN (United Nations). 2016. *United Nations Conference on Trade and Development's World Investment Report*.
[4] WBG. 2022. *Private Participation in Infrastructure (PPI) Annual Report*. https://ppi.worldbank.org/content/dam/PPI/documents/PPI-2022-Annual-Report.pdf.
[5] These parameters are based on the World Bank's Project Screening and Analytics Tool (PSAT). The PSAT tool can be found here: https://ppp.worldbank.org/public-private-partnership/library/ppp-project-screening-and-analytics-tool-psat-2-0.

appropriate risk allocation[6] and economic and social viability,[7] and which are subject to competitive pressure during tendering.[8] Quality project preparation is, therefore, a prerequisite for PPP program growth, which is even more critical in light of the fiscal constraints noted above that are driving strong competition for private capital.

Project Preparation Challenges

PPP project preparation is expensive, and a lack of resources to prepare projects is a key impediment to the success of PPP programs. PPP project preparation is typically more costly than the preparation of conventionally delivered projects.[9] This is often because PPP projects are inherently complex and their preparation requires additional evaluation to determine project viability, including the assessment of project risks and their allocation, value for money (VfM) analysis, and study of requirements for government support and the corresponding fiscal implications of such support.[10] PPP project preparation costs are frequently estimated in the range of 5 percent to 12 percent of total investment costs.[11] However, the high upfront costs associated with PPP project preparation can become a practical barrier to their use, and funds allocated for project preparation in developing countries are significantly lower than in more developed jurisdictions.[12] This barrier can be especially high when governments face tight fiscal constraints, or when decision-makers do not perceive the value of PPPs as sufficient to justify their cost to prepare.[13] The lack of adequate resources to appropriately evaluate and prepare potential PPP projects is a key constraint faced by many PPP programs.[14]

However, a lack of available funding for project preparation is not the only challenge that countries face when developing PPP projects. A number of additional challenges impede adequate PPP project preparation, including:

- **Weak PPP framework.** A weak PPP framework reduces a government's ability to identify, screen, prioritize, and prepare projects. This can create bottlenecks for project preparation.[15] In addition, PPP environment weaknesses disproportionately impact lower-income countries, creating larger gaps in project preparation and longer average lead times to prepare projects.[16]
- **Insufficient capacity.** PPP project preparation is more complex than the preparation of public

[6] Li Bing, A. Akintoye, P. J. Edwards, and C. Hardcastle. 2005. "Critical Success Factors for PPP/PFI Projects in the UK Construction Industry." *Construction Management and Economics Journal*; Osei-Kyei, R., and A. P. C. Chan. 2015. "Review of Studies on the Critical Success Factors for Public–Private Partnership (PPP) Projects from 1990 to 2013." *International Journal of Project Management*.
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[13] ADB. 2016. *A Project Development Fund for Mongolia's Public-Private Partnerships.*
[14] WBG. 2021. "Issues Paper: Identifying Critical Factors for Success and Challenges of Implementing a PPP Program." Unpublished.
[15] WEF (World Economic Forum). 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[16] WBG. 2018. *Procuring Infrastructure PPPs*.

infrastructure projects, and generally requires a broader range of skills, including technical, economic, social, environmental, and financial expertise.[17] As a result, government practitioners may lack the capacity to properly oversee advisors. This can lead to low-quality advisory support,[18] and consequently, unrealistic project scenarios and delayed or failed projects.[19]

- **Practical budgetary challenges.** Governments are often reluctant to make provisions from centralized or line ministry budgets for structuring PPP projects due to the high perceived cost of professional advisors[20] as well as a preference for allocating funds to capital expenditures. In addition, the length of time that PPP projects take to prepare,[21] which averages three years, creates practical challenges for budgetary support to project preparation, given that many governments operate on an annual budget cycle and cannot allocate the necessary funds under a single budget. Even where an adequate budget is allocated to retain necessary advisors, other challenges may undermine its effectiveness, for example: public procurement rules that focus on lowest cost as opposed to best value, or budget rules that limit expenditures on consultants over certain cost thresholds, can create challenges for the selection of qualified advisors.

Project Preparation Financing

Despite practical challenges, budgetary allocations currently provide the majority of funding to support project preparation. In Sub-Saharan Africa, it is estimated that 70 percent to 80 percent of project preparation funding derives from the government budget cycle.[22] However, the practical budgetary challenges noted above can lead to preparation work of inadequate quality or the preparation of an insufficient number of projects, particularly when exacerbated by the fiscal space constraints facing many developing countries. In some cases, countries have turned to unsolicited proposals (USPs) as a means of filling the preparation gap. However, a review of USP experience does not indicate that they allow public agencies to overcome project preparation capacity constraints,[23] because the processing and award of USPs also requires significant capacity to protect government interests and drive VfM, even where projects are directly negotiated.

Development partners have established a number of facilities that provide project-by-project preparation support, but which are not designed to provide programmatic support across a country's PPP project pipeline. These facilities, as shown in Figure 2, can be global in coverage or may be restricted to certain types of projects, for example those within a geographic area or sector, or projects which address a particular theme.[24] For example, the Global Infrastructure Facility (GIF), housed in the World Bank,[25] is a

[17] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[18] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[19] Leigland, J. , and A. Roberts. 2007. *The African Project Preparation Gap*. PPIAF Gridlines/World Bank Group.
[20] ADB. 2012. PPP Operational Plan 2012-2020.
[21] Fioravanti, R., C. Lembo, and A. Depp. 2019. *The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.
[22] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[23] WBG. 2018. *Policy Guidelines for Managing Unsolicited Proposals in Infrastructure Projects*.
[24] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[25] WBG. 2023. "Financial Intermediary Funds: Global Infrastructure Facility." https://fiftrustee.worldbank.org/en/about/unit/dfi/fiftrustee/fund-detail/gif.

global platform funded by a range of development partners that supports PPP project preparation with the objective of mobilizing private sector and institutional investor capital[26]. Although these facilities provide support to develop individual projects, they are not able to support all, or even a majority of projects in a given country and are, rather, intended to complement national project preparation. Governments seeking support from these facilities are advised to carefully consider the facilities with which they wish to engage, in order to manage the fit of facility service offerings, sector focus and priorities in a manner which best supports the needs of the government.[27]

Figure 3: Development Partner Project Preparation Facility Coverage

Geographic Focus	Global	Thematic Focus	Geographic and Thematic
• EBRD Infrastructure Project Preparation Facility • ADB Asia Pacific Project Preparation Facility • EU PPP Project Preparation Facility for the Southern Neighborhood	• Global Infrastructure Facility • DevCo	• Clean Technology Fund • Green Climate Fund Project Preparation Fund • C40 Cities Finance Facility	• Infraco Africa/Asia (focused on private sector initiated projects) • AfDB Africa 50 Initiative (commercially operated)

Project development funds (PDFs) are dedicated vehicles which governments establish to systematically support PPP project preparation. They are the subject of this Primer. PDFs can provide a range of PPP project preparation support, and in some instances may also support the preparation of traditionally-procured public infrastructure projects. They are often funded from government budget, but may also receive funding from development partners or even the private sector. PDFs, as defined in this Primer,[28] are fully controlled by the government, which, therefore, also has full control over project selection and funding allocation.[29] This allows PDFs to support overall government policy towards the development of PPPs, and systematically address specific project preparation challenges within a country. Their establishment is often seen as a signal of political commitment to PPP programs. However, PDFs require deliberate design and

[26] GIF provides support to define and prepare PPP projects, both on a standalone basis and potentially through government PDFs.
[27] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[28] The terminology used to describe funds which support project preparation (project development fund, project preparation fund, project preparation facility, project facilitation fund, etc.) vary and are often used differently in different publications. They are also sometimes used interchangeably. The definitions used herein have been developed to establish a common language for the purposes of discussion within the Primer.
[29] Development partners, including the World Bank, have also financed country-specific programmatic project preparation directly through specific lending operations. Like PDFs, these operations can support a wide range of PPP projects and project preparation activities in a specific country, and provide comprehensive support to a national PPP program. Unlike PDFs, however, these mechanisms are generally time limited; subject to a range of development partner requirements; and do not require the establishment of a legal or governance structure.

management to be successful, and a wide range of issues, from legal status and governance to sustainability, need to be considered prior to their implementation.[30]

Finally, governments also utilize other systematic mechanisms to support project preparation. These mechanisms are not the focus of this Primer; however, their similarity to PDFs in some circumstances enables them both to inform, and to benefit from, lessons for PDFs. These mechanisms include:

- **Ring-fenced budget support.** In some jurisdictions, budget funds can be ring-fenced to support specific objectives. For example, Chile[31] earmarks budget allocations for project preparation. Although this approach helps to ensure availability of funds, it may not resolve practical budgetary challenges. Where such allocations are subject to detailed guidance on project eligibility and fund usage, these mechanisms may resemble PDFs.
- **Local DFI project preparation support.** Where established, local DFIs often have the mandate to support project preparation, frequently in order to ensure a pipeline of bankable projects. This improves access to project preparation resources for projects which are of interest to local DFIs. But this can create conflict of interest issues, given the typical role of a DFI in financing the projects that are ultimately supported. Where decisions related to project selection and support level are both government-controlled and disassociated from any financing considerations, preparation facilities within local DFIs may resemble PDFs.

Approach and Methodology

This Primer seeks to assist public sector and other PPP practitioners who are considering PDF implementation. It aims to paint a clear picture of how and why PDFs can support the development of PPP programs to support policy makers in understanding whether a PDF can help to address their particular PPP program challenges. Where practitioners are developing a PDF, this Primer provides detailed information on PDF design features to assist practitioners in establishing a PDF that will deliver on its objectives.

This Primer focuses on understanding how and why PDFs are established, and how best to enable them to contribute to the success of PPP programs. It reviews the experience of a number of PDFs to identify lessons learned and success factors that influence their design and operationalization. Initial research was conducted to identify candidate PDFs, which are listed in the Annex. From this list, seven PDFs were selected for further research, as shown in the table below. Factors influencing the selection of these PDFs included the availability of information and the desire to reflect different regional experience. Although these seven PDFs are all national in scope, findings in this Primer are expected to be generally applicable to all PDFs, including those that have a sub-national focus.

[30] ADB. 2012. PPP Operational Plan 2012-2020.
[31] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

Figure 4: PDFs Selected for Review

Country	Region	Economy Classification	PDF Name	Year Established	Location	Description
Ghana	Africa	Lower-Middle Income	Project Development Facility (PDF)	2020	PPP Unit (MoF)	PPP-specific PDF
India	South Asia	Lower-Middle Income	India Infrastructure Project Development Fund (IIPDF)	2007	PPP Cell/Private Investment Unit (MoF)	PPP-specific PDF
Indonesia	East Asia and Pacific	Lower-Middle Income	Project Development Facility (PDF)	2015	PPP Unit (MoF)	PPP-specific PDF
Kenya	Africa	Lower-Middle Income	Project Development Fund Window (PDF Window)	2022	PPP Unit (MoF)	PDF Window within the PPP Project Facilitation Fund (PFF)
Mexico	Latin American and Caribbean	Upper-Middle Income	FONADIN (National Infrastructure Fund)	2008	National Development Bank for Public Works and Services (BANOBRAS)	Infrastructure development PDF
Philippines	East Asia and Pacific	Lower-Middle Income	Project Development and Monitoring Fund (PDMF)	2010	PPP Center (NEDA)	PPP-specific PDF
South Africa	Africa	Upper-Middle Income	Project Development Fund (PDF)[32]	2004	PPP Unit (National Treasury/ GTAC)	PPP-specific PDF

This Primer is based on publicly available information on the selected PDFs and associated PPP programs, as well as development partner documentation and interviews with both development partner and government PDF staff. However, there are few PDFs that provide extensive detail on PDF operations or regular reporting on PDF outcomes. As a result, the extent of data available for review varies considerably across the PDFs. This Primer does not, therefore, include detailed case studies of the individual PDFs, but rather presents the lessons drawn from available information, providing relevant examples to illustrate findings. In addition, although research efforts were focused on the seven PDFs identified above, publicly available information on other PDFs has also been incorporated where relevant in order to reflect the widest range of PDF experience possible.

The study of specific PDFs is supplemented by a review of relevant published studies.[33] There are few studies which include a specific focus on PDFs. Those identified include the Global Infrastructure Hub (GIH)'s *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*, which discusses lessons for supporting infrastructure project preparation and has a specific section on PDFs. Other than this,

[32] South Africa's PDF was envisaged to provide support over a 10 year period, and is no longer active.
[33] See a full list of references in the Reference list at the end of the document..

only country-specific publications are available, such as the Asian Development Bank (ADB)'s *A Project Development Fund for Mongolia's PPPs*, which provides a theoretical framework for the development of a PDF in Mongolia. Findings from these studies are cited throughout the Primer, along with lessons which are relevant from other studies on project preparation funds and facilities. A comprehensive list of literature reviewed is included at the end of this document in the Reference section.

Programmatic project preparation financing provided through specific development partner operations is also considered as a source of relevant lessons for PDFs. Where intentionally designed to align with a country's legal and institutional PPP framework, programmatic project preparation financing by development partners can provide PPP program support similar to that provided by PDFs. These operations have often been implemented to support sustainable, good-practice PPP project preparation. The lessons learned from the design and implementation of these operations are often highly relevant for PDFs. Development partner-financed programmatic project preparation reviewed for this Primer includes World Bank operations in Afghanistan, Ghana, Indonesia, Kenya, and Nigeria, and an Asian Development Bank (ADB) operation in Viet Nam.

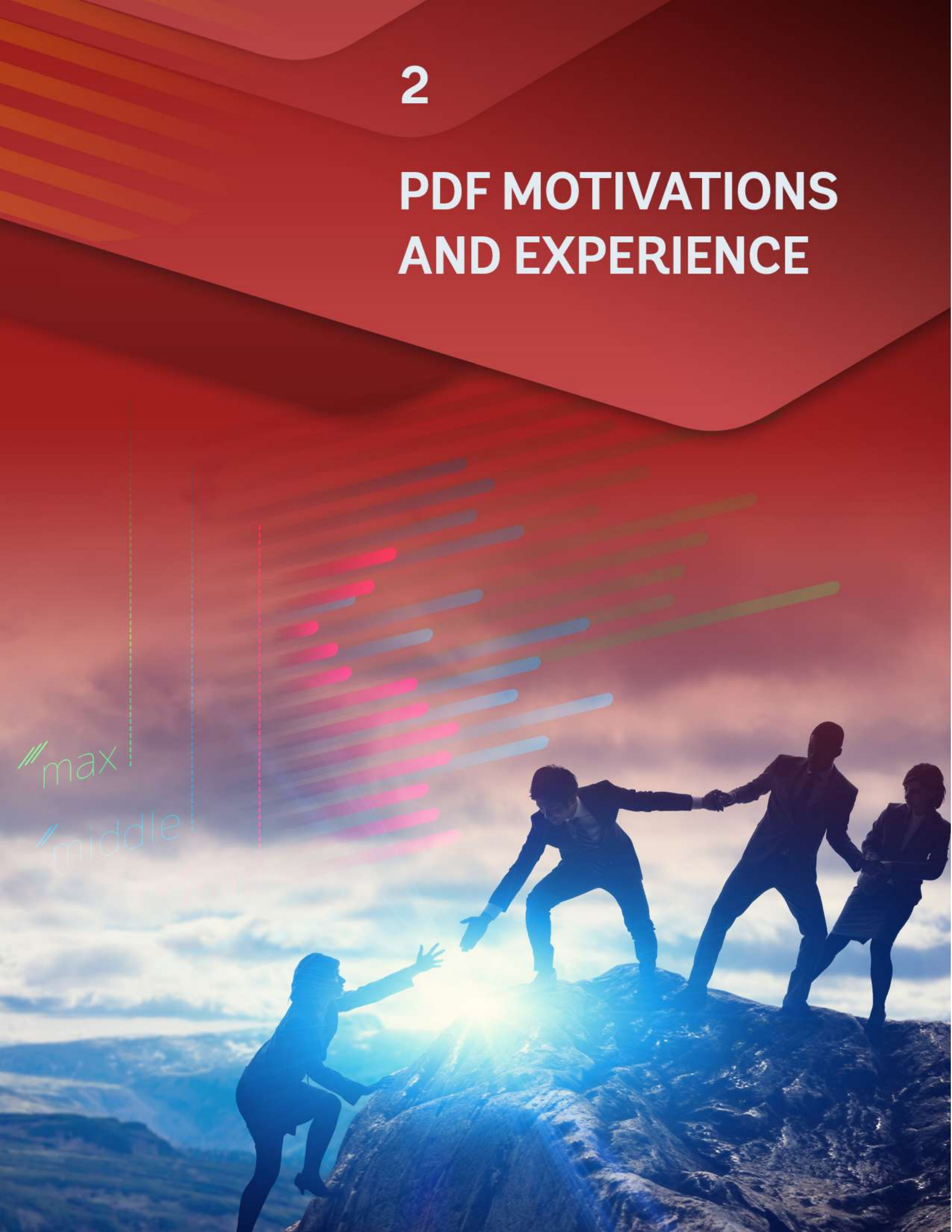
Structure

This Primer is organized as follows:

- **Chapter 1: Introduction**—this introduction, which defines PDFs and the types of experience and information on which this Primer is based.
- **Chapter 2: PDF Motivations and Experience**—explores why governments implement PDFs, when in the development of their PPP program they tend to be implemented, and how successful PDFs have contributed to overall PPP program performance.
- **PDF Design**: Chapters 3 through 5 cover key elements of PDF design.
    - **Chapter 3: PDF Structure**—explores PDF legal structures and how PDFs are governed and administered.
    - **Chapter 4: PDF Funding**—covers PDF funding sources, funding requirements, and whether they can or should be sustainable.
    - **Chapter 5: PDF Project Selection**—discusses the scope of projects PDFs support, project readiness, eligibility criteria, and project implementation arrangements.
- **Chapter 6: Operational Considerations**—covers key operational issues for PDFs, including generating demand for PDF services, advisor procurement, and staffing.
- **Chapter 7: Lessons for Practitioners**—captures key overarching lessons from across the Primer as well as thoughts on how PDFs contribute to PPP program development.

2

PDF MOTIVATIONS AND EXPERIENCE



2 PDF MOTIVATIONS AND EXPERIENCE

Constrained financial resources are a key impediment to the preparation of bankable projects and the overall success of PPP programs.[34] The allocation of additional, dedicated funding to PPP project preparation is therefore a key motivation for the establishment of PDFs. However, PDFs can also provide broader support to a PPP program, improve the quality and efficiency of PPP project preparation, and address country contextual PPP program challenges. This chapter discusses the range of motivating factors behind the establishment of the PDFs reviewed for this Primer. It also highlights the extent to which PDFs have been able to address PPP program challenges and contribute to their success.

