



**Standing Committee  
for Economic and Commercial Cooperation  
of the Organization of Islamic Cooperation (COMCEC)**

## **Proceedings of the 14<sup>th</sup> Meeting of the COMCEC Transport and Communications Working Group**

### **“Risk Management in Transport PPP Projects In the OIC Member Countries”**



**COMCEC COORDINATION OFFICE  
October 2019**



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PROCEEDINGS OF THE 14<sup>TH</sup> MEETING OF THE  
COMCEC TRANSPORT AND COMMUNICATIONS WORKING GROUP  
ON

***“Risk Management in Transport PPP Projects  
In the OIC Member Countries”***  
*( 3<sup>rd</sup> October 2019, Ankara, Turkey)*

**COMCEC COORDINATION OFFICE  
October 2019**

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## Introduction

The Fourteenth Meeting of the COMCEC Transport and Communications Working Group (TCWG) was held on October 3<sup>rd</sup>, 2019 in Ankara, Turkey with the theme of "Risk Management in Transport PPP Projects in the OIC Member Countries".

The meeting was attended by the representatives of 20 Member States, namely; Azerbaijan, Benin, Cote d'Ivoire, Egypt, Gambia, Indonesia, Iran, Iraq, Jordan, Malaysia, Maldives, Mauritania, Morocco, Nigeria, Oman, Pakistan, Qatar, Suriname, Turkey, and Uganda. The meeting was also attended by the representatives of the Islamic Development Bank Group (IDB), Association of Turkish Consulting Engineers and Architects (TMMOB), Yapı Merkezi Group, SESRIC and COMCEC Coordination Office (CCO)<sup>1</sup>.

During the meeting, the representatives of the Member States have shared their experiences, achievements, and challenges regarding the risk management in transport PPP projects in their respective countries. Furthermore, they have deliberated on the policy recommendations for enhancing the effectiveness of risk management in transport PPP projects. The meeting has mainly considered the study titled "Risk Management in Transport PPP Projects in the Islamic Countries" which analyzes the state of affairs of risk management in transport PPP projects in the OIC Member Countries and provides policy recommendations for enhancing the efficiency of risk management in transport PPP projects. The TCWG has also considered the "Transport and Communications Outlook of COMCEC 2019" prepared by the CCO which provides a general overview of transport sectors in the world and the OIC Member States.

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<sup>1</sup> The list of participants is attached as Annex 4.

## **1. Opening Remarks**

The Meeting started with a recitation from the Holy Quran. At the outset, Mr. Selçuk KOÇ, Director at the COMCEC Coordination Office briefly introduced the COMCEC and its activities as well as underlined the importance of studying the theme of risk management in transport PPP projects.

Mr. KOÇ emphasized that reliable transport infrastructure is a prerequisite of economic development and a key pillar of international competitiveness. In this respect, risk management in transport PPP projects is particularly important for increasing the quality of national transport infrastructure and transport services.

Afterward, Her Excellency Shaheedha FATHIMATH, Deputy Minister, Ministry of Communication, Science and Technology of the Republic of Maldives, was elected as the chair of the meeting. H.E. FATHIMATH welcomed the participants and expressed her appreciations to the participants for electing her as the chairperson

## **2. Transport and Communications Outlook 2019**

Dr. İ. Çağrı ÖZCAN, Expert at the COMCEC Coordination Office, delivered a presentation on the main findings of the COMCEC Transport and Communications Outlook 2018. At the outset, Mr. ÖZCAN underscored the importance of the transport and communications sector as one of the six cooperation areas specified by the COMCEC Strategy. This followed by emphasizing the relationship between transport, logistics, and trade and how they affect each other.

Dr. ÖZCAN continued with providing figures with regard to international trade and transportation, such as the Logistics Performance Index (LPI), Liner Shipping Connectivity Index (LSCI), the burden of customs procedures, and quality of transport infrastructure. He emphasized that, with respect to the quality of transport infrastructure, both OIC overall and OIC-Sub-Saharan Africa averages fall below world averages in each measure. OIC-MENA performs better than the world average except for the quality of railroad infrastructure. On the other hand, OIC-Asia underperforms than world averages in each measure except the quality of railroad infrastructure.

