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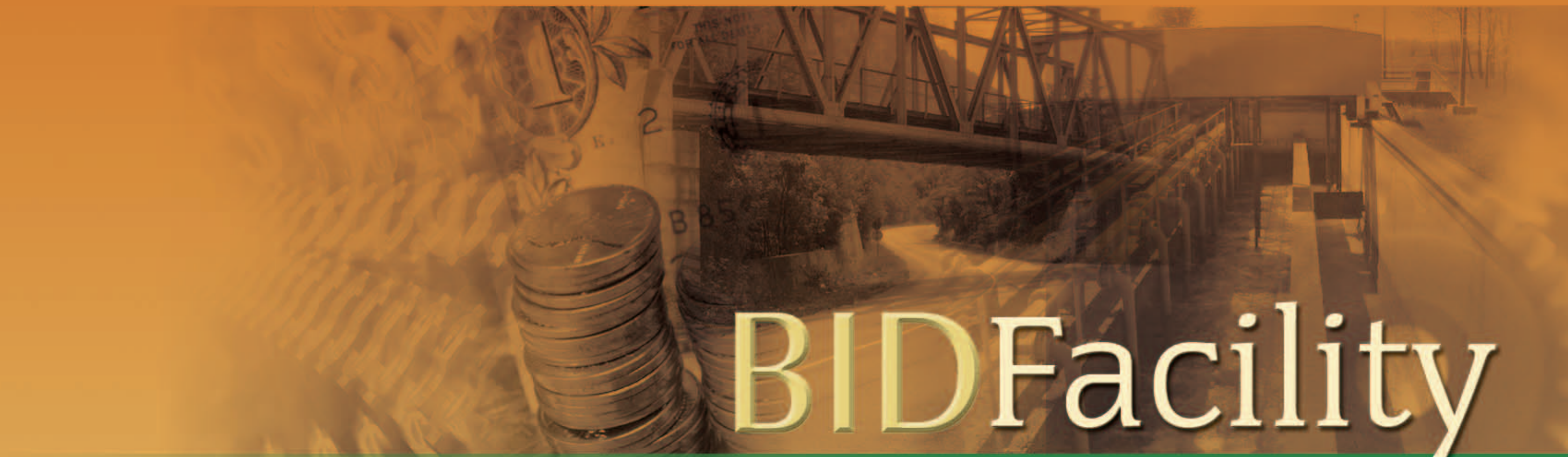

Balkans Infrastructure Development Facility

Survey Findings: Project Development Facilities

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www.bidfacility.com

PROJECT DEVELOPMENT FACILITIES
A Survey of International Experience

SURVEY FINDINGS

Under contract with the U.S. Agency for International Development (USAID), Booz Allen Hamilton and a selected group of subcontractors are implementing the Regional Infrastructure Program (RIP) for Water and Transport in South East Europe. This program's key objective is to facilitate infrastructure project development throughout the region, while improving the local capability for sustainable economic development.

Based on specific recommendations discussed in connection with alternative mechanisms to enhance the participation of private sector in infrastructure, the Europe and Eurasia Bureau of USAID requested the consultants to investigate the potential for designing and implementing a Project Development Facility (PDF) in the region. As part of the effort to create a Balkans Infrastructure Development Facility (BIDFacility), it was agreed that the consulting team would conduct a survey of similar facilities in other parts of the world to summarize the experience to date and incorporate any "lessons learned" into the process.

After The Institute for Public Private Partnerships (IP3) developed the PDF survey, a group of senior advisors, acting as an informal BIDFacility Design Team, summarized the salient observations from the survey and incorporated them into the PDF design.

1. Approach and Methodology

The PDFs included in the survey appear to be an appropriate sample of the type of facilities under review. The survey evaluated a total of 13 PDFs from many different parts of the world. Some of the PDFs included in the survey are not infrastructure related, but rather focus on small and medium enterprise (SME) development. Still, it was perceived that the creation and characteristics of these PDFs were relevant to the BIDFacility design effort. Transaction volumes and the related transaction costs may also be comparable with similar volumes and costs for BIDFacility's small and medium size project development activities. Two of the PDFs were set up to on-lend World Bank money obtained on concessional terms for project finance. One of the PDFs was set up to on-lend Asian Development Bank money obtained on concessional terms for consulting fees expended for project development. Although BIDFacility will not be a lending facility, the structure and operations of the three researched lending facilities are considered to be good guidance for BIDFacility's design, structure, management, and operations. The methodological approach included the following steps:

- Contacted fund managers and donors involved in PDF design or management
- Distributed survey questionnaire for follow-up and additional data collection
- Utilized 12-point matrix identifying key PDF design and performance indicators.

2. Key Design Issues and Indicators

The information gathered covered the following key aspects:

- Establishment and capitalization
- Mandate
- Ownership and control
- Forms of management
- Governance
- Government commitment/contribution
- Conditionality measures
- Local capacity building
- Level of activity
- Recovery mechanisms
- Leveraging impact
- Key conclusions and lessons learned.

We have organized the data collected in separate tables (one for each PDF), which are shown as an appendix. A comparative (summary) chart summarizes the characteristics of the different PDFs.

3. Common Objectives

We found some important common themes in the PDFs surveyed:

- Accelerate flow of viable PSP projects
- Improve quality of project preparation
- Reduce transaction costs and project risks
- Improve procurement compliance and reduce corruption
- Leverage private finance and soften terms
- Build local capacity and use of Best Practices.

4. Establishment/Capitalization

Looking at the year the PDFs were created and their corresponding capitalization, we observe that most of the facilities were established in the 1990s, with only four of them showing a track record of more than 10 years of existence (three in Africa and one in the South Pacific).

Two of the PDFs (Egypt and Indonesia) are still in a design phase and at least one of them (Egypt) is not likely to go forward in the immediate future. The China facility is too new to yield performance results.

The average capitalization observed in the sample is $17.8 million, but the PDFs most comparable to BIDFacility in terms of size had capitalizations in the $4 to $6 million range. For example, the Philippines PDF is capitalized with an ADB loan of $3 million, an ADB grant of $600,000, and a Philippines Government grant of $915,000—for a total capitalization of $4,515,000. The capitalization of the new South African PDF in National Treasury is $6 million, to be paid in incrementally over a period of 6 years. As the Philippines model illustrates, $4 million is an adequate level of capitalization to proceed; and as the South African model illustrates, additional funds can be injected as the facility develops its portfolio and establishes itself in the market.