2.1 Why Do Countries Consider Establishing a PDF?

Successful PPP programs rely on high quality project preparation, but funding to meet these needs is frequently insufficient. Infrastructure investment needs, a lack of fiscal space, and constrained public budgets are often a key motivation for the development of PPP projects and programs in emerging markets. The development of a successful PPP program, however, requires robust project preparation to develop quality projects and reduce project risks.[35] As noted above, this project preparation process is often more costly than the one for conventionally delivered projects.[36] These higher costs create a funding challenge for PPP programs and can become a key constraint to their success.

PDFs are often seen as mechanisms to support the allocation of funding to PPP project preparation. The challenges of allocating funding towards the high cost of developing a PPP must be overcome if a country is to develop a successful PPP program. Some countries have done so without the creation of a PDF. For example, Colombia and Turkey have each closed more than 200 PPP transactions.[37] However, other countries have seen a need to develop a mechanism to ensure the timely availability of funds for the hiring of transaction advisors to: undertake feasibility studies and project due diligence; design and structure PPPs; and prepare tender documents. PDFs can serve to provide this dedicated funding for project preparation, both through increasing project preparation funding and by helping to consolidate scarce resources. Development partners may also directly encourage the establishment of PDFs to systematically support project preparation funding.

However, the challenges that undermine effective PPP project preparation support often cannot be addressed by funding alone. In Indonesia, an initial PDF known as the Indonesia Project Development Fund (IPDF), was established in BAPPENAS (the national planning agency), with US$22 million of project

[34] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[35] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.
[36] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[37] Data from: WBG PPI Database. 2023. "PPI Data." https://ppi.worldbank.org/en/ppidata; and WBG Benchmarking Infrastructure Development PPP Dataset. 2018. https://bpp.worldbank.org/.

preparation funding.[38] Despite supporting the preparation of more than 30 projects, only three projects were successfully awarded and only 65 percent of funding was expended. These results were due to a number of challenges within the PPP program that inhibited effective project preparation, including weak capacity for PPP project identification, insufficient coordination with implementing agencies, and a lack of commitment to deliver projects as PPPs. Recognizing these and other challenges, development partners often provide support to PPP programs, which couples project preparation financing with support for the overall project preparation process, as in Ghana, Indonesia, Kenya, Nigeria, and Viet Nam. For example, in Kenya, the first phase of development partner financing to the PPP program included US$20 million for project preparation. This financing was supplemented by significant additional specialist support for capacity building, legal and regulatory reform, assessment of financing instruments, and fiscal commitments and contingent liabilities (FCCL) framework issues, which totaled US$16.5 million.[39]

Accordingly, PDF objectives must go beyond solely providing funding for PPP project preparation to have a broader focus on increasing project preparation quality and efficiency. Consistent with the recognition that PDFs are "more than just pots of money,"[40] improving the project preparation process is a core objective of PDFs. PDFs may therefore be better thought of as tools to support PPP units and similar institutions to consolidate PPP capacity and facilitate the transmission of good practice across a PPP program.[41] They can be used to accelerate capacity creation and socialize the fundamentals of PPP project preparation, particularly in markets where PPP experience is limited. For example, South Africa established a time-bound 10-year PDF, with the intention that this timeframe would build familiarity with PPPs while the concept was new in the country. Successful PDFs are therefore outcome-focused and seek to increase bankable projects in a PPP market,[42] while recognizing that achieving these outcomes is often about far more than shortages in funding for preparation work.

In order to achieve improvements in the quality and efficiency of PPP project preparation, PDF design should take into account specific project preparation challenges. Although there are numerous factors that impact project preparation across PPP programs, a number were commonly noted as key considerations for PDF establishment or design, including:

- ***Increasing capacity for PPP project development***

  Capacity is widely seen as being critical to the development of successful PPP programs and PPP projects, which many government agencies often lack.[43] This is a significant challenge that stymies the translation of infrastructure needs into bankable projects.[44] The provision of PDF funding can create an opportunity to support public sector capacity development.[45] For example, Kenya's PDF

[38] ADB. 2017. *Indonesia: Infrastructure Reform Sector Development Program (Subprograms 1, 2, and 3, and Infrastructure Project Development Facility) Completion Report*.

[39] WBG. 2012. *Kenya IFPPP Project Appraisal Document*.
[40] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[41] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[42] Leigland, J., and A. Roberts. 2007. *The African Project Preparation Gap*. PPIAF Gridlines/World Bank Group.
[43] Yescombe, E. R. 2007. *PPPs: Principles of Policy and Finance*.
[44] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[45] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

directly provides capacity support to implementing agencies. PDFs are also commonly involved in the design and management of consultant and advisor contracts.[46] Indirectly, PDFs may also encourage closer interaction between PPP units and implementing agencies, helping to ensure that PPP unit capacity is leveraged over the course of the project preparation process.[47]

- ***Encouraging the use of PPPs***

  PPPs provide an alternative to traditional infrastructure delivery via implementing agencies. As such, the implementation of PPPs requires implementing agencies to develop new skills and to work in different ways, which can challenge established interests.[48] The longer and more expensive PPP project preparation process, compared to conventionally procured projects, can disincentivize implementing agencies from pursuing PPPs, particularly where there is no clear path to obtaining the funding necessary for project preparation. By providing such a path, as South Africa's PDF did, PDFs can encourage implementing agencies to consider PPPs as a project delivery approach, and support a cultural shift towards the use of PPPs, where appropriate.

- ***Enabling the selection of qualified advisors***

  The procurement of advisors with the requisite expertise to support PPP project preparation is a common challenge in PPP project preparation, often due to the high perceived cost of PPP advisors. PDFs are often designed to tackle procurement and other issues which inhibit the ability to select quality advisors or otherwise result in inefficiencies and delays. These design features range from structuring the PDF to avoid the application of public procurement rules which would not support quality advisor selection, to using empanelment approaches to improve efficiency, as, for example, in Indonesia and the Philippines.

Key Takeaways

- PDFs are often thought of primarily as a funding source. However, although supporting the provision of dedicated funding to PPP project preparation is clearly an important motivation, PDFs often have much broader objectives associated with improving the quality and efficiency of project preparation.
- Broader PDF objectives depend on the specific project preparation challenges within a country. However, common secondary objectives have included: increasing capacity in the project development process, encouraging the use of PPPs more generally, and addressing procurement challenges and inefficiencies.

[46] See Chapter 6.3 for a more detailed discussion of the role PDFs play in the procurement and management of .
[47] See Chapter 3.3 for a more detailed discussion of the role of PPP units in PDF management.
[48] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

2.2 In What Context Do Countries Consider PDFs?

PDFs are most often established in PPP programs which have built some experience and capacity in the preparation and implementation of PPPs. In the Philippines, an initial build-operate-transfer (BOT) program was highly successful in the 1990s but plateaued in the 2000s. The establishment of the PDF, the Philippines Project Development and Monitoring Facility (PDMF), was a part of a series of interventions implemented from 2010 to 2012, including the restructuring of the PPP unit and enactment of a new PPP law, designed to revitalize private investment in infrastructure. Similarly in Indonesia, the establishment of the PDF followed the relocation of the PPP mandate within the government and the development of a new PPP enabling framework.

India's IIPDF: Contemporaneous PPP Interventions

The Government of India (GoI) implemented a series of interventions in 2006 to support the strengthening of the PPP framework. This included the establishment of a PPP Cell and a PPP Appraisal Committee. The establishment of India's PDF, the India Infrastructure Project Development Fund (IIPDF) in 2007 was designed to further incentivize implementing agencies, particularly those with less PPP experience, to build their PPP pipelines.

The government also created funding and financing vehicles (Viability Gap Fund (VGF) and India Infrastructure Finance Company Limited (IIFCL), respectively) alongside the IIPDF. These combined interventions led to a quadrupling in the value of private investment in PPPs from 2006 to 2012.

The establishment of PDFs is frequently a part of reform programs aimed at catalyzing PPPs.[49] PDFs are frequently established in concert with complementary actions that improve the PPP enabling environment, and in particular the identification or prioritization of PPP projects.[50] This approach recognizes that systematic project preparation support is necessary to underpin PPP program objectives, and that PDFs may be useful tools to encourage such support, particularly where a country is focused on increasing the volume of PPPs it delivers. In addition, this approach signals political commitment to the PPP program, which may in turn increase the PPP program's attractiveness to private sector actors.

PDFs are also frequently established alongside government support mechanisms.[51] As part of broader PPP reforms, Kenya developed multiple funding and financing instruments to support PPPs. The PDF Window is one part of a larger fund (the Kenya Project Facilitation Fund (PFF)), which also includes a VGF. In Mexico, the National Infrastructure Fund (FONADIN) had significant funding for non-recoverable grants to support project viability and to provide project financing support, in addition to its project preparation support. In these cases, an investment in improved project preparation ensured that government funding and financing tools are well utilized. Figure 4, below, depicts government support mechanisms which have been established alongside PDFs.

[49] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[50] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[51] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

Figure 5: Government Support Mechanisms

Project Viability Support	Credit Support	Financing Instruments
• e.g., VGFs, which can fund project investment requirements, reducing the required private investment	• e.g., guarantee funds, which support the provision of guarantees that may enhance creditworthiness	• e.g., local DFIs, which can provide financing instruments otherwise unavailable in local financial markets

Key Takeaways

- PDFs are generally not stand-alone interventions. They are typically established as a part of broader PPP framework reforms to catalyze the PPP program, often after the development of at least foundational PPP experience.
- PDFs are also often linked to the development of other government support mechanisms, that in combination aim to facilitate the preparation and implementation of viable PPP projects.

2.3 How Have PDFs Contributed to PPP Program Success?

Experience to date demonstrates that PDFs can contribute to PPP program success. Although few PDFs have been operational over a long timeframe, the experience that is available demonstrates that PDFs can be important mechanisms to allocate funding to PPP project preparation and support PPP projects and PPP program growth. In particular:

- **PDFs have directed significant funding to the preparation of PPP projects.** This has enabled the preparation of a significant number of projects. For example, Mexico's FONADIN has supported more than 76 projects[52] with total project preparation costs of US$413 million. The Philippines' PDMF support of 45 projects[53] has coincided with a large increase in the PPP pipeline, growing from 10 projects (valued at US$3 billion) to 50 projects (valued at US$25 billion). And South Africa's PDF supported more than 70 projects, including a wide range of national, provincial, and municipal projects.

[52] As of March 2023.
[53] As of September 2022.

- **Support by PDFs appears to contribute strongly to PPP projects reaching financial close and implementation**. In a number of the countries reviewed for this Primer, it is clear that a significant percentage of closed projects have benefitted from PDF support, suggesting that PDF support has been important in improving the number of successfully implemented transactions. In Indonesia, as of mid-2022, nearly half of the PPP projects that have reached successful closure have received PDF support. In addition, many of those that were not supported by the PDF received project preparation support from the Indonesia Guarantee Fund (IGF). In the Philippines, after four years of PDF operation, 75 percent of closed projects had received PDMF support. By 2019, 11 PDF projects had reached financial close, out of the 19 awarded PPP projects since 2010.[54]

South Africa's PDF: Promoting PPPs

South Africa's PDF was established in 2004, alongside its PPP program. It was designed to encourage implementing agencies to consider PPPs and to overcome budget challenges related to insufficient funds or multi-year requirements and was unique in that it had a fixed lifespan of 10 years.

The PDF is seen as an important driver of the cultural shift towards the use of PPPs in South Africa. Although the need for project preparation funding post-PDF remains, the PDF's engagement in more than 70 projects, including those that were not successfully implemented, served to build PPP capacity and relationships between implementing agencies and the PPP unit. These in turn generated more interest in PPPs, creating a virtuous cycle supporting PPP program growth.

PDFs have also contributed to broader PPP program growth. In addition to supporting increased private investment in infrastructure, PDFs have enabled implementing agencies to consider PPPs where they might not have otherwise. In doing so, implementing agencies have gained a critical understanding of the PPP project development process as well as the characteristics of projects that can be successfully delivered as a PPP. This increased awareness and understanding of PPPs can drive a cultural shift that supports longer-term PPP program growth: once familiar with PPPs, implementing agencies are better placed to identify and deliver PPP projects in the future. For example, in India, implementing agencies that have gained PPP experience budget for and carry out necessary project preparation work without IIPDF funding or support. In the Philippines, the PDMF not only enhanced the government's capacity to develop a robust pipeline of PPP projects but also raised the quality and credibility of PPP projects being tendered. This led to an increase in participation from international investors/bidders for tenders for PDMF-supported projects.

However, PDFs have not achieved results in a vacuum. The successful examples noted above are all linked to a broad political commitment to the development and implementation of PPPs, which is often expressed through a wider PPP reform program, as noted in this chapter. Although PDFs can clearly support the development and delivery of PPP projects, they must not be viewed as a panacea.

[54] Government of the Philippines. 2019. *PPP Center Annual Report*.

Key Takeaways

- Experience shows that PDFs can support the allocation of significant funding to PPP project preparation and contribute strongly to PPP projects reaching financial close and implementation.
- Beyond supporting specific projects, PDFs can also contribute strongly to broader PPP program growth through supporting the building of critical PPP capacity within government and driving private sector confidence in the PPP program.

3

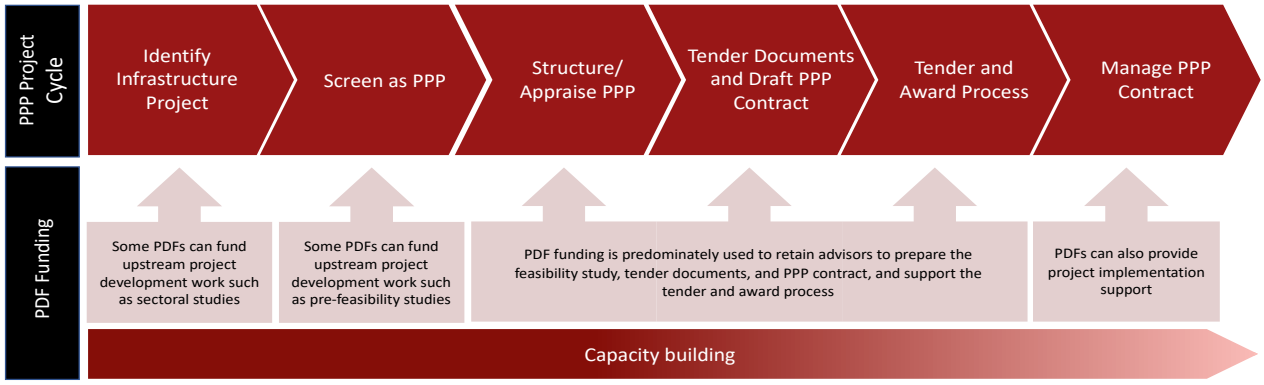
PDF DESIGN: STRUCTURE



3 PDF DESIGN: STRUCTURE

A PDF's structure is a key determinant of its effectiveness and ability to ensure the quality and efficiency of project preparation. However, PDFs function within and alongside the broader PPP enabling environment,[55] and rely on it to: i) identify projects that are candidates for PPPs and may require PDF support; (ii) define the PPP project life cycle and the necessary approvals required at various stages within this cycle; and iii) make funding and financing available to enable the implementation of projects which have received PDF support. As a result, the optimal structure for a PDF will vary depending on the environment within which it is being established. The figure below demonstrates how a PDF typically fits within a country's PPP framework and PPP project cycle process.

Figure 6: PPP Project Cycle and PDF Funding



This chapter lays out the key determinants of a PDF's structure, covering:

- How and where a PDF is established;
- High-level decision-making processes; and
- The institutional models used to support its operation.

3.1 Establishment and Legal Structure

Establishing Instruments

Most PDFs are established as a part of a country's PPP framework. Given the mandate of PDFs and their role in supporting the PPP program, most PDFs are enabled within PPP legislation. For example, Ghana and Kenya both enabled the establishment of PDFs under their PPP Acts, in 2020 and 2013, respectively, with the legislation providing basic information on the PDF's scope and objective.[56] In Kenya, regulations were adopted in 2017 to provide further clarity on the operations of the PFF, including the PDF Window. Similarly to Kenya, Indonesia built on general PPP framework enabling provisions with the issuance of specific PDF

[55] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[56] In both cases the PDFs were not established until several years later.

regulation. Other examples include the Philippines, where the PMDF was established as a part of a broader executive order that reshaped the PPP program and related institutions.

There are exceptions, however, and some PDFs are established independently from the PPP framework. Mexico's FONADIN was established as a presidential decree which transferred assets to a trust fund. However, FONADIN has a much broader scope than supporting project preparation activities. It also plays a key role as an investor in infrastructure projects, through the provision of financing through grants, loans and other instruments. With respect to PDFs focused entirely on PPP project preparation, only India's IIPDF was not enabled or established under PPP-specific legislation, because India does not have a PPP law. Instead, a budgetary resolution established the IIPDF, and guidance documentation was issued to define the IIPDF's scope and operations.

Legal Structure

A PDF's legal structure is typically driven by the need to enable a PDF to access and manage funding for PPP advisory services. PDFs are, in many cases, special purpose bank accounts, operated by governments to disburse funds for project preparation. The legal structure of a PDF is therefore often designed around enabling the operation of a bank account to effectively provide PPP project preparation support in line with PPP framework requirements.[57] As discussed in Chapter 2, the budget cycle and other financial management challenges can negatively impact the allocation of funds to PPP project preparation support. To effectively address these challenges, PDFs often need the functionality to enable them to:

- Hold allocated funding over a longer timeframe than a typical budget cycle;
- Make conditional commitments to undertake later stage project preparation work;
- Efficiently procure and retain high-quality advisors; and
- Receive and retain fund reflows, to the extent that revolving features[58] are enabled.

The precise steps required to achieve the necessary functionality vary based on both the specific needs of the PDF and the financial management policies of the country in which it operates. As a result, PDFs are established in an array of different forms.[59]

PDFs have been established through the creation of separate legal entities. A separate legal entity can generally enable the range of functionality necessary for PDF operation. In some cases these entities are specifically created for the purposes of the PDF. For example, in South Africa the PDF was established as a single-function trading entity, and Mexico's FONADIN was created as a trust fund to be managed by a trustee. Elsewhere, governments have used existing entities to hold PDF funds. In the Philippines, the PPP Center was established as an independent agency attached to the National Economic and Development Authority (NEDA). By establishing the PDMF within the PPP Center, PDMF funds were held in an entity which already possessed the ability to hold and receive funding outside of the budget cycle.