While explaining the LSCI scores, Dr. ÖZCAN mentioned that Malaysia, UAE, Morocco, and Egypt are well connected to the global shipping network whereas Albania, Brunei, Guinea Bissau, and Guyana are the least connected. The best-performing countries have large transshipment ports (e.g. Malaysia, Morocco, and Egypt) and gateway ports (e.g. Malaysia, Saudi Arabia, and Turkey). On the other hand, the least performing countries are either not located on the mainliner shipping services or lack the physical and operational capacity to serve large container ships. In terms of average LSCI scores, the OIC-MENA region performed better than the OIC-Asia region

as well as the world starting from 2008. However, average LSCI scores for the OIC-Sub-Saharan Africa region remained well below the world averages throughout the same period.

Dr. ÖZCAN continued his presentation by demonstrating some important figures in terms of transport modes. He stated that there is a large variation in the density of road networks in the different OIC member countries. Albania, Bahrain, Bangladesh, Brunei, Comoros, Gambia, Indonesia, Kuwait, Lebanon, Malaysia, Maldives, Pakistan, Palestine, Qatar, Turkey, and Uganda have more dense networks compared to other member countries. The density of the road networks in the OIC member countries as a group and individually is quite low compared to that of the US and the EU. For the OIC member countries, the density of the road network is 0.12 while it is 0.67 and 1.34 in the US and the EU, respectively.

There is also a large variation in the density of rail networks in different OIC countries. A great majority of the OIC countries have less than 1,000 km of rail lines per 100,000 km<sup>2</sup> land area, while almost half of the OIC countries have no railway network. The average network density of the OIC member countries is equal to 426 km of railway per 100,000 km<sup>2</sup> land area.

Furthermore, he added that the container throughput of the OIC countries has reached 101 million TEU in 2014 up from 79.8 million TEU in 2010. However, the share of OIC member countries in the global container throughput had remained flat at around 15% during the period between 2010 and 2014.

Regarding the air traffic, Dr. ÖZCAN mentioned that high-income Gulf countries, such as Qatar, UAE, and Bahrain, and island states, such as Brunei Darussalam and Malaysia, have higher per capita air passenger traffic figures. Besides, the OIC member countries with dominant network airlines are more likely to experience higher per capita air passenger traffic.

Dr. ÖZCAN continued his presentation by highlighting the environmental effects of the transport sector. He stated that there is a positive correlation between transport-related CO<sub>2</sub> emissions and GDP per capita (PPP) in the OIC member countries. One reason for this tendency is the increased private car ownership with increasing per capita income, which eventually increases personal trips and accordingly Greenhouse Gas (GHG) emissions. Another fact is that the countries with higher GHG emissions are mostly from oil-producing countries, which often corresponds with lower pump prices for gasoline and consequently more road sector energy consumption.

Dr. ÖZCAN concluded his presentation by emphasizing the importance of tailor-made solutions rather than generalized policies for the development of the transport sector in the member countries.

**Question:** How the outputs and recommendations of the transport outlook can be materialized?

**Answer:** The COMCEC Project Funding mechanism is a useful instrument to assist member countries to materialize the recommendations of the research reports and outlooks prepared by the COMCEC Coordination Office (CCO). Establishment of connection between the project purpose and one of the relevant policy recommendations articulated in the research reports is a prerequisite for submitting a project to the CCO within the framework of the COMCEC Project Funding mechanism.

### **3. Conceptual Framework for Risk Management in Transport PPP Projects and Global Trends**

Ms. Chiara PANCOTTI (CSIL – Centre for Industrial Studies) and Mr. Matteo PEDRALLI (CSIL) presented the main findings of the research study on “Risk Management in Transport Public-Private Partnership Projects in the OIC Member Countries” (prepared jointly by Tplan and CSIL – Centre for Industrial Studies). The presentation focused on the following aspects: 1) the study’s methodology; 2) main evidence from the literature on risk management in transport PPPs; 3) the study’s conceptual framework; 4) the identified global trends.

#### ***The methodology of the study***

Ms. Chiara PANCOTTI presented the study’s methodology. The work was overall structured in four tasks. Task 1 consisted of the preparation of a conceptual framework, based on an extensive literature review. Task 2 included the discussion of global trends and of successful risk management practices in transport PPPs outside the OIC geography, based on literature review complemented with interviews with representatives of multilateral institutions. Task 3 covered the in-depth assessment of risk management in transport PPPs in 6 selected OIC countries. For this task, country-specific literature reviews and desk research was carried out. Field missions were performed for 3 case studies (Côte d’Ivoire, Jordan, and Turkey). Finally, under Task 4, policy recommendations were developed, based on a horizontal reading of the case studies’ findings and on success factors emerging from the analysis of international good practices.