5. Common Mandates

It is interesting to mention that more than 70 percent of the facilities included project preparation as the first or second mandate. This mandate appears to take precedence over other objectives. Another significant objective is that of providing transaction support, which is mentioned in almost half the cases.

Other common mandates are capacity building and enabling environment. The capacity-building activities typically focus on technical assistance and training for clients, which in the case of BIDFacility will be the sponsoring institutions and agencies (SIAs) seeking assistance in developing infrastructure projects. All enabling environment activities consist of interventions in areas such as the legal and regulatory framework, capital markets, and public awareness campaigns.

6. Forms of PDFs

Most of the PDFs surveyed (except for the Africa Management Services Company, which has both public and private sector shareholders) are public sector owned and controlled. The PDFs typically have one or two "windows" as follows:

- *Window I*: Project Preparation Facility, using grants or loans to finance Technical Assistance and Capacity Building
- *Window II*: Credit enhancement, using subordinated debt and/or guarantees.

All of the 13 PDFs surveyed use one or both windows.

7. Management/Operating Budget

The survey yielded some interesting observations in connection with PDF staffing and operating budgets:

- Infrastructure PDFs typically have staffs of 8 to 12 people (both technical and administrative)
- Regional SME PDFs generally have larger staffs of approximately 50 people (both technical and administrative)
- Annual operating budgets are between $1 million and $5 million.

The size of the operating budget does not seem to be related to the capitalization of the PDF. The reason for this is that most of the capitalization is used for service delivery, such as consulting services to achieve project development. A facility that does relatively small deals will have a smaller capitalization than a facility that does relatively large deals, even though the operating budget for the two may be approximately the same.

8. Governance

The governance models observed in the survey typically include a Board of Directors or Board of Trustees that serves as the highest level of authority for the facility, most often operating separately from the PDF management.

9. Government Contribution

The majority of the PDFs surveyed do not appear to receive any monetary or in-kind contributions from the host governments of the countries where they reside. Only four of the 13 PDFs surveyed (Philippines LGU and two South Africa PDFs included) received monetary or in-kind contributions from the host government(s). In other PDFs, such as SEED, small contributions (e.g., $200,000) were accepted from the governments of countries in the area of operations.

10. Local Consultants

All of the PDFs surveyed employ local consultants to some degree and encourage the use of local professional talent. The facilities usually have a mix of local and expatriate technical advisors who serve in an oversight capacity in the use of local consulting teams and provide technical services where needed by clients.

11. Level of Activity

The South Africa MIU PDF shows 23 projects at an average cost of $206,000. This appears to be a representative sample of activity level for a facility that finances technical assistance for public utilities project development. Over half of the facilities examined had cost recovery systems in place. There are two parts to cost recovery: (1) fee for service; and (2) cost reimbursement by winning bidders. Success rates for (1) appear to be a function of how well known the facility is and what the public's perception is of the value of the facility's services. Success rates for (2) are a function of the facility's overall success rate in getting its portfolio of projects to financial closure.

The SEED facility has almost a 100 percent success rate in raising its share of the capital requirements of its clients. The SEED facility serves as one of the more important models for BIDFacility, because:

- Its focus is on small and medium size transactions, which is the same focus for BIDFacility because there is plenty of money available for large, high-profile deals
- It operates in the same region as that intended for BIDFacility
- It has IFC participation, as is the case with BIDFacility.

In 2001, SEED had 16 project finance transactions, 16 initiatives providing support to business development service providers, 7 initiatives providing direct support to SMEs and group-based SME training, and 11 interventions for improvement of the enabling environment. These statistics provide a realistic estimate of BIDFacilty's future level of activity.

12. Summary

We researched three types of PDFs: SME development; project finance; and project development. In each case, the common denominator was the final objective of getting the projects financed in whole or in part by the private sector. The Sri Lanka and Bangladesh facilities provide project finance loans with money borrowed at concessional rates. The ability of those facilities to close deals has been impaired by problems with the enabling environment. For this and other reasons, BIDFacility's portfolio will not include large projects for project development assistance. BIDFacility will, however, provide enabling environment interventions for all sizes of projects, including large projects.

The Philippines PDF also on-lends funds borrowed at concessional rates, but instead of project finance these funds are loaned to LGUs to pay for consulting fees incurred in the development of PSP and PPP projects. The transaction flow for this facility has been impaired by a reluctance of the LGUs to incur additional debt, especially at market rates. The overall disappointing performance of PDFs designed to be lending facilities has led the design team to recommend that BIDFacility should operate on a grant basis, with as much cost recovery as can be reasonably achieved through reimbursements from winning bidders.

Based on the PDF Survey research, an initial capitalization of $4 to $6 million is considered to be adequate to mobilize BIDFacility. The review of staffing and management structures of international PDFs suggests that an appropriate staffing for BIDFacility would be something along the lines of a local General Manager, an expatriate project finance expert, an expatriate expert in civil engineering, and two local administrative support staff. An expatriate and one or more local attorneys should be made available to provide support services on a case-by-case basis. The physical location of BIDFacility should be within a financial institution, which the PDF survey revealed to be a viable structure. A logical option would be the IFC's offices in Sarajevo.

Another common theme identified in the survey was that the successful PDFs all use a multi-step funding procedure, in which certain milestones have to be met in order for the project to be qualified to access the next tranche of funds. There are also conditionalities in the contracts, agreements, and MOUs executed by the facility and its clients. These require the client to perform certain tasks or face the obligation to refund some or all of the money expended by the PDF to provide the requested assistance.

Finally, the SEED experience demonstrates that private sector money can indeed be raised for projects in South East Europe. BIDFacility intends to provide for PSP and PPP infrastructure projects what SEED provides for SMEs. BIDFacility will also provide capacity-building and enabling-environment interventions, as is the case with all of the successful PDFs.