However, the establishment of separate legal entities is not a requirement and may not necessarily enable a PDF to operate as a PPP policy tool. Where the creation of a separate legal entity may not be

[57] ADB (Asian Development Bank). 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[58] Revolving features are discussed in detail in Chapter 5.
[59] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

politically palatable or may entail administrative costs which are burdensome, different approaches have proven workable. For example, in Indonesia, the PDF operates through annual budgetary allocations without the functionalities noted above. It is also worth noting that other reasons that may drive the establishment of funds as separate legal entities do not necessarily apply to PDFs. For example, other funds which are used by governments to support the implementation of PPPs, including VGFs, guarantee funds, and lending funds are established as separate legal entities to enable them to manage their own balance sheets and reduce political pressure on investment decisions.[60] However, the objectives of PDFs and PPP programs are often aligned, reducing the need for institutional independence. In fact, in at least one case the establishment of a PDF with a high degree of independence has been noted as negatively impacting the PDF's ability to promote or enforce government policy and therefore its influence.[61]

Location

Regardless of legal structure, PDFs are not generally stand-alone institutions, but are instead located within an existing institution. PDFs are often seen as tools that are accessed through a host institution, which may provide strategic guidance and governance as well as operational support. The PDF host, or its location, is of particular importance, because it can strongly influence a PDF's institutional relationships, administrative arrangements and objectives.[62] A PDF's host is often selected based on the institutions which possess relevant expertise or deliver complementary functions. This can drive efficiencies and improve coordination across different stages of the project development process. However, inherent in any choice of host institution are potential conflicts of interest which must be carefully considered, because hosts may have a particular perspective that can influence decisions on both PDF project selection and project preparation.[63]

PDFs are typically located in the ministry of finance (MoF) or other central agency responsible for the PPP program. Because of their typical establishment under the PPP framework, PDFs are generally located within the central agency responsible for the PPP program, which also commonly houses the PPP unit. In many cases this is in the MoF, as in Indonesia, India, Ghana, Kenya, and South Africa.[64] Where the responsibility for PPP development sits outside the MoF, the PDF often does as well. For example, the PPP Center and PDMF in the Philippines are situated under the National Economic and Development Authority (NEDA).

However, other locations are also relevant, particularly where PDF users may not be dominated by national entities. For example, where considerable demand is expected from sub-national entities, a PDF located within the MoF may not be the best choice, particularly if there is another entity dedicated to sub-national/municipal issues. For example, the Municipal Infrastructure Investment Unit's Project Preparation Unit in South Africa, which has provided project development support for municipal actors, was located

[60] ADB. 2016. *PPP Funds: Observations from International Experience*; and WBG. 2020. *Global Review of Public Infrastructure Funds*.
[61] WBG. 2010. *Review of Pakistan's Infrastructure Project Development Facility*.
[62] G20 Working Group. 2014. *Assessment of the Effectiveness of Project Preparation Facilities in Asia*.
[63] G20 Working Group. 2014. *Assessment of the Effectiveness of Project Preparation Facilities in Asia*; and GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation.*
[64] At the time of the establishment of South Africa's PDF, its PPP unit was located under the National Treasury.

under the oversight of the Department of Provincial and Local Government. Its location is among the factors that has enabled it to provide assistance to more than 230 projects over its lifetime.[65]

Key Takeaways

- PDFs are institutional mechanisms that support the development of a PPP program. They are therefore often established under the PPP legal and regulatory framework.
- A PDF's legal form is generally driven by the functionality required to enable the PDF to manage funds effectively, and is therefore highly dependent on the jurisdiction in which it is established.
- Regardless of legal form, PDFs are generally established within an existing institution, most often the central institution responsible for the PPP program and PPP unit.

3.2 Governance and Decision-Making

Governing Bodies

PDFs are typically governed by an independent committee or board. These committees play a strategic role in overseeing the performance of the PDF. They are not directly involved in project implementation, but provide higher-level stakeholder input into the PDF's operations and ensure the PDF delivers on its objectives.[66] Typically the responsibilities of the committee will include: determining funding requirements and requesting budget allocations or other sources of financing; defining funding eligibility and project evaluation criteria; approving funding applications and authorizing funding allocations; approving operational and management procedures, including reporting requirements; overseeing financial management, including preparation of annual financial statements; and approving all other day-to-day processes within the PDF.[67]

The composition of the PDF committee is often closely aligned with broader PPP governance structures. As with other aspects of a PDF's design, its governance framework is generally built on the PPP framework in a country, and in particular the governance of the PPP project cycle. In some cases, such as in Kenya and Ghana, their PPP Committees' responsibilities under the respective PPP acts include oversight of the PDFs. This provides the PPP Committees with dual responsibility for both approval of PDF funding and approval of PPP projects at various stages in the PPP project cycle. Where PDF committees are established as distinct from PPP committees, their composition is generally similar, as in India, the Philippines, and South Africa.[68] In these cases, PDF committees often have a narrower composition than those tasked with PPP project approvals, given the narrower focus on PPP project preparation funding support. As an example, in India, the IIPDF committee is composed of a sub-set of PPP Appraisal Committee members directly involved in project preparation, i.e., the MoF, National Institution for Transforming India (NITI Aayog) (planning), and the Private Investment Unit (PIU) (PPP unit) staff.

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[65] USAID. 2006. *Municipal Infrastructure Investment Unit (MIIU) Final Completion Report*.
[66] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[67] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[68] Although Indonesia's PDF is not governed by a committee, the role of the Ministry of Finance in allocating PDF funding reflects alignment with the PPP framework more generally.

In rare cases, the composition of the PDF committee is less closely aligned with PPP governance structures. For example, Mexico's FONADIN includes representation from institutions focused on PPPs, such as director of the Public Credit Unit and Investment Unit in the Secretary of Finance and Public Credit (SHCP), but also incorporates a broader range of stakeholders on its Sub-Committee on Evaluation and Financing. These include government stakeholders from the MoF and Ministry of Public Administration, but also representatives from the Mexico national development bank (BANOBRAS) and the private sector. This broader representation is reflective of the wide range of decisions made by this committee, which includes project grants and financing, as well as project preparation funding approvals.

Implications for PPP Project Development

Similarities between PDF and PPP governance structures may support coordination and leverage scarce PPP capacity. This can help to ensure alignment between PPP program policy and project development initiatives and may increase the efficiency of decision-making. In addition, creating genuine separation across functions within often thinly staffed PPP institutions may not be realistic. In Kenya, where the PPP Committee oversees the PDF, some efforts have been made to separate the delivery of PPP Committee responsibilities as they pertain to the PDF and the PPP project cycle, for example by scheduling separate committee meetings to handle PDF business. This enables close alignment between PDF funding and PPP program objectives, while ensuring adherence to public financial management and audit accountability framework obligations.

The alignment of PDF governance with that of other government support mechanisms may also facilitate the implementation of PPP projects. In a number of countries, overlap between PDF governance and PPP governance does not only cover the PPP project cycle, but also other government support mechanisms designed to support PPP project funding and financing. This is most clearly evident with mechanisms that support project viability such as VGFs or guarantee funds. In India, decision-making committees for PDF and VGF funding approvals have the same composition, and in Kenya, the PDF Window and VGF Window both sit under the Project Facilitation Fund (PFF), which has one governance committee. In Indonesia, the MoF coordinates requests for PDF, VGF, and Indonesia Guarantee Fund (IGF) support to help ensure that necessary capacity is brought to bear in a timely fashion across the PPP project cycle.

However, there is limited overlap in the governance structures of PDFs and financing institutions, and little evidence of any coordination with respect to decision-making. In many cases, this may be the result of the independent governance structures commonly used for financing institutions to insulate them from political interference in investment decisions. For example, although Ghana's MoF is involved in providing policy guidance to the Ghana Infrastructure Investment Fund (GIIF), the MoF is not involved in investment decisions, and GIIF is managed by a board of private sector individuals. This may also be a result of the fact that financing institutions engage at a later stage of the PPP project cycle. Even though India's IIFCL is managed directly by the MoF, there does not seem to have been any significant coordination between IIFCL and IIPDF in terms of project development activities.

Key Takeaways

- Governance of PDFs is almost always managed through government approval committees.
- The governance of PDFs is generally aligned with the governance of the PPP project cycle, reflecting an alignment of objectives between the PDF and PPP program.
- The alignment of PDF governance with other government support mechanisms may facilitate the project development process, particularly with respect to VGFs. However, the integration of PDFs with government financing support is less common.

3.3 Administration Models

PDFs are generally managed by existing institutions. The core activities of a PDF revolve narrowly around the allocation and administration of funding for project preparation activities, and are referenced as requiring light management structures.[69] However, many PDFs go beyond simply paying out funds to also addressing capacity gaps in the project preparation process.[70] As a result, the typical functions of a PDF may go beyond assessment of funding applications and fund disbursement, and may also involve early engagement with implementing agencies, advisor procurement and oversight, and broader project preparation support. The extent to which a PDF engages in these activities varies considerably,[71] largely due to the potential overlap with PPP unit responsibilities. However, where these activities are the PDF's responsibility, the PDF will require specialized capacity that is not widely available, particularly in nascent PPP markets. Consequently, even though the precise model differs, most PDFs are managed in a manner which seeks to leverage the capacity of larger, existing institutions.

The most common model for the administration of PDFs is the delivery of PDF functions directly through PPP units.[72] There is close alignment between the PDF's role as described above and with the traditional role of PPP units. Under this model, the PDF is a project preparation support tool that the PPP unit can offer to implementing agencies. In fact, in a number of countries there is no separation between the PDF and the PPP unit, and the delivery of PDF functions is a supplementary task carried out by PPP unit staff. This is the case in Ghana, India, Kenya, and South Africa. In the Philippines, although the PDMF sits within the PPP Center, it is managed by a separate department of the PPP Center, with dedicated staffing.

This model has a number of benefits including:

- **Leveraging scarce capacity and existing relationships.** The success of a PDF depends on, among other factors, having sufficiently skilled personnel that can contribute to the delivery of high quality project preparation support.[73] However, attracting staff can often be challenging because PDFs lack

[69] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[70] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[71] A deeper discussion of the role of PDFs in advisor procurement and generating demand for PDF support is included in Chapter 7.
[72] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[73] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

the operational scale to require a broad range of full-time technical staff.[74] Instead, making use of existing capacity within PPP units, such as financial, economic, legal, and sectoral expertise, can be an efficient way of leveraging scarce capacity within a country. In addition to capacity, PDFs are also able to leverage existing relationships developed between PPP units and implementing agencies.

- **Facilitating a "one-stop shop" for PPP program tools and support.** As noted above, there are several examples where PPP units are also heavily involved in managing the use of other government support mechanisms to ensure the viability of PPP projects. This helps to create a one-stop shop model across the PPP project cycle that may be easier for implementing agencies to navigate and access. For example, in Indonesia the PDF is a separate directorate under the PPP Unit, within the MoF. The PPP Unit also facilitates access to the VGF and the IGF, which enables the PPP Unit to liaise across institutions to streamline the process for implementing agencies. This approach also serves to further leverage scarce capacity, where combining PDF functions with other support tools, VGFs in particular, may help the PPP unit attract more qualified staff.[75]
- **Traction and engagement.** Locating the PDF within a PPP unit also has benefits for PPP units. In particular, having the incentive of funding to offer alongside the provision of technical support can encourage implementing agencies to work collaboratively with the PPP unit throughout the PPP project cycle. In the Philippines, PDMF funding is seen as central to the ability of the PPP Center to deliver on its mandate.[76] In Indonesia and Kenya, the development of PDFs allowed the PPP units to better promote the use of PPPs and play a larger role in their development.

Other models for the delivery of PDF operations typically rely on outsourcing some or all PDF functions, most often to a local development finance institution (DFI). Different country contexts sometimes require different administration models for the delivery of PDF operations, which do not rely exclusively on PPP units. Typically, these models involve the outsourcing of PDF functions, often to a local DFI or other government institution. Although the precise reasons behind the development of these models vary considerably, the desire to leverage local DFI capacity is a common driver:

[74] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.
[75] ADB. 2016. *PPP Funds: Observations from International Experience*.
[76] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

- **Indonesia:** The PPP Unit retains a key role in PDF administration because it is responsible for reviewing applications for support and manages PDF funds at the level of the PDF facility. However, functions related to the administration of the PDF's support to individual projects, such as retaining transaction advisors and assisting implementing agencies to oversee advisors throughout the project preparation process, were outsourced to a "facility implementer."
- **Mexico:** Although, FONADIN's governance sits with key government stakeholders, similar to many other PDFs, it is fully administered by BANOBRAS, the national development bank. Specifically, FONADIN is entirely managed by BANOBRAS staff, albeit staff housed in a separate division from other BANOBRAS functions. This arrangement is largely driven by FONADIN's broader mandate as a project funder and financier, which aligns with the financing expertise of BANOBRAS. In addition, Mexico does not have a PPP unit that engages in day-to-day support in the development of PPP projects.

Indonesia's PDF: The Role of the Facility Implementer

The design of Indonesia's PDF was driven by the need to enable the retention of international advisors. The PPP unit could not effectively do so as a result of public procurement requirements. In addition, at the time of its establishment, PPP capacity was limited. The solution was to outsource certain administration functions to a "facility implementer", or a separate institution with the requisite capacity and flexibility.

Initially, PT SMI, an MoF-owned non-bank financial institution, was the sole facility implementer. It was not subject to public procurement rules and could inject additional capacity to support project preparation. As PPP experience in Indonesia has grown, the PDF administration model has also evolved, with the PPP unit taking several steps to increase effectiveness, including:

- appointing a second facility implementer, the IGF, to support workload; and
- increasing its involvement in the empanelment of transaction advisors by the facility implementers.

The involvement of a local DFI can create a conflict of interest between its role as both a preparer of projects and a financier, which must be carefully managed. Although the perspective of a financier is often useful to help ensure project bankability, it can also bias project selection away from policy objectives. Projects that are most likely to create future financing opportunities may be favored. The DFI may also influence project preparation decisions that might make the project more attractive to financiers. Careful management of this risk is necessary to reduce the likelihood of unintended consequences for a PPP program. In Indonesia and Mexico, it is notable that PDF governance arrangements rely on the central government, rather than the relevant DFI. This helps to ensure that the PDF is used to support projects consistent with government policy objectives. Other controls are also necessary to mitigate potential conflict of interest risks during project preparation. For example, in Brazil, the National Development Bank (BNDES)'s project structuring company, EBP, is separated by strict Chinese walls from its project finance

divisions, so the sharing of privileged information is avoided. Moreover, BNDES has a technical agreement with EBP to ensure that the public interest is taken into account.[77]

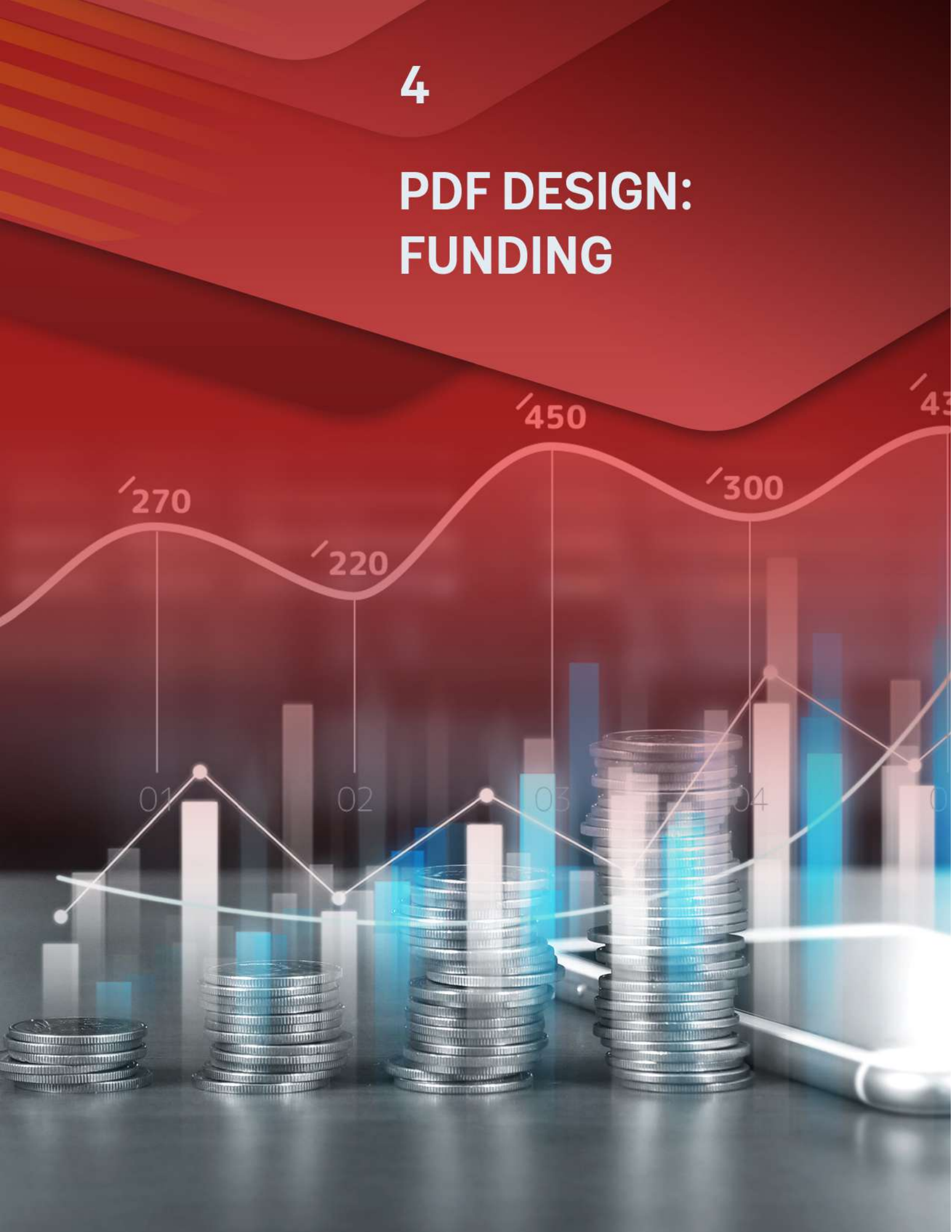
Key Takeaways

- PDFs are generally administered by existing institutions, typically by PPP units. This approach can provide a variety of benefits, including better leveraging scarce capacity, supporting coordination across PPP support tools, and increasing traction with implementing agencies.
- The outsourcing of some, or all, PDF functions, most often to local DFIs, is also a commonly used PDF administration model, particularly where local DFIs have PPP capacity. However, care should be taken to manage potential conflict of interest issues arising from a single entity with responsibility for both the preparation and financing of projects.