#### ***Evidence from the literature on risk management in transport PPPs***

In light of their relevance for the whole study, six key messages from the literature review were highlighted by Ms. Pancotti:

- Practical risk management strategies tend to be project and context-specific and standardization is difficult;
- The nature of PPP risks is dynamic, as it varies over the project cycle and over time;
- Decisions by a stakeholder to retain, reduce or transfer certain risks in one phase of the project cycle will affect risk exposure and risk management options in successive phases;



- The technical and economic features of transportation investment are subject to considerable variation, therefore the patterns of risks for an airport, a port terminal, a road concession, etc. can be quite dissimilar;
- Risk management provisions can be very specific and deeply embedded in contract documentation, spelling out triggering conditions which may or may not become applicable depending on events and may be difficult to observe for external parties;
- Empirical support for evidence-based risk management decisions is fragmented.

### ***Conceptual framework***

A conceptual framework was developed specifically for this study, with the aim to ensure theoretical soundness, consistency, and comparability. Ms. Pancotti offered introductory remarks on the framework, underlining that it was used to structure the analysis of risk management principles in transport PPPs as well as the 6 in-depth case studies on OIC countries. The framework was based on the questions provided by the Terms of Reference and on a vast literature review, which covered above all manuals and papers by International Organisations, academic literature, reports on international good practices.

As a theoretical foundation for the whole study, the framework combines **5 risk governance dimensions** (risk identification; risk assessment; risk allocation; risk monitoring; risk treatment) with **6 project cycle phases** (strategy and policy; pre-tendering decision process; procurement and contracting; construction and asset delivery; operation; end of contract).

Accordingly, Mr. Matteo PEDRALLI (CSIL) illustrated each project cycle phase from the perspective of risk governance. The presentation of each phase followed the following structure: first, the aspects included under each phase were recalled; second, crucial analytical points were discussed; third, key messages stemming from the review of international good practices were highlighted.

#### ***1. Strategy and policy:***

The first phase of the conceptual framework covers the following aspects: political support and strategy; legal provisions; institutional arrangements; investment attraction.

#### **Analytical points:**

The transport policy and strategic framework have a strong influence over risk exposure and risk governance in individual PPP projects, throughout the investment cycle. In fact, there is a crucial link between strategies and individual investments, as the choice to promote PPPs in transport cannot be based only on the consideration of single projects, but it should rather stem from a consideration of the whole portfolio of investments in transport within a jurisdiction. This calls for a good system of project appraisal and prioritization, as well as a mechanism distinguishing projects, which can fruitfully be implemented as PPPs from projects that should

follow traditional public procurement routes. Legal provisions on PPPs have a significant influence over the identification, assessment, and allocation of risks, as they can shape the resilience and solidity of the risk management system (particularly as regards the enforceability of a contract). Good risk identification and assessment rely on institutional structures enabling specialized staff to perform these tasks.

Key messages from the literature review and good practices:

- Pressing ahead without an adequate strategic and institutional framework increases risks;
- Adequate attention to the strategic framework allows a better understanding of trade-offs, e.g. the release of current budget constraints vs. future fiscal unbalances;
- Identifying barriers in public sector capacity should be a priority.

## ***2. Pre-tendering decision process:***

The second phase of the conceptual framework covers the following aspects: screening for PPP suitability; special arrangements for PPPs.

### **Analytical points:**

A PPP suitability test is crucial to ascertain if the project is appropriate as a PPP, but also for risk identification. The in-depth appraisal of the PPP project includes the assessment of legal and technical requirements, the financial model, preliminary risk identification and risk assessment (through tools such as a risk register and the ranking of risks) and the PPP contract's preliminary structure (including risk allocation).

Key messages from the literature review and good practices:

- Under a PPP procurement route, on a case-by-case basis, the assessment of some particular risks may become especially critical (e.g. risk of toll fee acceptability). Accordingly, the emphasis of the studies performed will reflect this (e.g. toll fee acceptability studies through willingness-to-pay surveys, traffic studies, travel behavior modeling);
- Feasibility studies and Value for Money (VfM) assessments are essential in the pre-tender phase for the preparation of robust PPP tender procedures;
- Soft market testing can be an essential step to prepare a tender design and pre-identify stakeholders likely to play a role in successive phases. Soft market testing can be carried out for instance through formal or informal consultations and/or through an analysis aimed at promoting the PPP's bankability.

### **3. Procurement and contracting:**

The third phase of the conceptual framework covers the following aspects: procurement strategies; PPP contractual arrangements; performance metrics; remuneration.