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PROJECT DEVELOPMENT FACILITIES: A SURVEY OF INTERNATIONAL EXPERIENCE

Survey Summary

Facility	Establishment/ Capitalization	Mandate	Sectors	Management/ Operating Budget	Governance	Level of Activity/ Average Intervention	Cost Recovery
Philippines LGU PIPDF (single country)	2000 $5.5 million Govt 915K	Project Preparation Transaction Support	Roads, bridges, ports, water supply and sanitation, solid waste disposal, and others on a case-by-case basis	Management performed by existing staff of Land Bank of the Philippines Operating budget provided by ADB $3 million loan + $600,000 grant and Govt contribution of $915,000	Board of Directors	10 projects to be funded Average cost: $300,000	Total; TA is funded by loans to LGUs
South Africa MIIU PDF (single country)	1989 $12.17 million	Project Preparation Transaction Support	Very active in the water sector. Closed a large solid waste project for Johannesburg.	CEO, 8 staff $1.43 million	Board of Directors	23 projects completed Average cost: $206,500	Partial; recent change from grant system to grant, loan, and fee TA.
South Africa P3 Unit PDF (single country)	2002 $6 million	Project Preparation Deal flow for PPP Unit	Only for national and provincial level projects so no water deals. A focus on PPP deals in health care, facilities management, IT, and transport systems.	Head of P3 Unit, 4 local staff 1 donor funded resident expat advisor is planned	PDF is not a separate legal entity. Contract is between the SIAs and the PPP Unit and capitalization is kept in a Treasury account	5 projects projected to be completed in year 1 Average cost: $225,000	Total for deals that close, but costs for non closures will be $6 million over 10 years
Africa PDF (regional)	1986 $22 million	SME Development Business Advisory (BAS) Enterprise Support (ESS)	15% Agriculture 10% Agribusiness 35% Manufacturing 10% Tourism 30% Services	CEO, 57 staff About $3 million per year	Board of Directors	45 BAS interventions 88 ESS interventions Average cost: $7,633 (1.29% of project finance)	Partial: $790,452 out of $1,015,152
Africa Management Services Company (regional) (28% private ownership)	1989 $55 million	SME Development Capacity Building	35% Manufacturing 30% Banking 20% Services 15% Agriculture	CEO, 53 staff: 25 in Amsterdam 32 in Africa About $3.7 million per year	Board of Directors	124 interventions as follows: 55 small (client <$5 million) 37 medium ($5-10 million) 32 large (>$10 million) Average cost: $160,484	Partial: 94%

Facility	Establishment/ Capitalization	Mandate	Sectors	Management/ Operating Budget	Governance	Level of Activity/ Average Intervention	Cost Recovery
Mekong PDF (regional)	1997 25 million	SME Development Project Preparation Capacity Building	28% Manufacturing 21% Textiles 18% Paper & wood 9% Tourism 9% Agribusiness 6% Plastics 3% Fisheries 3% Education 3% Transportation	Manager, 48 staff $4.2 million per year	Advisory Board Board of Donors	38 projects completed Average cost: $590,000	Partial; total of $174,133 collected in last year
Indonesia PSPDF (single country)	Design phase $5 million	Project Preparation Transaction Support Capacity Building	Water Electricity Transport	TBD – still in design phase	Other	TBD – still in design phase	TBD – still in design phase
Egypt PSPDF (single country)	Design phase $7.5 million	Project Preparation Transaction Support	Water only	Local General Manager, resident expat finance and civil engineering technical advisors, 2 local admin.	Board of Trustees	TBD – still in design phase	TBD – still in design phase. Plans on 1/3 cost recovery
China PDF (single country)	2002 $17 million	SME Development Capacity Building	TBD – new facility	TBD – new facility	Board of Directors	TBD – new facility	TBD - partial planned
Southeast Europe Enterprise Development (regional)	2000 $33 million	SME Development Enterprise-Level Investment Services Capacity Building	5% Education 25% Construction 5% Banking 40% Agribusiness 20% Manufacturing 5% Tourism	General Manager, 53 full-time staff	Board of Donors	6 projects completed FY01 Average cost: $400,000	Partial

Facility	Establishment/ Capitalization	Mandate	Sectors	Management/ Operating Budget	Governance	Level of Activity/ Average Intervention	Cost Recovery
South Pacific PDF (regional)	1990 $10.5 million	SME Development Capacity Building	30% Manufacturing 10% Tourism 10% Agribusiness 25% Fisheries 25% Services	Regional Manager, 10 staff $2.42 million	Advisory Board	30 projects completed FY01 Total financings: $9,920,000 Average financing: $450,000 Average cost: $110,000	Partial; fees invoiced were $57,486 total
Bangladesh PSIDF (single country)	1997 $21 million	Project Preparation Transaction Support Capacity Building	Strong emphasis on the energy sector, mandate includes telecom, transport, water	World Bank Task Manager, resident General Manager and support staff. Operates through IDCOL, a private company organized by the GOP.	IFC and donors, with consultation from Citibank advisors. Operating budget submitted every May to WB for approval.	Very little progress other than $30 million IFC investment, with other donors and private sector financiers, for Lasmo Oil Pakistan to produce gas from the Bhit field.	No
Sri Lanka PSIDF (single country)	1995 $7 million	Project Preparation Transaction Support	Telecom, energy, water, transport	General Manager, 8 staff $835,000 per year overhead $3.5 million per year TA Operates through PSICD, a private company organized by the Government of Sri Lanka	IFC and donors, with consultation from Citibank advisors. Operating budget submitted annually to WB for approval.	Goal is 13 projects/year $160MM total project finance $12MM finance per project (40% of total project finance) $270K TA per project TA=2.25% of project finance	No

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Survey Template

1. Establishment/ Capitalization	How was PDF created? Government or donor initiative or legislation, private sector cooperation, or joint venture? Total amount of capitalization and description of funding sources? Type of funding (e.g. debt, equity)?
2. Mandate	Is this a facilitator, that is, developer of projects for others to finance, or a source of financing for projects? If it is a facilitator, how does it interact with private sector investors? Does it pool projects, develop standardized investment documents, or merely help local governments in the early development stages? If it is a source of financing, what is the nature of the financing mechanism?
3. Ownership and Control	Public, Private, or Public-Private Partnership?
4. Forms of Management	How is the CEO or Executive Director selected and compensated? What is the size of the staff and annual operating budget?
5. Governance	Who appoints Board of Directors? How are funds disbursement decisions made? What are the criteria for accepting or rejecting projects?
6. Government Commitment/Contribution	What is level and nature of host government participation? Will the government replenish funds lost through failed projects? Have they enacted enabling legislation? Does the government require sponsoring agencies to share costs or require them to utilize the PDF?
7. Conditionality Measures	What are the conditions for PDF assistance to Sponsoring Agencies? What do the Sponsoring Agencies have to do to not incur cost reimbursement liability?
8. Local Capacity Building	To what extent are local consultants utilized? How has the PDF built capacity into the Sponsoring Agencies?
9. Level of Activity	How many projects assisted per year? How many projects financed and total investment for projects on annual basis?
10. Recovery Mechanisms	Winning bidder reimbursements? Sponsoring agency cost sharing? Conversion of loans to grants if the Sponsoring Agency complies with conditionalities? Interest rate spread between funds loaned to the PDF and funds on-lent by the PDF?
11. Leveraging Impact	To what extent have government budget funds been successfully leveraged by PSP investment or financing? To what extent has the PSP deal-flow been increased via PDF assistance?
12. Other Financial Instruments	Credit enhancement? Government guaranteed loans? Senior debt? Subordinated debt? Convertible debt?