[77] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.

4

PDF DESIGN: FUNDING



4 PDF DESIGN: FUNDING

PDFs are often thought of primarily as a funding source. Although it is clear that PDFs are much more than this, decisions related to how PDFs are funded, and the quantum of funds they are able to access, are central to their ability to deliver on their objectives. Funds which have lofty ambitions, but insufficient funding, will likely fail to deliver. Determining how to fund a PDF requires making decisions on where the funding will be sourced, how much will be required, both initially and over time, and whether the PDF is expected to operate on a self-sustaining basis.

This chapter discusses factors relevant for making the funding decisions necessary to implement a PDF:

- Funding sources: the various sources of funding a PDF may access either initially or over time;
- Funding requirements: estimating the funding a PDF may require to achieve its objectives; and
- Sustainability: determining whether to require repayment of project preparation costs, and how such decisions impact the ability of a PDF to achieve sustainability objectives.

Although split into separate sections as described below, these decisions interact with one another and must be considered together to arrive at an overall PDF funding strategy.

4.1 Sources of Funding

Although PDFs are usually designed to address funding challenges, the funds they leverage must generally be raised from constrained sources. In addition, the use of certain funding sources may impose requirements on the design of a PDF, for example with respect to the roles different funders may play in PDF governance or project selection. An understanding of potential PDF funding sources, as well as the implications of their use, is therefore essential to inform the development of a PDF. This section covers funding sources which may be used to support PDFs, including: governments, development partners, or even the private sector.

Government Contributions

Government contributions are by far the most common form of funding for PDFs, highlighting that PDFs do not often relieve governments of carrying the burden of PPP project preparation costs. This is similar to funding for other mechanisms that governments use to support the implementation of PPPs, such as public investment funds (PIFs), VGFs, and guarantee funds.[78] Every PDF reviewed for this Primer was funded either entirely, or in large part, through government contributions in various forms. Given the important role that governments play in supporting the implementation of PPP projects, this is not surprising. In fact, significant government investment in PDFs is seen as important to ensure that the government remains incentivized to support a PPP enabling environment that is conducive to generating successful projects.[79]

[78] WBG. 2020. *Global Review of Public Infrastructure Funds*; and ADB. 2016. *PPP Funds: Observations from International Experience*.
[79] ADB. 2012. PPP Operational Plan 2012-2020.

However, it does imply that establishing a PDF does not commonly enable governments to tap into other funding sources, leaving them responsible for most PPP project preparation costs.

The vast majority of government contributions to PDFs are provided through regular budget allocations. Although India's IIPDF was initially capitalized through a single, one-off contribution at the time of establishment,[80] most governments have made repeated contributions over the life of the PDF. In some cases, such as in Indonesia and South Africa, these allocations were designed to occur annually, based on expected near-term PDF funding requirements. In other cases, like that of the Philippines' PDMF, an initial funding allocation needed to be repeatedly increased when greater than expected demand materialized for PDF support. As a result, the initial government allocation of approximately US$7 million in 2013 reached nearly US$84 million in total government allocations by 2016; further allocations have not been necessary to date.

PDFs are rarely capitalized through extraordinary budget items. In contrast to PIFs, PDFs are not commonly capitalized through proceeds from the sale of assets or the transfer of assets, or bond issuances.[81] This may be a result of the fact that the sums required for supporting project preparation are generally significantly less than those necessary for carrying out investment activities. As noted in the following section, many PDFs have been initiated with US$10 million to US$20 million in funding or less. Among the PDFs reviewed for this Primer, Mexico's FONADIN is unique in that it was capitalized through the transfer of toll road assets, valued in excess of US$6 billion in 2020, and uses revenue generated from these assets to support its activities. However, FONADIN's activities include infrastructure investment as well as project preparation. Outside of FONADIN, Kenya, as a part of its recently revised PPP regulatory framework, levies a fee for the evaluation of unsolicited proposals (USPs) on private proponents.[82] Although this revenue stream is allocated to the PDF, it is not expected to be sufficient to fully fund the PDF; as of 2023, it has received approximately 50 million Kenya shillings (about US$360,000) from processing USPs.

Mexico's FONADIN: FONADIN's Capitalization

In 1997, in response to the Mexican Peso Crisis, the Mexican government acquired several brownfield toll road concessions from private concessionaires. By 2005, these concessions were generating positive net revenue, and a decision was made to reinvest this revenue in infrastructure development. FONADIN was subsequently established with the objective to prepare and finance infrastructure projects. It was capitalized through the transfer of the title to 53 highway segments.

As a part of its mandate to support the implementation of the National Infrastructure Program, a six-year roadmap for infrastructure development, FONADIN has supported the preparation of more than 76 projects and provided more than MX$130 billion (about US$8 billion) in financial support for infrastructure projects.

[80] India's IIPDF received a budgetary contribution of Rs 100 crore (about US$12 million) from the Ministry of Finance (MoF) in 2007. A further one-off allocation of Rs 150 crore (about US$18 million) was allocated by the MoF in 2022 when the IIPDF was relaunched.
[81] WBG. 2020. *Global Review of Public Infrastructure Funds*.
[82] These fees are charged at a rate of US$50,000 or 0.1 percent of project cost.

Revolving Features

PDF funding may also be sourced from reflows from projects supported by the PDF. Where used, these so called "revolving features"[83] generally take two forms:

- **Success fees:** these are fees that are typically payable when a project that has been prepared by the PDF successfully reaches financial close, often by the winning bidder. The payment usually consists of the project preparation costs expended by the PDF, plus an additional mark-up, added to cover administrative expenses or to support the costs of projects that have not reached financial close.
- **Reimbursement requirements:** these are fees that are payable when a project has not reached financial close, usually by the implementing agency that was seeking to implement the project.

Revolving features are sometimes incorporated into PDFs in order to stretch scarce project preparation capital.[84] However, funds generated through revolving features will not be realized for a number of years following a PDF's establishment and will likely build slowly over time as a PDF builds a successful pipeline of projects.[85] As a result, revolving features cannot be relied upon to support the funding requirements of a PDF in the early years of its operation.

Development Partner Funding

Development partners have provided extensive support for PPP project preparation. This includes support for the development of individual projects as well as of a wide range of guidance covering the entirety of the PPP project cycle.[86] The ability to support a range of projects through directly capitalizing a PDF or otherwise financing programmatic project preparation may therefore be of considerable interest, particularly because this support can also create future lending opportunities.[87]

The use of development partner financing to capitalize a PDF is, in fact, relatively uncommon. Of the PDFs reviewed for this Primer, only two received development partner financing. The Philippines' PDMF received US$6 million in grant funding to establish its PDF, and additional grant funding of US$12 million to support greater than anticipated PMDF activity.[88] Even in this case, these funds represent less than 20 percent of the overall PDF funding, although in initial years the funds accounted for 44 percent. Following initial development partner financing for programmatic project preparation, Kenya's PFF received approximately US$16 million in loan proceeds designated for the PDF Window. Other PDFs have envisioned development partner contributions and reflected this in PDF design, for example in regulatory frameworks (Ghana), in financial management systems (India), or in the PDF governance framework (South Africa). However, to date, none of these PDFs have received development partner contributions.

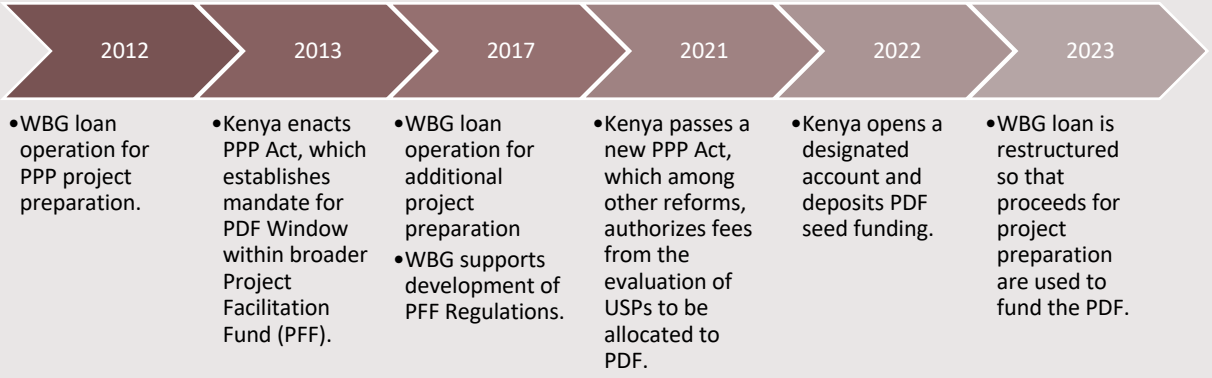
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[83] Considerations for the use of revolving features are discussed in more detail in Chapter 4.3.
[84] ICA. 2012. *Assessment of Project Preparation Facilities for Africa*.
[85] ADB. 2012. PPP Operational Plan 2012-2020.
[86] WBG. 2021. "Building Stronger Institutions to Deliver Better PPPs (P173186) Issues Paper: Identifying Critical Factors for Success and Challenges of Implementing a PPP Program." Unpublished.
[87] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[88] ADB. 2012. *Major Change in Technical Assistance: Philippines: Strengthening Public-Private Partnerships in the Philippines*.

Instead, development partner support has been most often provided via specific operations financing programmatic project preparation. A number of the countries reviewed for this Primer, including in Ghana, Indonesia, Kenya, Mexico, and Viet Nam, received support of this nature, often as part of broader support to the PPP program. In many cases, this support for project preparation has been considerable; for example in Vietnam, the ADB provided nearly US$30 million in loan proceeds to support programmatic project preparation.[89] In Ghana, a World Bank operation included a component that provided US$18 million for project preparation support, and in Kenya, the World Bank committed a total of US$57 million for project preparation support, some of which has flowed to Kenya's PDF Window.[90]

Kenya's PDF: The Role of Development Partner Project Preparation Support

WBG operations in Kenya have included a range of components designed to improve PPP project preparation. Initial components included funding for project preparation activities, which was followed by support for the design and implementation of a PDF and, ultimately, further funding for PPP project preparation channeled through the government PDF.



Development partner financing of project preparation often entails specific requirements that need to be carefully considered. These requirements may include the application of procurement and environmental and social (E&S) policies that deviate from a country's own policies and may constrain project selection. Their incorporation into a PDF may necessitate the application of these policies to all PDF projects or may require the PDF to manage separate pools of financing, subject to different constraints. In the case of the Philippines PDMF, development partner financing and government funds were commingled, helpfully enabling the application of ADB procurement rules to the entire PDF. In the case of Kenya's PDF Window, projects receiving funding from World Bank loan proceeds are subject to different E&S requirements than those funded from other PDF Window funds. Where development partner support is managed separately to a PDF, such requirements can be more easily applied to development partner financing alone and therefore reduce the impact on a government's PDF. This may be a factor in the relative lack of development partner support through PDFs.

[89] ADB. 2021. *Viet Nam: Public–Private Partnership Support Project Completion Report*.
[90] World Bank support to programmatic project preparation financing in Kenya was restructured in 2021 and partly allocated directly to Kenya's PDF.

Development partner engagement can be critical for the establishment and operationalization of PDFs. Programmatic project preparation financing provided by development partners is often accompanied by support for the operationalization of project preparation processes, as well as access to technical expertise that can support both project preparation activities and upstream PPP policy and broader institutional development to enhance the PPP enabling environment.[91] Some engagements may also include specific support for PDF design and operationalization. For example, in Indonesia, the World Bank supported an evaluation of PDF design options and development of standard operating procedures (SOPs) for the PDF, in addition to providing complementary programmatic project preparation financing. In Kenya, a World Bank operation was designed specifically to support the subsequent establishment of a PDF by including tasks related to its operationalization, such as the drafting of regulations and building of relevant capacity. This support was then useful in creating Kenya's PDF Window under the PFF.

However, if not carefully designed, development partner financing of programmatic project preparation financing via specific operations may not contribute to sustainable PDF institutional development. In particular, the development of parallel processes and structures may be burdensome for the implementing government, or may otherwise fail to become institutionalized as part of a government PDF. For example, in Jamaica, a World Bank operation focused narrowly on support to a specific project pipeline and did not include support for the development or management of a government PDF.[92] Similarly, in Nigeria, World Bank financing did include a large component on the strengthening of PPP institutions and other capacity building support, but did not include any specific support to establish or operationalize a PDF. Although such approaches may be useful to deliver critical projects, the benefits of such support could be maximized by establishing procedures which mirror as closely as possible the procedural and institutional frameworks that would apply to a government PDF. This approach can support capacity and institutional development which is sustainable beyond the time horizon of the development partner's involvement.

Private Funding

Private investors have been noted as possible contributors to facilities that focus on project preparation,[93] with at least one study outlining a hypothetical approach to mobilizing private funds.[94] Investors are expected to have an interest in participating in such facilities in order to support improved project pipelines that will generate future investment activities in addition to providing long-term returns.[95] The applicability of private investment to PDFs, where the government retains full control of decisions on funding allocation, is less clear.

Project preparation activities are viewed as high risk, and generally unsuitable for private financing. If a project preparation facility is not able to recuperate sufficient funds to both recover initial costs and to generate a return, it will not be able to attract private investors. This implies that any facility wishing to raise private capital must generate income from successful projects. Even where PPP project preparation

[91] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[92] WBG. 2014. *Jamaica Foundations for Competitiveness and Growth Project Appraisal Document*.
[93] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.
[94] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[95] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.

enables the generation of income, not all projects will be successful, particularly in less developed PPP markets.[96] As a result, government project preparation is viewed as "high-risk … with questionable risk-return profiles."[97]

In exceptional circumstances, the creation of ring-fenced subsidiary funds can raise private financing for project preparation. However, this is primarily where these funds focus on lower-risk, later-stage project preparation activities. For example, Mexico's FONADIN has created FEPI,[98] which has raised funding from private construction companies to support project preparation. Brazil's national development bank, BNDES, has also raised private funding for project preparation from several large banks active in financing PPP projects in Brazil.[99] In both cases, separate funds were created to ring-fence downstream project preparation activities, with the funds playing a role more similar to that of a project developer than a funder of consultancy work. In addition, projects supported by these funds leverage significant upstream project development that has already been completed.

Private contributions to PDFs are likely to remain limited in many markets. It is unlikely that PDFs will be able to remain under government control while also demonstrating sufficient independence to attract private investment. In addition, raising private financing for project preparation would also require: the existence of a large, relatively mature PPP market; the participation of a local DFI with well-established governance systems; and a track record demonstrating that the PDF is able to generate a return for private investors.[100] Many government PDFs will not be able to leverage these attributes, and will therefore remain reliant on other sources of funding, particularly during initial years of PDF operation. The complexities of incorporating private capital into the design of a PDF should also not be overlooked. The typical governance arrangements described in Chapter 3.3, where decisions on funding allocation are made by government stakeholders, would likely not be acceptable to private investors. In addition, the conflicts of interest which can arise from private funding of early-stage project preparation work requires careful management.

Key Takeaways

- PDFs do not generally relieve governments of carrying the burden of PPP project preparation costs, because they are often funded either entirely or substantially from government contributions, normally provided through regular budget allocations.
- Development partner support to project preparation brings considerable benefits tied to the ability to access critical capacity, whether directly through a PDF or through an operation that finances project preparation. However, careful design is necessary in order to manage development partner requirements within a government PDF or ensure development partner operations support broader PDF institutionalization.
- Private funds are rarely used to support PDF funding requirements and are most relevant for well-established PDFs in large and mature PPP markets.
- Revolving features may be a source of funds for PDFs, but are not able to support PDF funding requirements in early years.

[96] ADB. 2012. PPP Operational Plan 2012-2020.
[97] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities.*
[98] Fideicomiso Fondo Para El Financiamiento De Estudios Para Proyectos De Infraestructura.
[99] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[100] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.

4.2 Funding Requirements

Reports discussing PDFs frequently mention the need for large initial capitalization commitments to support project development.[101] However, the funding that a PDF may require, either initially or over time, is ultimately dependent on specific considerations, including the overall objectives and design of the PDF, specific funding and operational decisions, and the maturity of a PPP program. This section discusses the implications of key funding decisions on funding requirements and the funding that PDFs have received in practice, to assist in developing a funding strategy for a PDF.

PDF funding requirements are largely based on estimates of the project preparation costs that a PDF is expected to support on an annual basis. PDF administration costs, which are further discussed in Chapter 6.1, are often borne by the PDF host institution, most often a PPP unit. PDF costs are therefore generally a function of typical project preparation costs and timing, as well as the number of projects and proportion of project costs a PDF is expected to support. Detailed studies undertaken to estimate expected PDF project preparation costs seem relatively uncommon; most estimates in PDF planning documentation seem to be based on general assumptions such as those highlighted below.

Figure 7: Estimation of PDF Project Preparation Costs

Preparation Costs	The costs of project preparation are relatively similar internationally. They are reported to average 5 percent of the total project cost, with smaller projects having higher costs, potentially in the range of 7 percent to 10 percent, whereas larger projects may have costs in the range of 1 percent to 2 percent.[102] Dollar value estimates seen in different reports of typical project costs considered when developing PDFs include: US$550,000[103]; averages of US$2.5 million[104]; a range of US$1 million to US$5 million[105]; and an average cost of US$3 million.[106]
PDF Share of Preparation Costs	PDFs do not generally bear the full cost of project preparation because many PDFs do not provide support until initial pre-feasibility work is undertaken.[107] In addition, although uncommon, PDFs may also require implementing agencies to pay a portion of preparation costs, reducing the amount that is payable by the PDF.[108] A review of data from six project preparation facilities noted that the actual development costs they have borne averaged only 0.5 percent of capital costs and dollar value costs averaging US$600,000.[109] These costs are generally lower than the total project preparation costs referenced above. It is unclear whether these cost levels are the result

[101] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[102] ADB. 2012. PPP Operational Plan 2012-2020.
[103] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[104] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.
[105] ADB. 2012. PPP Operational Plan 2012-2020.
[106] ADB. 2012. PPP Operational Plan 2012-2020.
[107] See Chapter 5.2 for a fuller discussion of the stage in the project preparation process when PDFs engage.
[108] See Chapter 5.4 for a fuller discussion of project preparation co-funding requirements.
[109] G20 Working Group. 2014. *Assessment of the Effectiveness of Project Preparation Facilities in Asia*.

	of PDFs electing to bear only a portion of project preparation costs or if they reflect PDFs underspending on project preparation.
Preparation Timing	A range of one to four years per project is noted,[110] but a three-year average is most commonly used.[111]

The number of projects a PDF aims to support is a key driver of funding requirements, and supporting a large project pipeline could require significant funding. The assumptions above, combined with the choices a government may make in terms of how many projects it expects a PDF to support simultaneously, yields a wide range of annual PDF expenditures. The table below demonstrates this range, by looking at two hypothetical PDFs: one aiming to support six projects simultaneously, which may be relevant for smaller economies or nascent PPP programs; and one targeting 15 active projects, which may be more relevant for larger economies or more developed PPP programs.[112] As a point of comparison, in the Philippines, a country with significant PPP experience that has closed more than 150 PPP projects,[113] the PDMF has supported 45 projects over approximately 10 years, averaging 4.5 projects per year. Very large PPP programs interested in supporting a significant project pipeline through a PDF may require more funding than the hypothetical examples below.

