

NOTE ON THE G20 WORLD BANK GROUP SINGAPORE WORKSHOP ON PROJECT PRIORITISATION AND PREPARATION

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*Co-organised by the World Bank Group (WBG) and the Singapore Ministry of Finance (SMOF)
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The Infrastructure Financing Landscape

Over the past few years, the IIWG has been discussing ways to address the infrastructure investment gap through a multi-pronged approach, comprising efforts to enhance investment climates, facilitate financial intermediation, augment traditional sources of financing, optimise the resources of Multilateral Development Banks, and strengthen the effectiveness of PPP projects. Good progress has been made in unlocking non-bank sources of long-term financing for infrastructure projects.

Despite the availability of funds in institutional investors and capital markets, investments are still not flowing readily into infrastructure. The lack of bankable and commercially viable project pipelines is a key impediment for investors. However, governments often face many challenges in identifying projects to match the funding that has been unlocked. In prioritising infrastructure projects, policy makers need to balance diverse interests in order to maximise the benefits to economic growth and development. Policy makers also need to ensure that projects are well-planned, and properly structured and executed, so that they are attractive to investors and able to achieve desired economic and social outcomes.

As such, stronger emphasis needs to be placed on how projects are prioritised, structured, and managed. International organisations including the WB, IMF and the OECD had spoken out on several occasions about the importance of proper planning on investment efficiency and its correlation to effective investment outcome. The role of capacity building, particularly in the management of PPP projects, has also been recognised by Finance Ministers. The April G20 Finance Ministers and Central Bank Governors (FMCBG) Meeting communique states:

“To further promote infrastructure investments and more involvement by the private sector, we will continue to strengthen capacity building in and the functioning of PPP models...”

The Workshop

This workshop was designed to close this gap. It focused on the upstream aspects of project prioritisation and preparation, in the hope of increasing the pipeline of bankable projects in the market. Held in conjunction with the second IIWG meeting, the workshop was attended by over 63 government officials and representatives from international organisations, and comprised of two parts.

(A) Part 1: WB's Infrastructure Prioritization Framework

The first part of the workshop focused on project prioritisation. Often, policy makers face the challenge of having to balance multiple economic, social, and environmental goals in order to maximise the benefits of infrastructure projects to economic growth and development amidst resource constraints. To face this challenge, the WBG developed an Infrastructure Prioritization Framework (IPF)¹ as a practical tool for evidence-based infrastructure decision-making. After an introductory presentation on the IPF, participants were led into a role-playing exercise where they were asked to make use of the IPF to make infrastructure investment decisions in various scenarios.

This exercise allowed participants to think through the application of the framework in the unique context of their own countries and participants broadly identified with the need for a more structured project prioritization process and welcomed the WB's work on the IPF. They also recognised that the IPF was work-in-progress and offered feedback and suggestions on how it could be refined to be more robust and widely applicable. Key comments included (i) the possibility of including other indicators related to risk and cost effectiveness in the framework; (ii) accounting for network effects and positive economic spillovers of an infrastructure project in evaluating project outcomes; and (iii) application of the IPF on PPP projects, in particular the treatment of contingent liabilities.

(B) Session 2: Project Planning and PPP Management – the Singapore Story

The second part of the workshop focused on project structuring and preparation. The Singapore Public Utilities Board (PUB) was invited to share Singapore's experiences in project preparation. The PUB's presentation included studies of how Singapore's

¹ Key features of the IPF included: (i) combining social-environmental and financial-economic indicators; (ii) accounting for budget constraints; (iii) providing information in a simple visual interface to support clearer decision making; (iv) adaptability to sectors and government levels; and (v) allowing for discussions in rebalancing sector allocations.

procurement approach evolved over time² and how good project prioritisation and planning behaviours led to more efficient allocation of scarce resources. Veteran engineers who were involved in the actual projects were also present to explain the challenges faced and how they were overcome.

The participants welcomed the experience sharing and were interested to hear further details on how the PPP process was set up for success. In the Singapore example for instance, the desalination plants were mainly financed by local banks, and a robust set of evaluation indicators (e.g. technical strength, track record and financial strength) were used to review the proposals of the tenderers. PPP contracts are also negotiated extensively before they are signed so as to allow for robust performance monitoring of the concession company. Amendments and revisions to the draft PPP agreement would take place during the tender stage so that they could be concluded before the conclusion of the contract.

Overall Feedback

The workshop was well-received by participants, providing valuable learning points as well as practical tools that could be directly applicable in managing upcoming projects. The combination of technical knowledge transfer and experience sharing using case studies was particularly useful. Many participants shared that they would like to see a continuation of similar capacity building workshops in future. Future workshops could be attended by officials managing PPP projects or other related areas of work, not just among G20 members, but also in non-G20 developing countries where infrastructure needs are largest. Aside from project prioritisation and preparation, these future workshops could also focus on other aspects of boosting investment in infrastructure such as institutional reforms and regulatory frameworks.

² Singapore's desalination plants are built based on a Design-Build-Own-Operate (DBOO) PPP approach. In order for the PPP contracts to be well balanced, the DBOO project structure incorporated key documents such as the (i) water purchase agreement (WPA) ; (ii) third party agreements ; (iii) step-in agreement ; and (iv) lease agreement.