SURVEY OF INTERNATIONAL EXPERIENCE
PROJECT DEVELOPMENT FACILITIES

Philippines Local Government Unit (LGU)
Private Infrastructure Project Development Facility (PIPDF)

1. Establishment/ Capitalization	Initial contribution to the PDF consists of funds from the United States Agency for International Development (USAID) and the Asian Development Bank (ADB) with CCPSP and Land Bank of the Philippines as fund managers, respectively.
2. Mandate	Preparation of pre-investment studies Preparation of tender documents and draft agreements Provision of technical assistance in the tendering process, bid evaluation, negotiation, and award including start-up assistance after contract award
3. Ownership and Control	Public
4. Forms of Management	Fund Manager: Signs the agreement with the funding agencies; Contracts consulting services; Evaluates and approves the application for PDF loan; Manages the portfolio; Performs accounting and auditing services to monitor disbursement of the fund; and Submits monitoring reports to the Steering Committee.
5. Governance	PDF Administration: A. CCPSP Per Administrative Order No. 67, the CCPSP is mandated to “Manage and Administer a Project Development Facility that will prepare PSP projects to tendering stages.” The CCPSP Council through Resolution No. 1 series of 1999 approved the creation of a PDF Steering Committee. CCPSP shall serve as the technical secretariat to the PDF Steering Committee. B. PDF Steering Committee Sets the policy and implementation guidelines for access to and use of the PDF, including the project evaluation guidelines, approval process, and funds flow; Institutes, approves, and oversees the operating procedures of the PDF Technical Secretariat; Approves the disposition of funds under the PDF; and Reviews and approves the priority sectors/programs/projects selected as suitable for PDF assistance.
6. Government Commitment/Contribution	$915,000 Philippines Government $3,000,000 loan + $600,000 grant from ADB Land Bank officers and staff provide management
7. Conditionality Measures	LGU/IA must commit to publicly tender the proposed project. LGU/IA must include a provision in the bid documents requiring the winning bidder to reimburse the PDF loan. The LGU/IA must contribute counterpart resources to the project such as office space, equipment, and technical/support staff.
8. Local Capacity Building	Yes, through TA and workshops

9. Level of Activity	Approximately 14 LGU projects per year, mostly in the water and transport sectors, primarily medium-sized projects Reluctance on the part of LGUs to take on additional debt is a constraining factor to the level of activity
10. Recovery Mechanisms	Revolving Fund: Winning project proponent must repay the PDF loan to the LGU/IA.
11. Leveraging Impact	Transport projects enhance ability of farmers to get their products to market, and facilitate commerce via rural trade centers
12. Other Financial Instruments	Land Bank borrows funds from ADB at concessionary rates, then on-lends those funds to the LGUs at market rates

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Republic of South Africa Municipal Infrastructure Investment Unit (MIIU) PDF

1. Establishment/ Capitalization	The Department of Provincial and Local Government has capitalized the Fund and further commitments by the Department over the next few years have been made. Donor Contribution: $1.5 million in project preparation facility to cost-share feasibility studies, etc., $ .75 million for technical assistance contract. Government Contribution: R7 million per year grant from national government.
2. Mandate	The MIIU is conceived as a five-year intervention to develop a market for technical assistance for project preparation in the sphere of municipal infrastructure and services. Its scope of activities include: Provision of grant funding to local authorities on a cost-sharing basis to hire expertise for project preparation assistance from the private sector (up to the Request For Proposals, evaluation, negotiation, or initial implementation stages). Assistance to local authorities in the process of hiring private sector consultants. Assistance to local authorities with the management of contracts with the private sector. Marketing and publicity of the MIIU's services. These activities are undertaken with local authorities that develop project proposals involving private sector investment. The investments can take any of a broad range of forms, including, but not exclusively: Private sector financing of municipal debt. Contracting out of the management of ongoing services. Concessions to operate the local authority's assets over a defined period. Contracts requiring the private sector to Design, Build, Finance and Operate assets to deliver services for the local authority. Privatization of assets and services.
3. Ownership and Control	Section 21 nonprofit government entity Now included on Treasury's list of regulated companies
4. Forms of Management	Project Preparation Unit (PPU) Operational core of the MIIU that processes applications for technical assistance from local authorities and oversees the management of the Preparation Fund (PF). The PPU works directly with local authorities and their consultants to complete projects consistent with the financing mechanisms laid out above. Preparation Fund (PF) Funded by RSA Government, which provides direct assistance to municipalities for the preparation of projects involving private sector funding.

5. Governance	The Board of Directors is constituted as a legal entity responsible for the overall policy direction of the MIIU and management of the Preparation Fund. The Board of Directors broadly oversees the policy and operational functions of the MIIU. The Board plays an active role in establishing policy guidelines and entering into a contractual relationship with a management agent to oversee technical assistance efforts and disbursements from the grant fund. The Board also approves the operational guidelines of the Project Preparation Unit and the Preparation Fund. The Board monitors performance and compliance with policy by the Project Preparation Unit in terms of the contract with the management agent. The Board receives quarterly progress reports from the Project Preparation Unit, and approves the budget of the PPU on an annual basis. Board members include representatives from the Department of Finance, the Department of Provincial and Local Government, the Development Bank of Southern Africa, the private sector financial institutions, Non-Governmental Organizations, and organized local government. Board members are appointed by the government.
6. Government Commitment/Contribution	National Treasury and Department of Provincial & Local Government sit on Board of Directors. Enabling national legislation has been put into place.
7. Conditionality Measures	Cost-sharing.
8. Local Capacity Building	Local consultants do all the work and are selected and contracted by the local authority. Capacity building is done by working directly with local authorities.
9. Level of Activity	Approximately 40 projects receive PDF assistance per year. Total annual investment level for projects is approximately R10 million.
10. Recovery Mechanisms	Over the longer term the costs of project preparation must be recovered from successful bidders in terms of the overall financing package. As far as possible, financial resources from the Fund are blended with municipalities' own resources, and the municipalities recover their own costs through the bid proposals. Cost recovery of project preparation expenses must, over the long term, be secured by local governments through success fees and a number of other revenue sources linked to the concession, management contract, or debt instrument.
11. Leveraging Impact	Deal-flow was almost nonexistent before the MIIU was established. To date, over 500,000 households have benefited with investments totaling over $650 million.
12. Other Financial Instruments	Works closely with Infrastructure Investment Corporation (INCA) for TA to solve problems in financially distressed municipalities, after which bonds are issued and sold over the JSE to raise money for project finance