[110] ADB. 2012. PPP Operational Plan 2012-2020.
[111] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB; and ADB. 2012. PPP Operational Plan 2012-2020.
[112] These estimates reflect a range which may be appropriate for many PPP programs. Based on data from the PPI Database for 133 developing countries, approximately half closed fewer than 10 PPP projects over their lifetimes, and less than 12 percent closed more than 100.
[113] WBG PPI Database. 2023. PPI Data. https://ppi.worldbank.org/en/ppidata.

Figure 8: PDF Annual Funding Requirements (hypothetical example)[114]

(US$, millions)	PDF approving two applications per year (six active projects at a time)		PDF approving five applications per year (15 active projects at a time)	
Average Project Cost Assumption	*Low*	*High*	*Low*	*High*
	0.6	2.5	0.6	2.5
Annual Funding Requirement (year 3 onwards)	1.2	5	3	12.5
Funding Requirements for 10 years	10.8	45	27	112.5

Many countries have, however, established successful PDFs with US$20 million or less. A lower funding level may reflect a decision to support fewer projects per year. This could be due to limitations on the number of PPP projects that can likely be delivered successfully, given the size of the relevant country economy and the maturity of its PPP program. PDF size is also a policy decision related to the role the government wants the PDF to play in supporting individual PPP projects and the PPP program overall. For example in India, a country with a very large economy, the IIPDF was capitalized with a relatively small initial contribution of Indian rupees (Rs) 100 crore (about US$12 million). This funding was expected to complement a number of other PPP program reforms that included legal and institutional framework development, as well as establishment of a VGF and a PPP financing vehicle (the IIFCL).

Total funding requirements do not need to be available at the time the PDF is established. Although many studies discuss the capitalization of a PDF as if it were a one-time event, the total funding requirements do not necessarily need to be available on day one, because project expenditures occur over time. Even large PDFs that support dozens of projects simultaneously have provided this funding over time. The Philippines established the PDMF as part of the launch of its PPP program with US$13 million in initial contributions from both development partners and the government. Over time, an additional US$85 million has been contributed, to enable the PDMF to increase the number of projects it can support and the implementing agencies with which it can engage.

A smaller initial PDF size may be particularly appropriate for supporting less developed PPP programs. As discussed further in Chapter 6.2, many PDFs have struggled to attract sufficient demand from implementing agencies, a challenge that is greater while the concept of PPPs is being established and/or the PPP framework is still being tested. A smaller initial PDF fund size targeting fewer projects has been recommended to allow time to build capacity and experience before increasing the size of the fund.[115] Starting with a smaller PDF size and scaling as required has been a successful approach in a number of countries. In addition to the example of the Philippines mentioned above, the South African PDF, which

[114] Funding requirements do not take into account any potential fund reflows.
[115] ADB. 2012. PPP Operational Plan 2012-2020.

received over US$38 million in contributions in total, received only a 6 million rand (R) grant (about US$1 million in 2003 dollars) in the first year following its establishment.[116]

However, a funding strategy that involves scaling up over time runs the risk that funds necessary to achieve PDF objectives will not be made available. For example, in business planning estimates in Indonesia, funding requirements were estimated for an initial 27 month period, at US$20 million to support 10 projects, with more than US$7 million targeted for expenditure by the end of 2017; however, as of 2017, only US$5.5 million of the budgetary allocation had been provided. In Kenya, the government targeted a US$20 million annual contribution to the PDF Window,[117] but to date, only about US$3.5 million has been provided. It is not always clear why these PDFs have not been funded in line with their targets. It could be a result of slower than expected uptake of PDF services, government fiscal space constraints, or the availability of project preparation funding outside of the PDF.

Key Takeaways

- A range of factors influence a PDF's funding requirements, including project costs, project development timing, the level of PDF support provided to individual projects, and when in the project development cycle a PDF decides to engage.
- PDF funding requirements vary widely, but can require substantial capital to support a large volume of projects. However:
  - A large volume of projects is not necessarily appropriate for all PDFs. The appropriate volume depends on the size of the economy, the maturity of the PPP program, and the role the PDF is expected to play in the development of the PPP program.
  - In practice, many PDFs are initially funded with US$20 million or less, with additional funding contributed as the PDF develops.

4.3 Revolving Funds and Sustainability

Almost all available literature on PDFs stresses that they should be designed with attributes that support some level of sustainability, enabling a PDF to stretch the use of its resources and reduce the immediate need for additional funding once an initial contribution has been made. This is dependent on the PDF including one or more revolving features, which can enable cost recovery of project preparation expenditures,[118] including in the event of a failure to complete a project.[119] Funding contributions from external sources, such as government or development partner contributions, are primarily referenced as being necessary to support the PDF in its early years before it is able to support a pipeline of successful projects.[120]

[116] Government of South Africa. 2004-2014. Project Development Facility (PDF): A Trading Entity Managed by the PPP Unit of National Treasury, Annual Financial Statements.
[117] Government of Kenya. 2018. *PFF Business Plan*.
[118] ICA. 2012. *Assessment of Project Preparation Facilities for Africa*; Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB; and GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[119] ADB. 2012. PPP Operational Plan 2012-2020.
[120] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

The implementation of revolving features can reduce the need for external funding to support the PDF's costs. To understand the potential reduction in need for external funding, other decisions and assumptions are necessary around how the revolving feature(s) will work, including:

- *Under what circumstances is repayment required?* Revolving features most often focus on recovering funds from a winning bidder when a project reaches financial close; however, PDFs may also require repayment from implementing agencies for unsuccessful projects in some situations.
- *How much must be repaid?* This is often the full project preparation costs incurred by the PDF, plus a mark-up, with the mark-up varying considerably.
- *How many projects will reach financial close?* This may vary considerably from country to country, based on PPP program maturity and the nature of projects that are being considered.

However, complete sustainability appears possible only in a relatively narrow set of circumstances. In hypothetical modeling, PDFs are not able to achieve full sustainability even in scenarios with success rates of about 70 percent and when funds are recovered from projects that close successfully without any mark-up.[121] Sustainability therefore appears to require a combination of high success rates, success fees which include a mark-up over the cost of project preparation,[122] and/or repayment of funds in the event of project failure at least in some circumstances.[123] In practice, these conditions are difficult to achieve: it is commonly noted that many project preparation facilities, including PDFs, do not generally achieve financial sustainability,[124] and are therefore reliant on grants and public funding.[125] In addition, as noted in Chapter 6.1, PDF operating costs are often borne by the government budget, further complicating the question of sustainability.

[121] ADB. 2012. PPP Operational Plan 2012-2020.
[122] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[123] ADB. 2012. PPP Operational Plan 2012-2020.
[124] G20 Working Group. 2014. *Assessment of the Effectiveness of Project Preparation Facilities in Asia*.
[125] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.

Success rates that would enable sustainability, in particular, are difficult to achieve. Assumptions for success rates for PDF projects, in studies on PDFs and in individual countries' planning documents,[126] tend to hover around 75 percent.[127] However, data from actual preparation facilities experience demonstrate that these assumptions may not be achievable. Data from six preparation facilities with significant development partner support found success rates of less than 66 percent.[128] Brazil's EBP, a highly experienced division that focuses on downstream project structuring activities, has only achieved rates of 72 percent of projects reaching closure.[129] Project success rates are expected to be lower where PPP experience is limited or in less developed markets.[130] The limited data available bear this out. A survey of a wide range of funds providing project preparation capital in Africa and Southeast Asia indicated success rates of 25 percent and 37 percent, respectively.[131]

Philippines' PDMF: Revolving Features

The Philippines PDMF adopted a comprehensive approach to recover project preparation costs. Building on the experience of a smaller earlier PDF supported by the US Agency for International Development (USAID), it requires some reimbursement for all projects it supports.

The PDMF defines a "recovery fee" that is equal to the cost of project preparation plus a 10 percent mark-up. Implementing agencies must commit to reimburse the following:

- If the project reaches financial close: 100 percent of the recovery fee, paid by the winning bidder;
- If the project does not reach financial close:
  - If due to reasons outside of the implementing agency's control: 50 percent of the recovery fee; or
  - In all other cases: 100 percent of the recovery fee.

The PDMF has been successful in receiving reimbursements, although payments due from implementing agencies are often received after a delay because of the need for these funds to go through the budgeting process. However, due to the substantial funding the PDMF has received from government and donor sources, the PDMF has not had to rely on reimbursements to support PPP project preparation.

Clear enabling provisions are generally necessary to implement revolving features. The approach to enable and implement a revolving feature is country-specific, because it depends on a PDF's structure and applicable public financial management rules. In Viet Nam, legally allowing a project preparation fund to accept project reflows required a special decree, which delayed its implementation by nearly five years.[132] The ability to accept project reflows in a PDF was clearly enabled when the PPP framework was revised in 2020, but to date has not been used because Viet Nam has not established a PDF. In Indonesia, PDF

[126] India assumed a 25 percent non-recovery rate, and South Africa assumed 75 percent of PDF projects would be closed successfully; Kenya assumed that it would reach a 75 percent success rate within eight years.
[127] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.
[128] G20 Working Group. 2014. *Assessment of the Effectiveness of Project Preparation Facilities in Asia*.
[129] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[130] ADB. 2012. PPP Operational Plan 2012-2020.
[131] SDIP. 2018. *Insights on Project Preparation and Development Capital in Africa and the ASEAN Region*.
[132] ADB. 2021. *Viet Nam: Public–Private Partnership Support Project Completion Report*.

establishment documentation only allowed for contributions from the government budget, precluding the acceptance of fund reflows. To remove this restriction, its PDF decree was updated in 2018; however, a revolving feature has not yet been implemented. Although revolving features were enabled for the PDF Window as a part of Kenya's 2013 PPP legal and regulatory framework, the 2021 PPP Act added clearer wording on the rights of the PDF Window to collect success fees (as much as 1 percent of project costs) and recoverable project costs.

Success fee requirements are not regularly imposed. Where such requirements exist, they vary across PDFs. Out of the PDFs reviewed for this Primer, only three considered the use of success fees. In South Africa, success fees were only payable for certain projects as determined at the time PDF funding was awarded. Although both India's IIPDF[133] and the Philippines' PDMF required the payment of a success fee for all projects receiving PDF support, the fee itself varied. The PDMF requires that all successful projects reimburse project preparation costs, plus a 10 percent markup. The IIPDF also required the repayment of project development expenses plus a mark-up; however, the size of the mark-up was determined by the nature of the project, with BOTs/concessions paying 40 percent, management contracts paying 25 percent, and zero for non-revenue generating projects. In general, repayments to PDFs have been made as required, because the obligation to pay is the responsibility of the winning bidder under project agreements.

In rare cases, PDFs have also required repayment when projects are unsuccessful. This approach positions the PDF as a tool for financing, rather than funding, project preparation costs, which creates strong incentives for implementing agencies to implement projects, where viable. This positioning was explicit for India's IIPDF prior to the 2022 redesign, because the funding was provided in the form of an interest-free loan, which was to be repaid.[134] Under the Philippines' PDMF, this positioning is less direct. It requires implementing agencies to commit to repay the project preparation costs themselves if the project is not awarded, but reduces the payment to 50 percent of the recovery fee if the failure to award was outside of the implementing agency's control, such as where a project fails to attract appropriate bids.

Although the use of revolving features is unlikely to result in PDF sustainability, their application may still be beneficial for PDFs. These features can enable the recovery of funds that will reduce a PDF's reliance on continued contributions from government or development partners. Although the enforceability of repayment requirements may not be legally or politically straightforward, any tool that can stretch scarce project preparation funding merits consideration. The use of revolving features is also expected to support increased ownership from implementing agencies,[135] and a deeper focus on achieving success may translate into the development of more bankable projects,[136] and better support the development of the PPP program. Given the challenges noted related to the commitment of implementing agencies,[137] these features are worthwhile to consider even where cost recovery is not a core objective.

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[133] The IIPDF stopped requiring reimbursement of project preparation expenses on its relaunch in 2022.
[134] Note that if the project failed to achieve closure through no fault of the implementing agency, the requirement for repayment was waived.
[135] G20 Working Group. 2014. *Assessment of the Effectiveness of Project Preparation Facilities in Asia*.
[136] Global Infrastructure Basel. 2014. *Unleashing Private Capital Investments for Sustainable Infrastructure Greenfield Projects: Scoping Study regarding the Early Stage Project Preparation Phase*.
[137] See Chapter 5.4 for a more detailed discussion of issues related to implementing agency commitment.

However, a commitment to achieving a high success rate can have undesirable consequences. PDFs with a strong emphasis on achieving sustainability targets may focus on later stage projects or those which are otherwise perceived to have a higher chance of success. This approach can undermine a PDF's ability to support high-quality, efficient project preparation, particularly where other project development resources and capacity are scarce, as discussed more fully in Chapter 5.2. This may also bias project selection against projects which are likely to require government support in order to be viable. In addition, PDF staff and implementing agencies that focus on success fees may be biased towards project closure, potentially pushing projects which are marginal or should be cancelled for further study.[138] This bias has also been linked to compromises in project preparation to enable faster project completion.[139]

In addition, the use of revolving features has implications for implementing agencies and project costs that should be carefully considered. A key concern is that the use of revolving features will reduce the attractiveness of the PDF for implementing agencies, and therefore undermine the PDF's ability to achieve project development objectives. This concern has contributed to Indonesia's decision not to implement revolving features in its PDF. Revolving features have also been removed from PDFs to encourage PDF usage. When India's IIPDF was re-designed and re-launched with additional funding in 2022, it removed the requirement for any refunding of project preparation expenses. This change was designed to address concerns from implementing agencies that the need to price success fees into bid prices unnecessarily drove up project costs.

Key Takeaways

- PDFs are widely expected to be financially self-sustaining and capable of operating indefinitely if they include a revolving feature and are sufficiently capitalized at their inception.
- In practice, there is limited evidence that PDFs can operate on a self-sustaining basis, due to both low project success rates and practical challenges in the implementation of revolving features.
- Nevertheless, even if full sustainability is not achieved, revolving features do provide other benefits, including better leveraging scarce funding and helping to increase implementing agency commitment to PPP project development.
- However, their use should be balanced with need to ensure that PDF support is attractive to implementing agencies and that project development incentives are appropriately aligned.

[138] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[139] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

5

PDF DESIGN: PROJECT SELECTION



5 PDF DESIGN: PROJECT SELECTION

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.[140]

This chapter 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.

5.1 Scope of PDF Support

A PDF's scope should be determined as a part of the PDF design process.[141] 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.

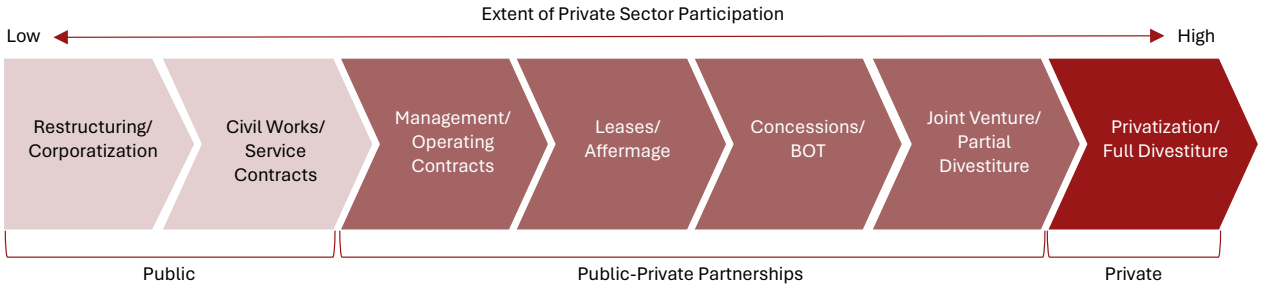
Project Type and Beneficiaries

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."[142] However, there is no

[140] WBG. 2010. *Review of Pakistan's Infrastructure Project Development Facility*.
[141] ADB. 2012. PPP Operational Plan 2012-2020.
[142] WBG. 2017. *PPP Reference Guide 3.0*.

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[143]



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.[144] This approach may enable PDFs to better align with public investment management (PIM) frameworks[145] 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.[146] Countries with well-developed PIM frameworks may therefore

[143] Figure is adapted from: Delmon, J. 2010. *Understanding Options for Public-Private Partnerships in Infrastructure*. Washington, DC: World Bank.
[144] FONADIN's project financing and funding support does require that private participation in the project is envisioned.
[145] 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.
[146] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

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.[147] 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.[148] 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.[149] 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

[147] Kim, J-H., J. Fallov, and S. Groom. 2020. *Public Investment Management Reference Guide*. Washington, DC: World Bank.
[148] As of September 2022.
[149] WBG. 2014. *Unsolicited Proposals: An Exception to Public Initiation of Infrastructure PPPs*.

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,[150] 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.

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.

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,[151] 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.

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

[150] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[151] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

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.[152] All PDFs assessed for this Primer cover project preparation and transaction advisory for publicly supported projects, although the stage at which they engage varies.[153] 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.

[152] A comprehensive list of potential project support can also be found here: WBG. 2019. Municipal Public-Private Partnership Framework.
[153] See Section 5.2 for further discussion of when PDFs engage in the project development process.

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.