#### **Analytical points:**

High quality of tender documentation reduces the overall risk vulnerability for the public sector. Preparing PPP contracts revolves mainly around risk allocation, i.e. defining which party is expected to assume each risk. In this regard, a useful tool is represented by the risk matrix, i.e. a tool detailing, for each risk, whether it is borne by the public sector, by the private sector or whether it is shared. The general risk matrix developed as part of the conceptual framework indicates that political and legal risks are generally borne by the public sector; macroeconomic risks are generally shared; risks related to financial credit, design, construction, operation, and financial sustainability are generally allocated to the private sector; finally, force majeure and early termination risks are usually shared and need to be assessed on a case-by-case basis.

PPPs are defined by the fact that remuneration to the private sector is commensurate to the service delivered. In this regard, performance metrics are directly linked to the ongoing activity of risk monitoring during construction and operation.

Key messages from the literature review and good practices:

- In the procurement phase, there is a need to build on VfM considerations. This has a twofold meaning: first, during the tender and then in the contracting phase, there must be consistency with the risk allocation identified in the VfM assessment; second, if negotiations take place and the allocation of risks is modified, a VfM assessment should be carried out anew;
- With regard to negotiations, there is a need to raise awareness of likely legal and technical asymmetries in negotiation skills between the public and the private sector;
- It is essential to establish at project level a skilled tender management team to direct tender preparation, publishing, and award.

### **4. Construction and asset delivery:**

The fourth phase of the conceptual framework covers the following aspects: management of risks during design; management of risks during construction.

#### **Analytical points:**

Design risk consists of defects in design resulting in the requested service standards not being met, or in an increase in operating costs. As regards construction risks, these can be caused by either internal factors (defects in methods used, negligence by a private party, inadequate cost

management, etc.) or external factors (weather, protests, permits, changes in labor costs, etc.). On this point, the literature frequently refers to the “completion risk”, which materializes when the project construction is characterized by delays and cost overruns. This phase is heavily affected by risk management strategies applied in previous phases and particularly benefits from exhaustive feasibility studies in the pre-tendering phase.

Key messages from the literature review and good practices:

- In addition to the in-depth appraisal of the PPP, it is key for the public authority to know how residual risks are shaped, how they could materialize and how the reaction to their materialization would look like;
- In turn, awareness of residual risks and worst-case scenarios points to the need for establishing within the public sector a contract management team with skills in monitoring the construction phase;
- A tool for risk monitoring during construction is represented by construction milestones reliant on the completion of agreed sections, subject to quality requirements.

### **5. Operation:**

The fifth phase of the conceptual framework covers the following aspects: management of risks during operation; bonus/malus schemes; contract renegotiation.

#### **Analytical points:**

Demand, maintenance, revenue, and technology risks are among the most relevant operation risks. They need constant monitoring and an adequate commitment of resources in terms of staff, equipment, templates and time planning. As a way to mitigate these risks, it is possible to link remuneration to performance through penalties or bonus payments, applied in case of under- or over-performance by the private sector in delivering the service outlined in the PPP contract;

Unforeseen events (e.g. a financial crisis) may require a new risk-sharing, which can come about through a renegotiation. Among the causes of renegotiation, there can be also an inadequate contract, weaknesses in the appraisal's simulations and opportunistic behavior as well. To counter opportunistic behavior, a proper regulatory framework is instrumental (for instance in relation to the prohibition of conflicts of interests or the prohibition of aggressive bids, which may greatly contribute to a later need for renegotiation).

Key messages from the literature review and good practices:

- Risk during operation may emerge despite a successful performance in the construction phase;

- Key concerns for the public sector depend on the specific form of contract and on how the private party net cash-flow vulnerability is affected by traffic/demand trends;
- There is a trade-off between close monitoring, on one side, and leaving the concessionaire free to find the best way to deliver services under the PPP contract, on the other side;
- A mitigation measure against renegotiation consists of developing and maintaining a system of reputation tracking for contractors.

#### **6. *End of contract:***

The sixth and final phase of the conceptual framework covers the following aspects: contract return; follow up.

#### **Analytical points:**

A PPP can come to its end for 2 reasons, either contract expiry or early termination. In turn, early termination can come about because of a default by the private party, because of termination by the public authority (for reasons of public interest or default) or due to a so-called force majeure. Whatever the reason for the end of the PPP contract, project assets are handed back to the public authority. At this stage, transfer risk arises, i.e. a risk that the conditions of the assets are not compliant with the contract's maintenance standards. In addition, the public authority is faced with the trade-off between taking the asset back or re-tendering, bearing in mind the need for continuity in the service delivery.