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Republic of South Africa
National Treasury Public-Private Partnership Unit (P3U) PDF

1. Establishment/ Capitalization	Mobilized in 10/02. Capitalization and contributions from Government of South Africa, USAID, and other donors to be determined.
2. Mandate	Seeks to develop high-quality PPP projects that are initiated by Sponsoring Institutions and Agencies (SIAs) at the national and provincial levels through the provision of technical assistance for feasibility, cost-benefit, options, budgetary, and other kinds of analyses of projects.
3. Ownership and Control	Public
4. Forms of Management	PDF Director will report to the Head of the PPP Unit of the National Treasury. Contracts for PDF services will be executed by the Head of the PPP Unit or by other officials designated by the National Treasury.
5. Governance	PDF will operate as a program within the National Treasury. The Head of Unit for the National Treasury's PPP Unit, a Deputy Director General level position, will provide supervision of PDF's activities and funds on deposit. Account also subject to oversight by the Office of the Auditor General.
6. Government Commitment/Contribution	$6 million (60 million rand)
7. Conditionality Measures	MOU between PPP Unit and SIA.
8. Local Capacity Building	Yes.
9. Level of Activity	Projected deal flow is 5 in the first year, 10 in the second year, 12 in the third year, 14 in the fourth year, 16 in the fifth year, 18 in the sixth year, then 20 in the seventh and subsequent years.
10. Recovery Mechanisms	Cost sharing from participating SIAs on authorization of first level of funding – Demonstration of Affordability. Revolving line of credit replenished by winning bidders of PPP projects for which PDF assistance has been provided.
11. Leveraging Impact	To be determined
12. Other Financial Instruments	None, but PDF staff has frequent interface with suppliers of project finance.

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Africa Project Development Facility (APDF)

1. Establishment/ Capitalization	Jointly established in 1986 by the African Development Bank (AfDB), the International Finance Corporation (IFC), the United Nations Development Programme (UNDP) and 15 other donor countries to assist African entrepreneurs and promote small and medium-sized businesses.
2. Mandate	Established to respond to the need for project preparation and assistance to African entrepreneurs. The Facility helps sponsors prepare market, technical and other feasibility studies needed to secure project financing. The Facility's mandate is to work with entrepreneurs throughout the project preparation cycle until the project has secured the necessary funding. APDF is also working to enhance local capacity for project preparation by hiring and training local consultants and consulting firms whenever possible. It has now broadened its mandate to include capacity building for SMEs, consulting services, business associations, and local financial institutions.
3. Ownership and Control	Public
4. Forms of Management	IFC is the Executing Agency for APDF and as such is responsible for the day-to-day operations.
5. Governance	APDF's Board, which meets twice a year, reviews policies and provides guidance on activities. Board members are from the private sector in Africa and from the countries and agencies that fund APDF's activities. Also, once a year there is a Donors' Meeting.
6. Government Commitment/Contribution	$10,000,000 IFC $ 3,100,000 Switzerland $ 1,900,000 AfDB $ 1,509,000 Netherlands $ 894,000 U.K. $ 320,000 Sweden
7. Conditionality Measures	APDF requires entrepreneurs to sign a memorandum of understanding (MOU) and pay a commitment fee. The MOU explains the tasks and responsibility of the entrepreneur as well as the tasks to be carried out by APDF. In addition to the commitment fee, the entrepreneur is requested to pay part of consultant fees if it is necessary to hire consultants. Once the business plan is produced the entrepreneur pays a report fee. Usually in the order of US$1,000 equivalent. Once the entrepreneur has received the financing arranged by APDF, the entrepreneur pays a "success fee", which is a small percentage of the financing raised.
8. Local Capacity Building	Yes
9. Level of Activity	From July 1, 2000 to June 30, 2001 the following activities were completed: 45 projects completed $78.5 million total project costs $32.6 million funds raised 3,150 jobs created or preserved $24.7 million foreign exchange earnings 88 TA projects completed 108 TA modules delivered 53 enterprises assisted 106 consultants and agents trained

	378 SME employees trained 59 financial institution staff trained 31 seminars and workshops conducted 1,162 total participants in seminars and workshops
10. Recovery Mechanisms	Cost-Sharing Policy: A front-end fee equivalent to 0.75 percent of project cost or US$3,000 (whichever is higher); A project document delivery fee equivalent to at least 1.0 percent of project cost; and A success fee equivalent to 0.5 percent of the project total debt, payable only if financing is mobilized.
11. Leveraging Impact	Since its inception to June 30, 2001, APDF has assisted more than 460 projects, leading to more than $670 million in new investment and the creation of approximately 36,500 jobs.
12. Other Financial Instruments	APDF works closely with financial institutions to develop a variety of debt, equity, convertible debt, corporate finance, and project finance structures. IFC participation serves as a catalyst for other financing sources.