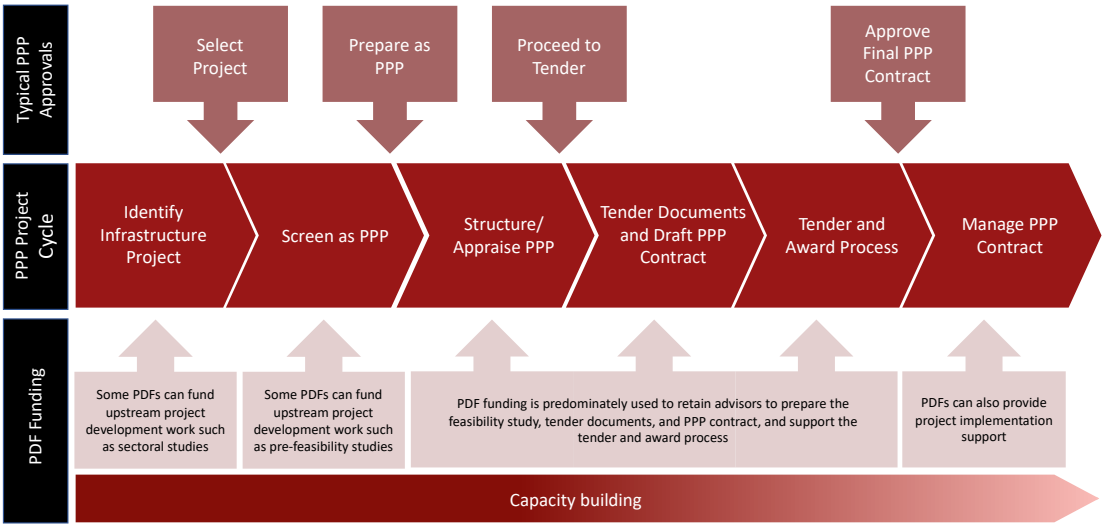
5.2 Project Readiness

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 pre-feasibility 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,[154] 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,[155] it may fail to address challenges in undertaking pre-feasibility work that can undermine PDF performance.

[154] Government of Indonesia. 2015. *Ministerial Regulation272 04/2015*.
[155] ADB. 2012. PPP Operational Plan 2012-2020.

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



Where there are challenges delivering pre-feasibility work, PDFs may also seek to engage at the pre-feasibility 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.[156]

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.[157] 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.[158] However, there are significant gaps in the assistance available

[156] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[157] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[158] WBG. 2010. *Review of Pakistan's Infrastructure Project Development Facility*.

for these upstream activities.[159] 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.

5.3 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

[159] ICA. 2012. *Assessment of Project Preparation Facilities for Africa*.

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[161] 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-for-money, 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.

[160] ADB. 2012. PPP Operational Plan 2012-2020.
[161] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

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.[162] 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.

5.4 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.[163] 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.[164] In addition, implementation arrangements that place a PDF as funder, facilitator, and implementer of projects can create the potential

[162] ICA. 2012. *Assessment of Project Preparation Facilities for Africa*.
[163] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[164] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

for conflicts of interest.[165] 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.[166] 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

[165] WBG. 2010. *Review of Pakistan's Infrastructure Project Development Facility*.
[166] ADB. 2012. PPP Operational Plan 2012-2020.

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.

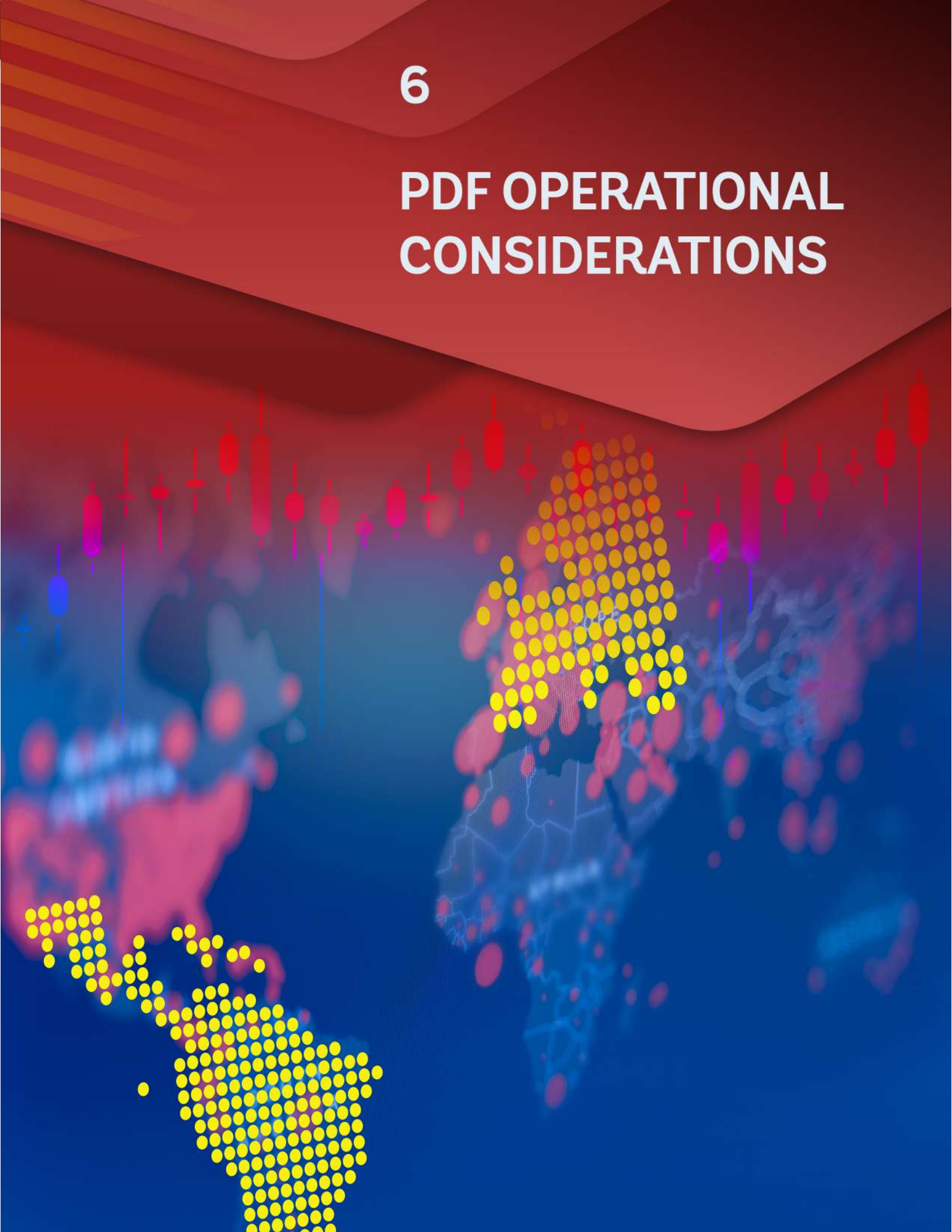
Refunding and co-funding requirements: Where PDFs require refunding or co-funding by the implementing agency, these requirements are spelled out in the PDF funding agreement. Refunding requirements, or obligations to pay back all or part of preparation costs, are discussed further in Chapter 4.1 and 4.3. Co-funding 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.

6

PDF OPERATIONAL CONSIDERATIONS



6 PDF OPERATIONAL CONSIDERATIONS

Once critical design decisions are taken around how a PDF is structured, how it is funded, and the nature of projects it will support, there remain a wide range of PDF operational issues that need to be considered. These include:

- Issues related to the staffing of PDFs;
- PDF roles in supporting PDF demand;
- PDF roles in advisor procurement; and
- PDF disclosure.

Although these issues may not need to be fully fleshed out prior to the decision to implement a PDF, they do merit consideration during the development of PDFs. In particular, the identification of specific operational challenges may drive certain design decisions or may otherwise serve to better prepare governments for PDF implementation.

This chapter provides an overview of how these operational issues impact PDFs and highlights considerations which may be relevant for PDF design. The issues discussed here are those most relevant for PDF development; however, this is not intended to suggest that they are the only operational challenges that PDFs may face. PDFs should consider the development of both multi-year strategic plans and annual business plans[167] to support a clear understanding of activities and resource requirements.

6.1 PDF Staffing Considerations

The design of a PDF strongly influences staffing requirements. Although the importance of PDF staffing to enable them to achieve their objectives[168] is widely noted, variance in PDF design and functionality means that appropriate staffing levels are different from one PDF to another. Many of the factors that impact staffing needs have been discussed throughout this Primer. Those that are particularly relevant from a staffing perspective include:

- **PDF size:** As noted in Chapter 4.2, the size of a PDF, or more specifically the number of projects a PDF is expected to support, is a decision that is dependent on both the potential size of a PPP market as well as the role the PDF is expected to play in supporting PPP project development within that market. The number of projects a PDF will support is a key driver of its project preparation funding requirements. PDFs that support more projects will in turn require higher staffing levels to administer the larger project volume.
- **Project readiness:** Chapter 5.2 discusses the overall project preparation cycle and decisions related to the stage in the PPP project cycle when a project can access PDF support. This decision can impact demand for PDF support as well as the funding requirements of a PDF. It also directly impacts PDF

[167] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[168] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

staffing because PDFs that provide support further upstream in the PPP project cycle require more resources and implementing capacity.[169]

- **PDF role and function:** Although the core role of disbursing funding is similar across PDFs, the extent to which PDFs perform additional functions varies. PDFs take very different approaches to their engagement with, and the level of technical support provided to, implementing agencies, both in terms of the origination of applications for PDF support and in managing that support once awarded. As discussed below in Chapters 6.2 and 6.3, decisions on these issues will drive overall PDF activity, which will in turn necessitate more and higher capacity staff.
- **PDF host:** The number of staff required by a PDF also depends on its institutional model and, often, the relevant PPP framework. As described in Chapter 3.3, many PDFs are administered by PPP units, with staff often supporting PPP unit and PDF functions. Even where PDF functions are separately staffed, there is often overlap between a PDF's role in supporting project preparation[170] and typical PPP unit project support functions. The extent to which a PDF's functions necessitate additional staff will depend on whether it can draw on PPP unit staff and the extent to which a PDF supports functions that are not already envisioned in the PPP framework or captured within the functions of the PPP unit.

Specialized skillsets are often required for the effective performance of PDF functions. Although a PDF's precise staffing requirements will vary depending on its design, many PDFs will require technical experts that are well-versed in PPP policy and PPP frameworks, transaction requirements and contract structures, as well as capabilities related to the formulation and application of guidelines for engaging consultants and transaction advisors on behalf of Implementing Agencies.[171] These competencies are very similar to those required for PPP unit staff more generally.[172] In addition, PDFs will require administrative skills that are not PPP-specific or project preparation related. These competencies may also be found within the PDF host.

The requisite skills sets are, however, often difficult to find within many countries,[173] even where the PPP market is well established.[174] Similar capacity challenges are also noted with respect to a wide range of project preparation facilities.[175] These challenges may be more acute where the PDF or the general PPP market within a country is small, targeting relatively few projects per year, because it is difficult to ensure an appropriate breadth of expertise across a smaller staffing pool.[176] Although the administration of PDFs through PPP units may address this challenge to some extent, by better utilizing a single staffing pool, it does not necessarily solve the problem.

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[169] ICA. 2012. *Assessment of Project Preparation Facilities for Africa*.
[170] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[171] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[172] Jooste, S., R. Levitt, and W. Richard Scott. 2009. *Capacity, Legitimacy, and Interest: Toward a Framework for PPP Framework Success*.
[173] Jooste, S., R. Levitt, and W. Richard Scott. 2009. *Capacity, Legitimacy, and Interest: Toward a Framework for PPP Framework Success*.
[174] United Kingdom (UK) National Audit Office. 2011. Lessons from PFI and Other Projects.
[175] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[176] Fioravanti, R., C. Lembo, and A. Deep. 2019. *Filling the Infrastructure Investment Gap: The Role of Project Preparation Facilities: An Overview of MDBs and the Inter-American Development Bank Approach*. IADB.

Where requisite skill sets can be found, it may be difficult to retain them. In Ghana and Kenya, for example, PPP units struggled to attract and retain the necessary staff, with long vacancies for some key leadership personnel or high turnover rates when staff was retained. Civil service pay rates are one reason attracting and retaining staff with relevant experience can be difficult.[177] Public sector hiring or contracting requirements that are bureaucratic or overly burdensome may also create challenges for the retention of qualified staff. In these instances, the design of the PDF as a separate legal entity that can apply market-based pay rates or adopt market hiring practices may merit consideration.

To address these challenges, PDFs often leverage external resources to supplement internal capacity. This can occur on a temporary or permanent basis:

- Temporary approaches may include seconding staff from private companies, development partners, or other government agencies.[178] PDFs could also retain international experts to fulfill PDF roles when it is initially established, with these experts transitioning to a support or coaching role as internal capacity is built.[179] As noted in Chapter 4.1, development partner expertise and funding can also be particularly useful in supporting national PDF capacity. In development partner operations that financed programmatic project preparation in Afghanistan, Ghana, Indonesia, Kenya, and Nigeria, World Bank Group (WBG) staff provided assistance reviewing procurement and transaction-related deliverables. Development partner support may also include funding for the hiring of local and/or international staff to support PDF administrative and/or technical functions.
- More permanent solutions for the integration of capacity from other entities in the PDF structure have included the involvement of local DFIs in the delivery of PDF functions, as discussed more fully in Chapter 4.3. The management of Mexico's PDF has been entirely outsourced to BANOBRAS, the national development bank. In Indonesia, although the administration of the PDF on a fund level has been retained within the government, a local DFI, PT SMI, was used to manage advisors, as well as complement broader project development support provided by the PPP Unit.

PDFs should conduct business planning to evaluate their staffing requirements, identify strategies to address capacity gaps, and estimate likely staffing costs. Given the wide range of PDF staffing requirements and a lack of available data, benchmarking PDF costs is challenging. In many cases, PDF staffing costs are not easily separable from those of its host institution. Where information is available, it is often PDF-specific, based on the unique structure and design of a particular PDF. For example, the PPP Center in the Philippines has a separate unit for the management of its PDF, which has received annual operational funding of 0.35 percent of the PDMF's committed capital.[180] However, the role of PDF staff is very narrow, with other staff within the PPP Center performing most project development tasks. In contrast, Indonesia's PT SMI, which performs much of the PDF's project management functions and is involved more heavily in project development support, charges a mark-up on top of the project preparation expenditures to cover its staffing costs. This mark-up was estimated at 15 percent in business planning assumptions. Data from a range of

[177] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[178] WEF. 2015. *A Principled Approach to Infrastructure Project Preparation Facilities*.
[179] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[180] Government of the Philippines. 2023. *PPP Center Budget Allocation Report*.

project preparation facilities have noted general costs ranging from 6 percent to nearly 30 percent of fund commitments.[181]

Any commitment to establish a PDF should also include a continued commitment to support the cost of PDF staffing. As noted in Chapter 4.2, PDFs do not generally use funds allocated for project preparation for operational costs. As a result, whether provided through PPP units or on a stand-alone basis, PDFs will often require continued budget support in order to deliver on their mandates. This can create risks, given the long-term nature of the funding required, as the government's commitment and/or ability to fund these costs may change over time.

Key Takeaways

- The staffing requirements for a specific PDF will depend on its design, in particular on: PDF size, the stage at which a PDF engages in the PPP project cycle, the role a PDF plays in supporting projects, and the PDF's administration model.
- Appropriately staffing PDFs often requires specialized capacity, and such capacity can be difficult to find, particularly in smaller markets or those with less PPP experience.
- Leveraging external capacity, particularly in a PDF's early years, may be a useful strategy to support both PPP projects and the overall development of the PDF itself.
- PDF-specific business planning is necessary to estimate PDF staffing and associated costs, and can help to estimate the total government commitment required to implement a PDF.

6.2 Demand for PDF Support

Under most PPP frameworks, implementing agencies are responsible for project development and implementation, including all stages of project preparation.[182] PPP units typically provide support and/or oversight for the development of these projects,[183] but it is the implementing agency that must ultimately decide to explore the delivery of a project through a PPP modality. Consistent with the typical role of various PPP support instruments and institutions, PDF support is also provided on a voluntary basis.[184] As a result, the demand for PDF funding is dictated by the general level of interest of implementing agencies in pursuing PPP projects, and more specifically, in leveraging PDF resources.

Demand for PDF support often fails to materialize as expected. Intuitively, the offer of funding to unlock the delivery of a PPP project sounds attractive. As noted in Chapter 2, increasing incentives to pursue PPP projects is a key motivation for the establishment of PDFs. However, some PDFs have noted that applications for PDF support have not materialized as initially expected. Although clear goals for the number of projects targeted for PDF supported are not often publicly available, development partner operations that finance programmatic project preparation do generally capture this information. Development partner operations in Afghanistan, Ghana, Mexico, Nigeria, and Viet Nam all had financing which was not disbursed due in part to a lack of demand for their services. This was often despite exercises carried out to identify a PPP pipeline focused on identifying first-mover projects. Although development partner operations may

[181] ICA. 2012. *Assessment of Project Preparation Facilities for Africa*.
[182] WBG. 2018. Benchmarking Infrastructure Development PPP Dataset. https://bpp.worldbank.org/.
[183] UNECE. 2008. *Guidebook on Promoting Good Governance in Public-Private Partnerships*.
[184] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

impose requirements on the project preparation process[185] that contributed to the lack of demand, it is likely that a broader range of factors related to the general appetite for PPPs in a country or the PPP capacity of the implementing agency were also at play.

In order to ensure demand for a PDF, a government must first address the broader factors that are hindering implementation of PPPs. A key challenge for some PDFs is a lack of interest in PPPs.[186] Implementing agency reluctance to consider PPPs in the face of a preference for conventionally procured and financed projects is common, particularly in countries without significant PPP experience. The hesitance to consider PPPs may be attributed to the additional oversight that is associated with the development, award, and implementation of PPP projects, as well as the perception that PPPs take longer to implement. Implementing agencies that are hesitant to implement PPPs will not request or require PDF funds. For example, in Ghana, failure to sustain high-level commitment to the PPP program led to poor uptake of the World Bank's available financing for programmatic project preparation, despite infrastructure development in general remaining a government priority. The operation was seen as an obstacle, rather than a solution, to the preparation and execution of projects within a politically appropriate timeframe due to the rigid application of technical rules.[187]

A lack of capacity may hinder implementing agencies that are interested in pursuing PPPs from accessing a PDF. Applications for PDF funding may often fail to meet requirements for approval, either because of a lack of project readiness, or because a project is not well suited for implementation as a PPP. As an example, the IIPSA, a European Union-supported blended finance facility which also supported project preparation, received 250 applications, but only 27 were eligible for support, largely due to the fact that most applications were for projects that were not developed beyond the concept stage.[188] Although many implementing agencies possess sectoral expertise, it is often noted that determining whether a PPP approach is a genuine possibility requires specialist support.[189] As discussed in more depth in Chapter 3.2, this lack of capacity can create a paradox, where implementing agencies require external advisors to develop a PPP project concept, but a well-developed PPP project concept is necessary to avail PDF support. Ensuring the availability of necessary capacity and resources to support early-stage project identification and development is therefore crucial to avoid the perception that PPPs are overly complex or bureaucratic.