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Africa Management Services Company (AMSCO)

1. Establishment/ Capitalization	Established in 1989 as a public-private partnership led by the United Nations Development Programme, the African Development Bank, and the International Finance Corporation. These founders, together with shareholders made up of development banks, prominent international corporations, and donor governments, have provided AMSCO with $55 million by way of share capital and grants for management and training over the last 12 years.
2. Mandate	Mission is to assist African companies—in particular, small- and medium-sized private companies with substantial African ownership to become more sustainable and competitive in national and international markets. AMSCO achieves this by seconding experienced managers to client companies, and by providing client-specific training to upgrade the skills of the local workforce to improve their performance and productivity.
3. Ownership and Control	IFC is the executing agency, operations are conducted under the UNDP's African Training and Management Services project. Ownership is 28% ICDS, 16% IFC, 11% AfDB, 11% AFD, 11% BPI, 6% FMO, 6% IFU, 4% Norfund, 4% Swedfund, and 3% Finnfund.
4. Forms of Management	Board of Supervisory Directors – 7 members, including Lucian Borin, PSD Director, AfDB and Tom Davenport, IFC Recent reorganization includes hiring of local staff for 7 regional offices
5. Governance	Managing Director, Deputy Managing Director, Management Development Director. Amsterdam is head office, but now all client contacts are handled by the African offices. Clear separation between project implementation and project finance activities. Public-private partnership model.
6. Government Commitment/Contribution	Current capitalization is $4,866,000 2001 total revenue $16.2 million, cost of training $3.7 million, total cost of Amsco package $19.9 million, overhead was 21% of revenues. Net profit of $67,000 in 2000; net loss of $209,000 in 2001.
7. Conditionality Measures	Small projects = under $5 million in revenues and under 100 employees Medium projects = $5-10 million in revenues and 100-500 employees Large projects = over $10 million in revenues and over 500 employees
8. Local Capacity Building	Yes, through seconding of Amsco professionals to serve as managers for client companies. Since 1989 Amsco has seconded more than 750 temporary managers in 256 companies, in 28 countries.
9. Level of Activity	124 projects, 307 managers, and 63,500 employees in the project portfolio for 2001. 42 new contracts, 17 contracts completed, 133 managers assigned, 62 managers withdrawn, 4,550 employees trained since 1997, 24 countries of operation. 25 staff in Amsterdam; 32 staff in African offices. Of 124 projects, sectoral distribution was 34 manufacturing; 32 financial services and banking; 24 services; 15 agriculture; and the balance equally divided between agro-industry, tourism, food and beverage, and other. 55 small projects; 37 medium projects; and 32 large projects.
10. Recovery Mechanisms	In 2001, 94% of costs were covered by clients
11. Leveraging Impact	Since 1989, AMSCO has placed about 267 managers under contract at 109 African companies, and more than 9000 employees have been trained. In a recent survey, 70 percent of AMSCO clients reported a positive impact of AMSCO managers and training. Thus AMSCO plays a major role in job creation and in establishing long-term sustainable growth for its clients.
12. Other Financial Instruments	None

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Mekong Project Development Facility

1. Establishment/ Capitalization	Launched in 1997 with $25 million in financing from a number of donor countries and institutions including the International Finance Corporation (IFC), the Asian Development Bank (ADB), Australia, Canada, Finland, IFC, Japan, Norway, Sweden, Switzerland, and the UK.
2. Mandate	Supports the development of private, domestically owned SMEs in Vietnam, Lao PDR, and Cambodia. It promotes development of the formal private sector through two main activities: Providing SMEs with direct advisory assistance leading to improved access to capital and improved technical and managerial performance; Helping to generally improve the local business environment through SME support services development programs.
3. Ownership and Control	IFC manages the facility General Manager in Hanoi
4. Forms of Management	Headquartered in Hanoi, with regional offices in Ho Chi Minh City, Phnom Penh, and Vientiane. Stakeholders are SMEs, banks, consulting firms, business schools, and governments – plus the donors
5. Governance	Heavy emphasis on staff development through retreats and training courses, plus support for professional accreditation
6. Government Commitment/Contribution	IFC - $4,000,000; Australia - $2,608,920; Finland - $3,257,550; Japan - $1,533,000; Norway - $2,920,490; Sweden - $1,910,424; Switzerland - $3,155,670; ADB - $750,000; U.K. - $2,372,925.
7. Conditionality Measures	Cost sharing revenues for 2000 were $170,604 and the MPDF is putting more focus on cost sharing in the future, which it believes it will achieve because the Facility is becoming well known for quality services
8. Local Capacity Building	Extensive, through Company Advisory Assistance and Business Support Services Development
9. Level of Activity	In 2000, the MPDF completed 26 TA projects and 31 training courses. 804 SME staff were trained and 220 financial institution staff were trained. Total project financing attempted was $27.5 million. Total financing arranged was $13.4 million. Total expenditures were $4,324,791. In 2000 there were 152 inquiries, 47 MOUs signed, and 34 completions.
10. Recovery Mechanisms	Although its donors subsidize MPDF services, MPDF requires beneficiaries to make a contribution towards the costs incurred. For assistance involving the raising of financing, this comprises: A nominal commitment fee of US$100, payable at the start of MPDF assistance (signing of Memorandum of Understanding) A success fee, typically 1.5% of financing raised, payable upon approval of financing by an appropriate source. For technical assistance, companies are expected to share the cost of any consulting assignments or other major expenditures incurred.
11. Leveraging Impact	28% of projects in manufacturing; 21% in textiles; 9% in wood processing; 6% in plastics; 9% in tourism; 9% in agribusiness; 9% in paper; 3% in transportation; 3% in information technology; 3% in fisheries; and 3% in education. Extensive job creation through SME development. $48.3 million in forex earnings generated and 6,100 jobs created.
12. Other Financial Instruments	The MPDF works extensively with banks to develop a wide variety of SME financing methodologies and instruments. Bank Training Institute. Venture capital fund.

SURVEY OF INTERNATIONAL EXPERIENCE:
PROJECT DEVELOPMENT FACILITIES

Indonesia
Private Sector Participation Development Facility (PSPDF)
For Urban Infrastructure

1. Establishment/ Capitalization	Design phase. Asian Development Bank loan for US$5 million to capitalize Fund.
2. Mandate	Envisaged as Fund to local government for urban infrastructure development.
3. Ownership and Control	GOI and ADB to sit on Board.
4. Forms of Management	To be determined. Considering local bank.
5. Governance	Loan administration by Ministry of Finance.
6. Government Commitment/Contribution	GOI to provide enforcement and resources.
7. Conditionality Measures	To be determined.
8. Local Capacity Building	Definitely a goal.
9. Level of Activity	Not yet operational.
10. Recovery Mechanisms	TBD
11. Leveraging Impact	TBD
12. Other Financial Instruments	Only technical assistance.

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Egypt Central Department for Private Sector Projects Private Sector Participation Project Development Fund (PSPDF)

1. Establishment/ Capitalization	USAID/Cairo to contribute $7.5 million of local currency and funding for 1 long-term fund manager for 3 years. Government of Egypt will contribute local staff and facilities.
2. Mandate	Designed as a mechanism for providing the funding and technical resources necessary to support the project development cycle efforts of water and wastewater utilities and other relevant agencies. The PDF will be administered by, and support the activities of, the Central Department for Private Sector Projects (CDPSP), a department created within the Ministry of Housing, Utilities, and Urban Communities (MHUUC) to facilitate private sector participation in the water and wastewater sector.
3. Ownership and Control	Unit within Ministry of Housing, Utilities, and Urban Communities
4. Forms of Management	PDF Administration: With assistance from an outsourced consultant, the CDPSP will administer the PDF day-to-day (exclusive of trustee bank financial management), develop project consultants' scopes of work, oversee project development efforts (including project consultant performance and work product), approve payments, and report to the Board. The consultant will contract directly with the PDF and will be compensated out of PDF cash flows, not out of CDPSP or other donor funds. Trust Management: PDF financial management will be performed by a trustee bank, which will be responsible for PDF investment (i.e., cash management), accounting, and reporting. Standard trust arrangements and documentation will apply, conditioned by any requirements imposed by capitalization donors.
5. Governance	Overseen by a Board of Trustees consisting of representatives of the PDF contributors, including the Government of Egypt, and will be established as a bank-managed trust. The Board, which will be chaired by the Minister of MHUUC, will approve all PDF disbursements. Staffing: local GM, expat finance expert, expat civil engineer, local and expat attorneys on call, local support staff, local consultants
6. Government Commitment/Contribution	TBD; design team recommendation was $5 million Sinking fund structure
7. Conditionality Measures	TBD
8. Local Capacity Building	Yes
9. Level of Activity	Not yet mobilized
10. Recovery Mechanisms	The PDF will be a revolving fund that will allow for the recovery of the development-cycle loans and, at the end of PDF's 10-year term, the recovery by the donors of some portion of the capitalization provided. Loans will carry interest. Reimbursement will be a specific requirement to be included in bidding guidelines and documents. As a precondition for GOE project-approval and contract closing, the sponsor will repay the project development loan plus interest.
11. Leveraging Impact	TBD
12. Other Financial Instruments	TBD

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

China Project Development Facility

1. Establishment/ Capitalization	The China Project Development Facility (CPDF), approved June 2000, was Opening of the CPDF head office will be fully operational in mid-FY02. The IFC and the donor countries of Switzerland, Australia and the United Kingdom will fund the facility.
2. Mandate	Established to help support the development of private small- and medium-sized enterprises in the interior of China. The facility focuses on three core programs: Enterprise level support to strengthen the private sector companies, improve their competitiveness and facilitate their access to capital; Capacity building to encourage the development of local private sector support institutions such as banks and finance companies, consultants, business associations and management training centers; and Business enabling environment improvements will also be advocated.
3. Ownership and Control	Public
4. Forms of Management	TBD
5. Governance	TBD
6. Government Commitment/Contribution	$17 million
7. Conditionality Measures	TBD
8. Local Capacity Building	Training, capacity building, and business environment programs
9. Level of Activity	TBD – new facility
10. Recovery Mechanisms	TBD
11. Leveraging Impact	TBD
12. Other Financial Instruments	Financial Institutions Program Creative SME lending methodologies

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

Southeast Europe Enterprise Development (SEED)

1. Establishment/ Capitalization	Established 2000. The five-year, US$33 million effort is funded by Austria, Canada, Greece, the Netherlands, Norway, Slovenia, Sweden, Switzerland, the United Kingdom, and IFC.
2. Mandate	Multi-donor initiative managed by IFC to strengthen small and medium enterprises (SMEs) in Bosnia and Herzegovina, Albania, FYR Macedonia, and Kosovo. This program was known as the Balkan Enterprise Facility during its initial planning. To implement our mandate fully, SEED has embraced three strategic targets of assistance: Enterprise-level Investment Services Capacity building of enterprises and institutions serving SMEs' needs Improvement of the Business Enabling Environment
3. Ownership and Control	Owned by the contributing donors Managed by IFC
4. Forms of Management	Headquarters in Sarajevo Field offices in Banja Luka, Pristina, Tirana, Belgrade, and Skopje General Manager plus 53 full-time staff
5. Governance	Board of Donors
6. Government Commitment/Contribution	Austria - $1,000,000; Canada - $1,364,866; Greece - $250,000; Netherlands - $5,000,000; Norway - $2,200,000; Slovenia - $200,000; Sweden - $2,130,347; Switzerland - $2,000,000; U.K. - $852,430; IFC - $5,000,000. Cofinancing sought $13,602,349.
7. Conditionality Measures	Funding for TA is done in 5 phases, with benchmarks that have to be achieved with each phase before funding commitment for the next phase will be approved. The phases are: (1) Initial Appraisal; (2) Partnership Agreement; (3) Internal Enhancement Plan; (4) Investment Plan; and (5) Marketing the Investment Plan.
8. Local Capacity Building	Extensive, through partnering, training, technical assistance, and knowledge sharing.
9. Level of Activity	In 2001 there were 16 investment services projects. The largest project had a financing need of DEM 2.4 million. Five projects required DEM 300,000 each. Two projects required DEM 400,000. One project required DEM 500,000 and one required DEM 750,000. All funding requirements were raised by SEED, though 3 are at the EOI stage. In Capacity Building, in 2001 there were 16 initiatives providing support to business development service providers. There were also 7 initiatives providing direct support to SMEs and group-based SME training. In enabling environment, there were 11 initiatives.
10. Recovery Mechanisms	Endorsed by SEED's Board of Donors, SEED's goal is to price its services at commercially viable rates according to local market conditions. Fees are established on a sliding scale with the ultimate goal of 100% cost recovery (including a profit margin) against local costs. This structure of fees and cost recovery will help create sustainable local-market based services to supplant these offered by SEED and other donors in the long run.
11. Leveraging Impact	Local Economic Development Program for Municipalities
12. Other Financial Instruments	Albanian Loan Guarantee Facility Credit Reporting Agency