Implementing agencies may also be uninterested in PDFs due to concerns about PDF requirements. One concern is related to a potential loss of control over the project preparation process. Although implementing agencies are ultimately responsible for the project, the additional oversight that frequently comes along with PPP project preparation can be unattractive.[190] PDFs often impose additional requirements on the PPP project development process which can range from managing the advisor selection process to review and approval of PPP advisory work at all stages of the process.[191] In Indonesia,

[185] See Chapter 4.1 for further detail.
[186] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[187] WBG. 2018. *Ghana PPP Project Implementation Completion Report*.
[188] WBG. 2020. *Global Review of Public Infrastructure Funds*.
[189] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[190] WBG. 2021. "Building Stronger Institutions to Deliver Better PPPs (P173186) Issues Paper: Identifying Critical Factors for Success and Challenges of Implementing a PPP Program." Unpublished.
[191] See Chapter 6.3 for more detail.

implementing agencies that have PPP experience prefer to use their own budgets to develop PPP projects in order to avoid PDF involvement. PDF eligibility requirements can also create challenges; the design of a development partner operation in Viet Nam resulted in any project needing to register in the medium-term investment framework, a burdensome process which many implementing agencies chose to avoid.

PDFs should adopt a demand-led approach by thinking of implementing agencies as clients and making their requirements a central concern.[192] This suggests that stakeholder consultations are critical from the earliest stages of PDF design, to help ensure that the implications of design decisions on implementing agencies are taken into account. A key implementing agency complaint noted by PDF staff is the complexity of navigating various PPP-related processes, including PPP project cycle approvals as well as applying for government support such as PDFs or VGFs.[193] Coordination across PPP institutions to streamline these processes may support an improved implementing agency experience. Engagement with implementing agencies as clients does not end when the PDF is established, and some PDFs expend considerable resources to solicit demand for PDF support.

The issuance of PDF guidelines describing PDF eligibility criteria, the application process, and how PDF support can be used is a basic step which can build awareness of the PDF. The preparation of PDF guidelines is considered a key responsibility of PDF governance committees and is more generally noted as being critical for supporting transparency and effectiveness in PDF operations.[194] In addition to being tools to ensure equity in PDF operations, guidelines also serve to help implementing agencies understand what to expect when engaging with the PDF, and adherence to these guidelines can help to build institutional trust. Guidelines for implementing agencies have been issued by a number of the PDFs reviewed for this Primer, including the India's IIPDF, Kenya's PDF Window, Mexico's FONADIN, the Philippines' PDMF, and South Africa's PDF. Although the content and depth of these guidelines vary considerably, the guidelines tend to cover: scope and eligibility; institutional roles; approval process; consultant selection; and information on the PDF funding model and cost recovery. Some guidelines also include templates such as PDF application forms, model PDF funding agreements, and model advisor terms of reference.

PDFs may also engage more directly with implementing agencies through capacity building activities or upstream project development work. These activities, shown in the figure below, help to build relationships between implementing agencies and PDF staff, and they may be particularly relevant where the concept of PPPs is not yet well understood by implementing agencies. However, some of these activities may overlap with PPP unit responsibilities, and PDF design should seek to avoid duplication of effort.

[192] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[193] WBG. 2018. *Ghana PPP Project Implementation Completion Report*.
[194] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.

Figure 13: PDF Engagement with Implementing Agencies

PDF Application Support	Project Identification	Capacity Building
•Assists implementing agencies in completing PDF funding applications. •Helps to increase successful applications •Helps to educate implementing agencies on PPP/PDF requirements •Most PDFs reviewed for this primer provide this support	•Identifies high-potential PPP projects across sectors •Helps to understand the potential size of a PPP market to support PDF business planning •Helps to increase projects considered for PPPs and build technical capacity •Kenya used a project identification exercise to estimate staffing requirements	▪Funds educational activities for implementing agencies with PDF funds ▪India's IIPDF in 2022 added capacity building support as an eligible funding use in 2022 to encourage new implementing agencies into the PPP space

Engagement with implementing agencies should continue to be important for PDFs as PPP programs grow and the needs of beneficiaries targeted by PDFs evolve. More established PDFs have noted the changing needs they face in attracting users. India's IIPDF has found that implementing agencies with more PPP experience have now mainstreamed PPP project preparation into their annual budget requests and no longer require PDF support. The Philippines' PDMF has indicated that although implementing agencies with PPP experience continue to use the PDMF, the PDMF wants to encourage the entry of less experienced implementing agencies into the PPP space. For example, sub-national implementing agencies have not often used the PDMF, with only three of its 45 projects sponsored by local governments.[195] Recognizing the additional challenges that sub-nationals may have in developing PPP projects, the PDMF has institutionalized a Local PDMF Committee whose role is to evaluate and approve PDMF applications submitted by local implementing agencies.

In addition to targeting implementing agencies with less PPP experience, some PDFs have also broadened their scope. For example, the Philippines' PDMF added the ability for implementing agencies to avail support during project implementation based on the needs of users. Mexico's FONADIN has followed a different approach through adding new sectoral focus areas. This began with adopting a program to support public transportation projects, which has been followed by programs to develop greater activity in the water and waste sectors. Other PDFs have considered changing their engagement approach. For example, in Pakistan, recommendations included engaging directly with the Ministry of Planning to broaden the implementing agencies which sponsor PPPs.[196]

[195] As of September 2022.
[196] WBG. 2010. *Review of Pakistan's Infrastructure Project Development Facility*.

Key Takeaways

- PDFs can often lack sufficient demand from implementing agencies due to a combination of issues that can relate to general commitment to the PPP program, and other PDF-specific issues such as burdensome application requirements.
- Access to PDF funding should be as user-friendly as possible. PDF guidelines can help to build awareness of PDF services and clarify application processes. Capacity building support and upstream project development can also help to build institutional trust and help implementing agencies to access PDF funding.
- PDFs must evolve with PPP programs. As PPP capacity grows, PDFs may need to target less experienced implementing agencies or broaden their scope of services to continue to deliver on their mandates.

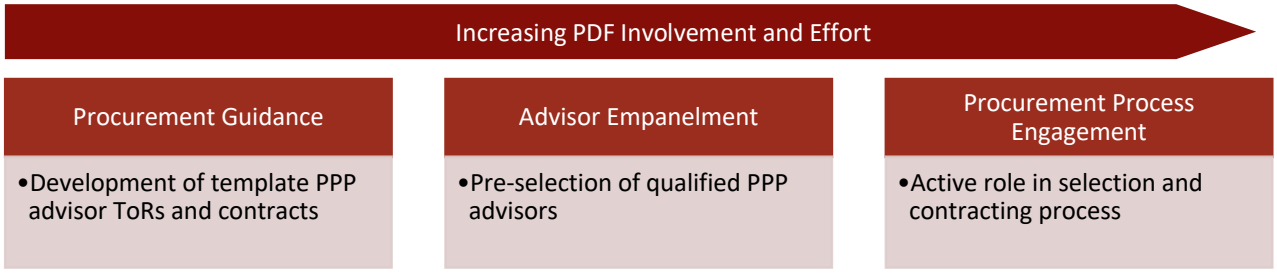
6.3 PPP Advisor Procurement

PPP project preparation requires the support of PPP advisory services to develop the detailed definition of a PPP project and associated legal documents, including tender documentation and contracts, which capture that project definition and seek to obtain the best value for its achievement. However, the management of PPP advisors poses significant challenges, given the specialized skills and experience required to assess work product quality.[197] The procurement of PPP advisory services has also proven difficult. In addition to the challenges posed by public procurement rules discussed in Chapter 2.1, the procurement of PPP advisors has frequently been inefficient. Procurements in Afghanistan, Ghana, and Kenya were noted as taking longer than 12 months in many cases. These challenges are sufficiently prevalent that specific guidance has been developed to support governments to hire and manage PPP advisors.[198]

Many PDFs recognize the need to provide support to retain and manage advisors to improve the quality and efficiency of project preparation. Where PPP units do not have a role in advisor selection and management, PDFs are seen to play a critical role in maintaining consistent and appropriate quality standards that support both PPP projects as well as the development of the local PPP advisory market.[199] The support provided by PDFs often includes guidelines for engaging consultants, experts and transaction advisors supported by funds from the PDF,[200] which can help to ensure the procurement of high quality advisors in a more systematic manner. However, many PDFs go considerably further than the issuance of guidance documentation.

[197] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[198] PPIAF/WBG (Public-Private Infrastructure Advisory Facility/World Bank Group). 2001. *A Guide for Hiring and Managing Advisors for Private Participation in Infrastructure*.
[199] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[200] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

Figure 14: PDF Procurement Roles



Many PDFs participate directly in individual advisor procurement processes, particularly where procurement is seen as a challenge for the PPP program. A common model includes heavy involvement of the PDF in consultant procurement and management. Under this model, the PDF is responsible for the recruitment and payment of external advisors, approval of the final advisory contract, and approval of deliverables before payment.[201] This model is seen in Indonesia and the Philippines, although the specific approach varies. In Indonesia, the PDF has outsourced the advisor selection process to a local DFI and advisor management is then a shared responsibility between the local DFI and the implementing agency, which is detailed in a tripartite agreement between the DFI, the implementing agency and the advisor.

Philippines' PDMF: Role in Advisor Selection and Management

The Philippines' PDMF requires the PPP Center, which houses the PDF, to play an active role in the retention and management of PPP advisors. Specific responsibilities include:

- Establishment of advisory panels: the PDMF prequalifies three panels of consultants covering different activities that the PDMF supports.
- Special Bids Award Committee: This is a three-member committee tasked with selecting advisors from the panel on a competitive basis for specific projects. The committee has two representatives from the PPP Center.
- Project Study Committee: This is a three-member committee tasked with evaluating advisors' deliverables and ensuring quality outputs. The committee has two representatives from the PPP Center.

Other PDFs take a more limited role. For example, India's IIPDF established a short-listed panel of prequalified consultants which implementing agencies could use to expedite the procurement process. India also encourages the use of competitive tendering more generally by supporting a larger share of advisory costs if the transaction advisor is competitively procured; however, the ultimate selection of consultants is entirely at the discretion of the implementing agency, which is also responsible for advisor management. Mexico's FONADIN varies the support it provides to advisor procurement depending on implementing agency capacity; however, in all cases it retains approval rights where advisors are not selected through an open competitive procurement process. However, both India and Mexico are federal systems, and their more limited role may reflect greater decentralization of project development. In unitary states, there are also examples where the PDF is not involved in consultant selection and

[201] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.

management. For example, Kenya's PPP Window has no role in advisor selection, because this is managed by the PPP Unit, [202] which serves in a quality assurance role, on behalf of the implementing agency.

Empanelment of advisors is often a key tool used by PDFs to expedite the procurement process and help to ensure the quality of advisory support.[203] Empanelment of advisors is generally a two-stage competitive selection process, where the first stage is used to prequalify and retain a panel of consulting firms, generally under an indefinite delivery contract (IDC) facility using a quality-based selection (QBS) method.[204] The second stage is the selection of a particular consulting firm from the panel for PPP advisory services for a specific project. The need to conduct only the second stage of procurement for individual projects reduces the procurement time, which is attractive to implementing agencies. For example, in the Philippines, high demand for PDMF services has been attributed to the fast consultant selection process.[205] Where empanelment is used, the PDF manages the empanelment process, and may or may not be involved in the second stage of the selection process. In addition to helping to ensure experienced advisory firms are engaged for PPP project preparation, the use of longer-term IDC contracts can better align the interests of PPP advisors and the PDF, because advisory firms that want to be retained for future projects will have greater incentives to focus on the client's longer-term interests.

The use of empanelment of advisors alone, however, is not sufficient to ensure that high quality advisory support is delivered without active management. Continuous monitoring of advisory outputs and evaluation of the panel firms' suitability for the project being prepared by the PDF remains critical. In the Philippines, an initial panel of advisory firms was established by the PDMF in 2011 and expanded in 2012. Despite the participation of 15 highly qualified firms, the PDMF noted a number of challenges related to the quality of outputs, active participation of panel members, and sectoral coverage. It undertook a restructuring of its panel in 2014 to try to address these issues, which involved dissolving the existing panel and conducting a new prequalification process, which changed how firms with different expertise were allowed to associate. Indonesia's PDF has also found that merely hiring large, international consulting firms has not delivered the quality that was expected and that the empanelment process needs to be more thorough. Although the empanelment process in Indonesia was initially managed entirely by PT SMI, Ministry of Finance (MoF) staff are increasingly involved in this process.

Active management by the PDF may also be useful to support efficient and effective consumption of PPP advisory support by implementing agencies. The Philippines' PDMF has actively worked with implementing agencies to help support the transition to working with international PPP advisors. This involved managing expectations regarding the nature of the advisory contracts—for example, carefully managing requirements for in-person meetings in order to not overrun caps on levels of effort for key experts. In addition, this has supported a transition to seeing advisors as a key part of a broader project team, where implementing agencies also have key responsibilities, including the provision of critical inputs.

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[202] Note that Kenya's PPP Unit also plays this role for PPP projects which are not supported by the PDF.
[203] ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[204] GIH. 2019. *Leading Practices in Governmental Processes Facilitating Infrastructure Project Preparation*.
[205] Philippines PPP Center. 2013. *PPP Talk Volume 2, No. 3*.

Key Takeaways

- Procurement is often an important function for PDFs, and the nature of the PDF's role in procurement should be considered during PDF design.
- Many PDFs are heavily involved in individual procurement processes and advisor management, which seems particularly useful in low capacity environments. However, there are examples where PDFs take a more limited role.
- Empanelment is an important tool for both increasing efficiency and ensuring quality. It can also help to align government and advisor interests. However, this does not remove the need to manage individual advisors closely.

6.4 Disclosure

Public disclosure of PDF performance is not yet common. Transparency in the operation of a PDF is commonly highlighted as being important, given that PDFs are intended to establish precedents for the proper preparation of PPP projects.[206] However, of the PDFs reviewed for this Primer, there is little reference to requirements related to reporting and monitoring, with the exception of Kenya and South Africa.

Information that is made available is often limited to the projects that have received PDF support. In the Philippines and South Africa, project data have been provided annually and include the funding that has been allocated to specific projects. Mexico's FONADIN maintains a comprehensive list of the projects it has supported on its website, which includes the project name, a brief description, project cost data, and total FONADIN funding. Although Kenya's PFF Regulations require the PDF Window to publish annually at least the funds received and the number of projects supported,[207] such reports do not appear to have been made available to date.

Greater transparency around PDF activity and results would contribute to a richer understanding of PDF effectiveness and performance. Although limited information on performance is publicly available, basic reporting on PDF financial activity is likely carried out to comply with relevant financial management regulations. In some cases, more detailed information may be available. For example, the South African PPP Unit contracted a financial management company to create an environment that promotes accountability and ensures that financial resources are used in an efficient, effective, economical, and appropriate way.[208] In addition, there is little information that can be easily accessed to determine the extent to which PDFs have supported successful PPP projects. The Philippines PPP Center's annual report references the extent to which PDMF-supported projects have closed in a year, one of the few public references identified. As discussed in Chapter 4.1, many PDFs rely on continued budget contributions to fund project preparation activities as well as pay for PDF administration. More transparent reporting could help to demonstrate the

[206] G20 Working Group. 2014. *Assessment of the Effectiveness of Project Preparation Facilities in Asia*; and ADB. 2016. A Project Development Fund for Mongolia's Public-Private Partnerships.
[207] Government of Kenya. 2017. *PFF Regulations*.
[208] Government of South Africa. 2004. *PPP Manual Module 3: PPP Inception*.

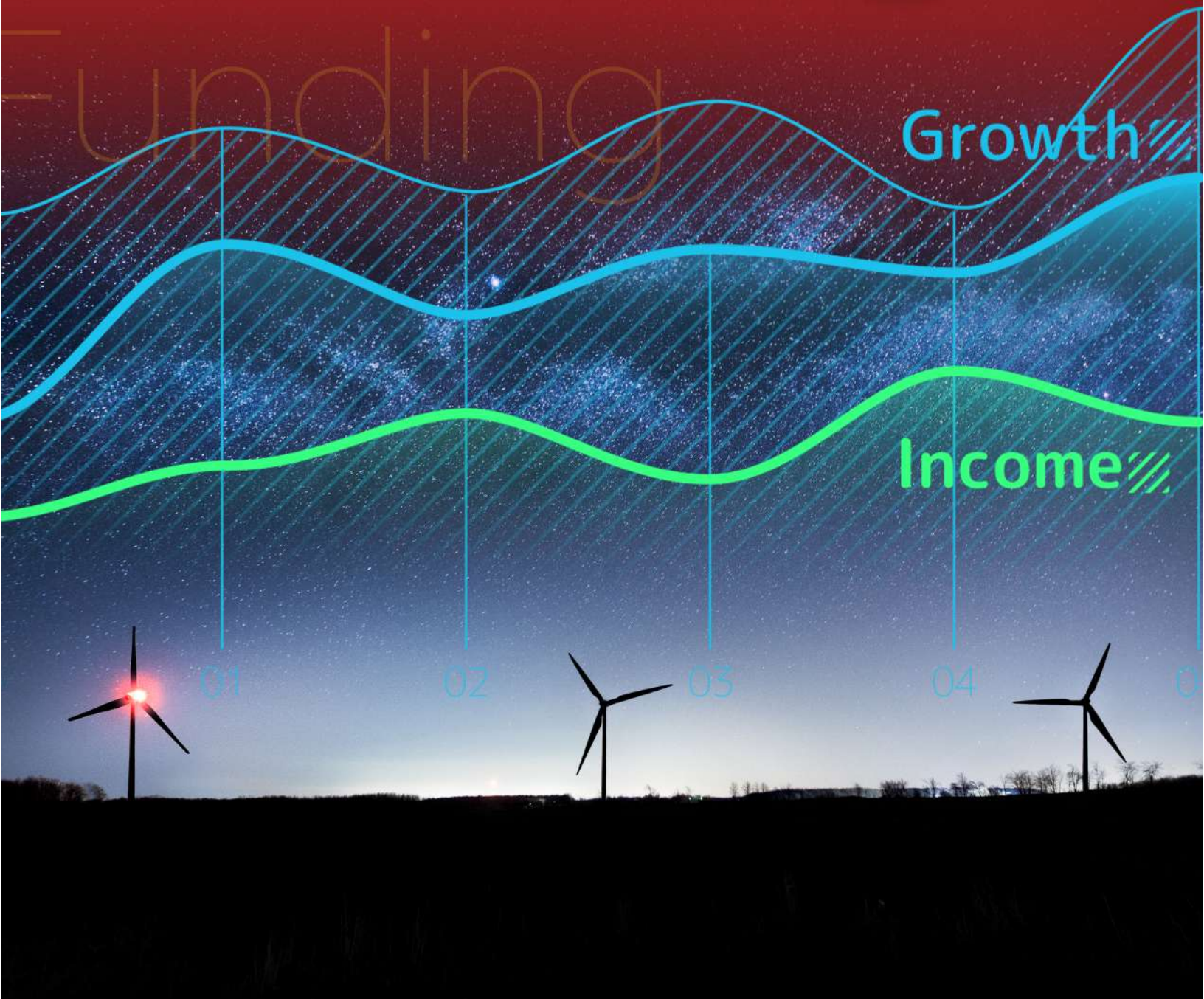
value of continued public funding allocations or otherwise support improvements in the efficiency and effectiveness of PDF operations.

Key Takeaways

- Public disclosure of PDF data is not common. Where such information is available, it is often limited to a summary of projects supported by a PDF and does not shed light on whether PDF support has effectively driven PPP project implementation.
- Given the reliance of most PDFs on public funds, greater transparency would help to demonstrate the value of public funding for project preparation as well as support improvements in PDF operation.

7

LESSONS FOR PRACTITIONERS



7 LESSONS FOR PRACTITIONERS

There is no one "right" PDF design, only a PDF design which best supports project preparation in a particular jurisdiction. PDFs take a wide range of forms, whether an independent legal entity with complex revolving features intended to support a large number of projects, a much simpler separate line item in the budget, or anything in between. Ultimately, they are tools and must be designed to work within an existing environment for existing users. Their effectiveness therefore depends on how well they address the project preparation challenges facing PPPs in a specific country. Despite the fact that PDF design is necessarily contextual, there are clear lessons that may be useful to practitioners to develop effective PDFs.

1. **Ensure that the PPP enabling environment is sufficiently well developed to support appropriate preparation and implementation of PPP projects**. PDFs support implementing agencies to prepare PPP projects, a process which is determined by the PPP project cycle and institutional roles defined in the prevailing PPP framework. Consequently, the PPP framework is often a critical building block for PDF design. The broader PPP enabling environment is also highly relevant for supporting PPP projects in accessing financing, and therefore must be sufficiently developed if PPP projects are to be successfully implemented. Without a conducive environment, PDFs are unlikely to be able to grow the PPP program.

   Developing a clear understanding of existing PPP challenges is, therefore, imperative to enable effective sequencing of interventions. This should be done prior to establishing a PDF. Where institutional roles and responsibilities are unclear, these should be clarified prior to PDF design. Where there are broader project implementation issues, such as funding or financing challenges, these may be tackled in parallel to PDF development or otherwise taken into account in PDF design. Where there are specific project preparation challenges experienced in the PPP project cycle, these should be clearly identified, and if appropriate, addressed in the PDF design.

   In all cases, practitioners considering the implementation of PDFs should ensure sufficient resources are available to support necessary PPP enabling environment reforms, and address challenges in implementing new processes. Development partner operations financing programmatic project preparation have frequently packaged support to include components for legal and institutional support to PPP frameworks, and may also be well placed to provide technical expertise and other capacity support.

Specific Recommendations:

- The effectiveness of PDFs is dependent on the PPP enabling environment. Prior to developing a PDF, assess the PPP enabling environment, and identify key barriers to effective project preparation and implementation. Ensure key challenges are either addressed prior to or in parallel with PDF development, or are otherwise reflected within PDF design.

- Where internal resources for addressing challenges are not sufficient, seek development partner support to assess and help address PPP project preparation and implementation challenges.

2. **Determine a PDF's role within the PPP project preparation landscape early in the PDF design process.** A PDF is only one part of the project preparation puzzle which relies on and co-exists with other sources of support. PDF design is therefore strongly impacted by the specific role it is expected to play, as defined by its scope, the nature and volume of projects it is intended to support, and how those projects are expected to be developed up to the point of PDF intervention. These decisions have a direct impact on PDF size and funding requirements. They will also shape engagement with implementing agencies to develop the PDF's pipeline and impact the PDF's expected closure rate. Decisions on the PDF's role and objectives should therefore be made early to appropriately inform the design process.

   PDFs that engage later in the PPP project cycle will likely have lower per-project costs and a higher closure rate, but their ability to be successful remains dependent on robust project identification and selection processes. Without the necessary capacity and resources in place to support upstream project development outside of PDF intervention, deciding to engage at a later stage may be a false economy. In addition, funds expended on projects that are not subsequently successfully implemented as PPPs should not be considered wasted. There is considerable value to PPP programs in ensuring that poor projects are not taken to market. Moreover, practical experience appears the most effective way to build PPP capacity.[209] Implementing agency experience in the evaluation and preparation of projects, even where not successful, is extremely important for the long-term growth of the PPP program.

   Defining the specific project preparation role that PDFs play is also important. Will the PDF be solely a funding resource? Or will it also be a source of technical expertise? Although a PDF's approach will depend on the specific project preparation challenges and PPP capacity in a country, efforts to ensure the quality and efficiency of project preparation must be balanced by the wishes of implementing agencies, which own the projects. Implementing agencies' demand for, and conscientious consumption of, PDF services is essential for a PDF to be successful. Working closely with implementing agencies during PDF design to understand their views, in addition to their strengths and weaknesses, is essential to driving commitment throughout the project development process.

Specific Recommendations:

- Assess the resources available across the entire project preparation landscape, including funding for upstream project development, to ensure that a PDF's design is consistent with the likely PPP project pipeline.

- Engage early with implementing agencies to identify project preparation challenges and design the PDF to reflect them.

3. **PDF funding strategies should be realistic and consistent with a PDF's broader goals.** PDFs are predominately funded by governments and therefore do not typically relieve governments of the burden of supporting the costs of PPP project preparation. Although there are instances of development partners financing PDFs, and such support can be catalytic, this not common, and special

[209] UNECE. 2008. *Guidebook on Promoting Good Governance in Public-Private Partnerships*.

care is often required to incorporate development partner financing in a way that best supports government objectives.

Initial PDF funding strategies should generally focus on government funding as a main source and seek to identify the quantum of funding that will realistically be allocated to the PDF in the near term. As a result, starting small may be appropriate; however, strong, continued political commitment will be necessary to drive the recurring or multi-year funding allocations to ensure a PDF is financially secure. PDFs which are not sufficiently funded over time are unable to meet their objectives.

Most PDFs should not be designed with the assumption that they will be financially sustainable. Few PDFs operate on a self-sustaining basis. Those that are self-sustaining tend to operate in large, mature PPP markets, focus solely on downstream project preparation activities, or both. Financial sustainability goals are therefore difficult to achieve and can serve to undermine a PDF's broader objectives. However, PDFs should consider whether using revolving features may support the PDF in achieving its objectives. Revolving features that help to encourage implementing agency commitment without unduly impacting project bankability are worth consideration in order to stretch scarce project preparation funding. Care should be taken to ensure that such features do not discourage PDF applications or skew the project preparation process towards closure no matter the cost.

Specific Recommendations:

- PDF funding strategies should generally focus on determining the government funding allocation that can be made available, both initially and over time. Other sources should only be included in funding strategies where there is clarity that they will materialize. In particular, PDF design should acknowledge the challenges and/or implications of financial sustainability objectives.

- Revolving features should be implemented where they are likely to support, or at least not undermine, a PDF's ability to achieve its objectives. Care should be taken to design revolving features that do not unduly impact project viability or implementing agency interest.

4. **A PDF's structure should be determined based on how to best enable the functionality a PDF requires to achieve its objectives.** PDFs are not often institutions, nor do they have a personality of their own. Rather, they are tools which should be shaped to meet the needs of their users. Effective PDFs can be instruments that drive cultural change around the use of PPPs. As such, their specific legal structure, governance, and administrative model are less important than how and whether the PDF is accessed. Consequently, a PDF's structure is only important to the extent that it provides the flexibility and functionality necessary to support successful PPP projects.

   In many cases, a PDF's structure is not visible to users, and PDFs are accessed in much the same way in many countries despite considerable structural differences. Developing an understanding of users, both PPP institutions and implementing agencies, and identifying challenges within the PPP project cycle, should support the determination of the required PDF functionality. How that functionality is translated into a formal PDF structure will vary considerably across countries, depending on local context, in particular public financial management and procurement requirements.

Avoid the introduction of complexity except where necessary to address existing project preparation challenges, and the needs of likely users and funders. The opportunity costs of designing such features, for funding sources or for project demand that may not materialize as expected, can be high. Smaller economies and less developed PPP programs, in particular, may benefit from lighter PDF structures which are less challenging to implement and which entail lower upfront resource commitment. PDF structures can then evolve to accommodate more sophisticated features or other PDF contributors as necessary.

Specific Recommendations:

- A PDF's structure should be dependent on local context. It should be determined based on how best to deliver the PDF functionality required to enable the efficient delivery of high-quality project preparation. Key factors that should be well understood include public financial management and procurement requirements.

- Design PDF structure based on an assessment of project preparation challenges, PPP program needs, and funding sources available in the near to medium term, and reevaluate the effectiveness of the structure as conditions change.

5. **PDFs must be user-focused and able to evolve over time to stay relevant.** PDFs provide a support service. Their ability to be successful depends entirely on how well that service is leveraged by implementing agencies. Lessons related to the engagement of implementing agencies are therefore not only relevant during PDF design, but also throughout PDF operation. As PPP programs grow and experience with PPPs is gained, potentially as a result of successful PDF, the project preparation challenges experienced by implementing agencies, as well as the implementing agencies themselves, will change. Where new PPP frameworks are being implemented, the rate of change may be particularly rapid.

   To stay relevant, a PDF's services will need to evolve alongside its users and the PPP enabling environment, and not always in a predictable fashion. Given this expectation, PDF design should be focused on addressing PPP project preparation challenges as they are currently understood, but also recognize that PDF scope, structure and/or funding strategy may need to change to meet PPP program needs. Regular business planning, including frequent assessment of the PPP pipeline and the incorporation of practical experience and lessons learned into PDF operations, can be useful to support a PDF as it evolves.

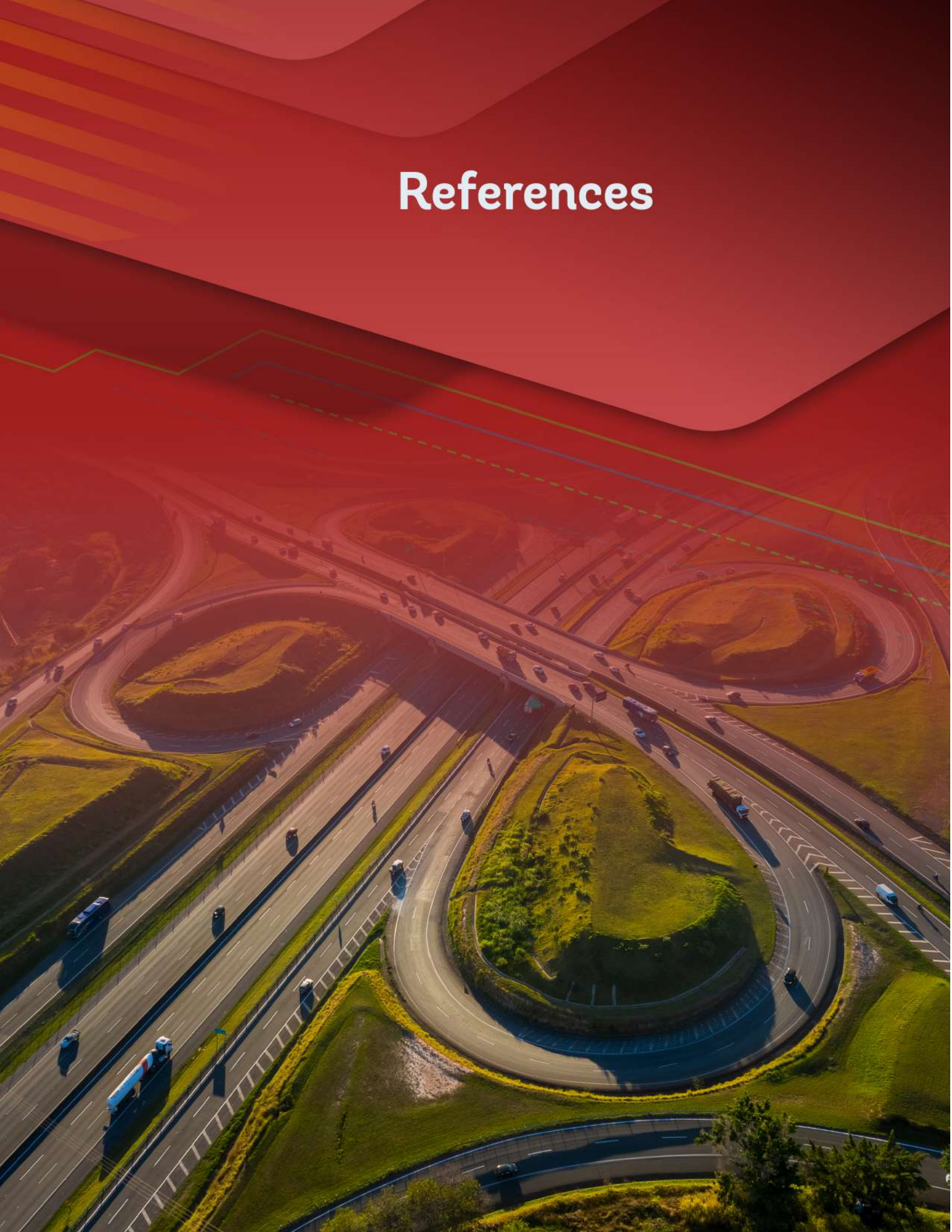
Specific Recommendations:

- Ensure that PDF design enables strong implementing agency project ownership.

- Allow sufficient flexibility within PDF design to enable PDF operations and offerings to evolve to meet changing challenges and requirements.

- Regularly review the PDF service offering and user requirements to lay the groundwork for necessary adaptations.

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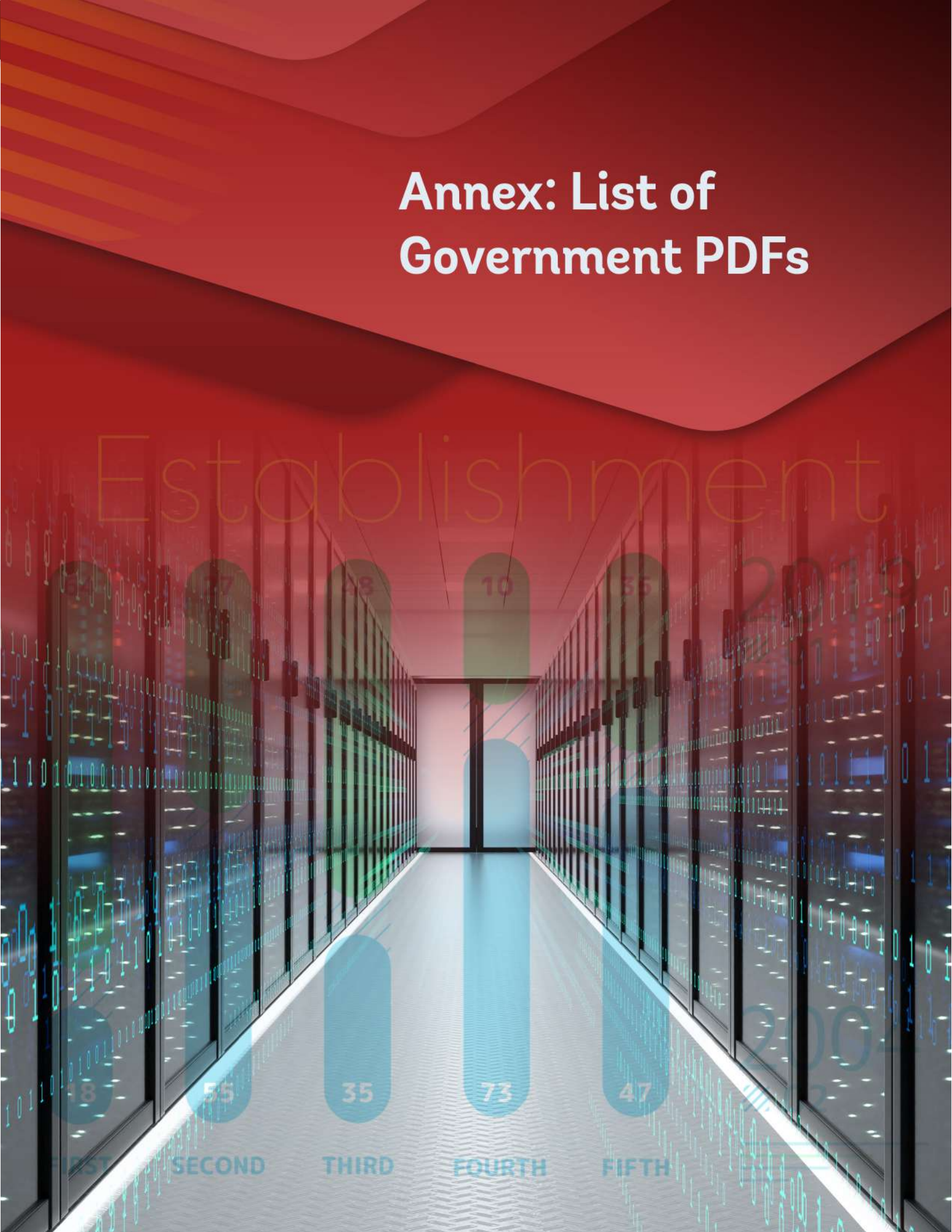
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Annex: List of Government PDFs



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Country	Relevant Fund	Type
Brazil	Support Fund for Structuring and Development of Concession and PPP Projects (FEP) Project Development Division (AEP), including the Project Structuring Fund and the Project Structuring Company (EBP) and	PPP-specific PDF (sub-national)
Cambodia	PDF	PPP window within infrastructure PDF
Ghana	PDF	PPP-specific PDF
India	India Infrastructure Project Development Fund (IIPDF)	PPP-specific PDF
Indonesia	PDF	PPP-specific PDF
Jordan	PDF	PPP-specific PDF
Kenya	PDF window within Project Facilitation Fund (PFF)	PPP-specific PDF
Kyrgz Republic	Project Development Support Facility (PDSF)	PPP-specific PDF
Mexico	Fondo Nacional de Infraestructura (FONADIN)	Infrastructure PDF window within financing vehicle
Pakistan	Infrastructure Project Development Facility (IPDF)	PPP-specific PDF
Phillippines	Project Development and Monitoring Fund (PDMF)	PPP-specific PDF
South Africa	PDF	PPP-specific PDF
Thailand	PDF	
Zimbabwe	Project Preparation and Development Fund (PPDF)	PPP-specific PDF



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