SURVEY OF INTERNATIONAL EXPERIENCE: PROJECT DEVELOPMENT FACILITIES

South Pacific Project Facility

1. Establishment/ Capitalization	Established 1990, SPPF was created to accelerate the development of productive private sector enterprises sponsored and owned by South Pacific island entrepreneurs. Headquartered in Sydney Australia, SPPF principally covers the ten South Pacific Island countries that are members of the IFC (Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Palau, Papua New Guinea, Solomon Islands, Tonga, Vanuatu, and Samoa). The IFC and the Asian Development Bank along with the governments of Australia, Japan, New Zealand, Samoa, Fiji and Kiribati fund facility.
2. Mandate	Supports development of viable small and medium-sized private sector businesses, as a means of stimulating sustainable economic growth and productive employment in the South Pacific region. The facility operates to assist local South Pacific island entrepreneurs, in project preparation and fund mobilization assistance, where previously such services were not within the budget constraints of sponsors. SPPF does not provide project financing. Instead, the Facility provides project preparation services to secure financing from banks and appropriate sources of capital. Existing and potential private entrepreneurs in these South Pacific Island countries can use SPPF's technical services to develop and then promote project ideas as bankable business plans.
3. Ownership and Control	IFC manages; contributing donors own.
4. Forms of Management	1 Regional Manager 6 Investment Officers 4 Administrative Staff
5. Governance	An Advisory Board reviews SPPF policies and provides guidance on its activities. Board members are regional experts chosen from the private sector in the South Pacific region and from participating donor countries.
6. Government Commitment/Contribution	IFC - $2,100,000; Australia - $2,000,000; Japan - $3,000,000; New Zealand - $800,000; ADB co-financing $400,000. $2,200,000 sought.
7. Conditionality Measures	The SPPF functions much like an investment banking firm, so clients are motivated to provide any cooperation necessary, including the payment of a portion of the fees incurred, in order to raise the money for their project.
8. Local Capacity Building	Technical assistance provided in agricultural processing, tourism, financial services, health services, and general services.
9. Level of Activity	In 2000-2001, project funding of $9,918,000 was arranged. The sectors were manufacturing, tourism, fisheries, and services. There were 462 project inquiries, 29 projects reviewed, 30 projects completed, 22 project financings arranged, and the average project size was $530,000. The cost per project averaged $110,000.
10. Recovery Mechanisms	The cost of project preparation work, including additional assistance from technical, marketing and other experts and consultants, is borne principally by SPPF and sometimes through funding available from other agencies. When a project is funded or an advisory assignment is completed, the sponsors are expected to defray a portion of these costs by paying a fee, as agreed prior to the commencement of the work program. In 2000-2001, fees invoiced totaled $57,486. Total expenditures for the 2000-2001 fiscal year were $2,426,630.
11. Leveraging Impact	Employment generation through SME development
12. Other Financial Instruments	Wide variety of debt, equity, and convertible debt instruments

SURVEY OF INTERNATIONAL EXPERIENCE:
PROJECT DEVELOPMENT FACILITIES

Bangladesh
Private Sector Infrastructure Development Fund (PSIDF)

1. Establishment/ Capitalization	US$246 million in financing includes US$235 from the World Bank, US$7.5 million from the British Department for International Development, and US$3.5 from the Canadian International Development Agency. World Bank contribution is IDA loan, 40-year term, 10-year grace period.
2. Mandate	The Private Sector Infrastructure Development Project (PSIDP) seeks to promote the development of a modern and efficient infrastructure system in Bangladesh, with the significant participation of the private sector in the financing, construction and operation of infrastructure facilities. This broad objective translates into the following specific goals: Promoting development and facilitating implementation of privately sponsored infrastructure projects Providing mechanisms for mobilizing commercial equity and debt financing for infrastructure projects, and Creating an appropriate framework for the sustained and efficient operation of private infrastructure projects
3. Ownership and Control	Management conducted with assistance from Citibank Control is IFC Ownership is contributing donors
4. Forms of Management	General Manager and support staff
5. Governance	Periodic reports to World Bank Task Manager Vijay Iyer
6. Government Commitment/Contribution	None
7. Conditionality Measures	TBD
8. Local Capacity Building	10% of budget is for TA and capacity building
9. Level of Activity	Several energy sector projects in pipeline but few closings to date. Impediments are insufficient supply of private commercial financing due to non-investment grade rating for Bangladesh debt, and the absence of credit worthy public utilities. Most successful deal closed to date is the $30 million invested, along with several foreign and domestic investors in Lasmo Oil Pakistan to produce gas from the Bhit field in Sindh Province. The resource is estimated to consist of 633 billion cubic feet of natural gas. In addition, the Facility's close work with Pakistani banks has led to IFC investments in First Microbank, Ltd. and Network Leasing.
10. Recovery Mechanisms	None
11. Leveraging Impact	It is expected that the total investment in private sector projects will be nearly US$900 million. Nearly two-thirds of this funding will be from private sector, commercial, and institutional sources.
12. Other Financial Instruments	Provision of subordinated debt for privately sponsored infrastructure development projects

SURVEY OF INTERNATIONAL EXPERIENCE:
PROJECT DEVELOPMENT FACILITIES

Sri Lanka
Private Sector Infrastructure Development Facility (PSIDF)

1. Establishment/ Capitalization	Established 1995. US$7.5 million technical assistance grant, coupled with US$85 million loan from World Bank and KfW to support PSP.
2. Mandate	Seeks to promote high quality pilot projects in priority sectors. Facility co-finances debt portion of winning bids tendered by the Sri Lankan Board of Investment (BOI).
3. Ownership and Control	Ministry of Finance and Ministry of Policy Planning sit on Board of Directors with World Bank representative.
4. Forms of Management	USAID funded initial technical advisors, subsequently World Bank funded private financial managers (Citibank and National Development Bank).
5. Governance	Account set up as trusteeship. Fund Manager reports to Board. Board reports to Ministry of Finance. Implementation through the Private Sector Infrastructure Development Company, Ltd. (PSICD)
6. Government Commitment/Contribution	Little government enforcement of implementing agencies' participation.
7. Conditionality Measures	Competitive bidding not enforced, nor are line agencies expected to reimburse fund.
8. Local Capacity Building	Local consultants used, but not required. Local bank hired to manage
9. Level of Activity	10 – 15 projects per year.
10. Recovery Mechanisms	None on grants for TA. Debt facility re-paid by bidders.
11. Leveraging Impact	Not yet quantified by the project, but leveraging impact and project performance factors extensively reviewed in Staff Appraisal Report
12. Other Financial Instruments	Subordinated debt with no guarantee mechanism.