Internal capacities for preparing the contract's final phase are essential for its correct development. In addition, ex-post evaluation of transport PPPs by independent experts represents a chance to learn from experience and improve the preparation and implementation of such contracts.

Key messages from the literature review and good practices:

- Despite differences in risks between early termination and closure at maturity, in both cases, the lack of preparedness by the public party may lead to excessive risk-taking. In this regard, decisions ought to be taken with reasonable anticipation and resources should be committed to the management of the contract's final phase in time;
- Adequate preparation for termination requires institutional memory, which is facilitated by the evaluation of individual PPP projects or large PPP programs.

#### ***Global trends***

The presentation of the structure of the conceptual framework and its 6 phases was then complemented by Ms. Pancotti with a discussion of 4 global trends identified in the research study.

Learning from the Great Recession: a recession in a globalized economy is likely to affect the performance of PPPs throughout the investment life-cycle. However, these events are usually not addressed in contracts. Against this background, there is a need for preparation to face these events and for increasing awareness about the cost of alleviating measures.

Learning by doing: the likelihood of PPP cancellation decreases rapidly with the cumulative number of transactions within a jurisdiction. According to the literature, the cancellation risk decreases to 5-7% after 15-20 implemented transactions. It is possible to seize benefits from experience by building strong management capacity within the public sector.

Controversies: evidence and opinions on the merits of PPPs remain fragmented and controversial. While risk governance represents a key component to build resilient PPP delivery systems, inappropriate risk management implies higher costs and failure to achieve VfM. In addition, in the assessment of a PPP, putting excessive emphasis on the element of risk transfer may be misleading.

The growing role of Islamic finance: the Islamic financial market has been growing rapidly across the globe (with double-digit annual growth, according to the literature). During the 2008 financial crisis, Shariah-compliant financial institutions performed better than conventional ones. For PPP transactions, Islamic finance can be particularly suitable, as the requirements for compliance with Shariah are generally in line with the features of PPP contractual arrangements. Moreover, Islamic finance has revealed itself as characterized by flexible tools, which can be used in combination with conventional finance as well.

### ***Questions and Answers***

**Question:** Could urbanization be identified as a further global trend relevant to the analysis?

**Answer:** according to the consultant, urbanization could be identified as a further global trend that is increasingly relevant in relation to transport PPPs. This is confirmed by PPP initiatives related to public transport across the globe. In terms of risk management, the consultant highlighted that transport PPPs in urban contexts entail an additional layer of risk as they involve the urban/municipal government which may not have the same experience of the central government in managing PPP contracts. Therefore, the development of PPPs for urban public transport calls for the enhancement of skills and competencies related to PPPs not only at the central level but at the municipal level as well.

**Question:** Are transport PPPs sustainable in less developed countries where the public sector may have to provide subsidies for the ticket cost?

**Answer:** According to the consultant, the provision of subsidies is an example of an issue, which should be carefully assessed as part of the in-depth appraisal in the pre-tendering phase. As such, no straightforward answer can be offered in relation to the sustainability of transport PPPs

in less developed countries, as the assessment needs to be carried out on a case-by-case basis, taking into account context- and project-specific considerations.

**Question:** How should the optimum risk-sharing be achieved?

**Answer:** For the achievement of an optimum risk-sharing among the public and private parties, specific economic assessments at the project level can be particularly useful, on which wide literature already exists. As an example, VfM assessments based on well-identified risk allocations can provide indications on the way to achieve the highest VfM by appropriately allocating risks. In addition, to achieve an optimum risk sharing, it may be important to take into consideration the need for a balance between benefits for society and the return for the private investor.

In conclusion, Ms. PANCOTTI expressed agreement with an observation put forward by a representative of the OIC Member Countries, who stated that for certain transport PPP projects it could be appropriate to grant some degree of freedom of intervention to the private operators (particularly in relation to unsolicited proposals), as long as there is an adequate regulatory and legislative framework in place. As a final remark, the consultant noted that globally a decreasing trend for unsolicited proposals in PPPs has been observed, but that at the same time there is an increasing awareness in public authorities of the need to regulate such proposals. Current Situation of the OIC Member Countries in terms of Risk Management in Transport PPP Projects and the Lessons Learnt from the Selected Case Studies.

#### **4. Current Situation of the OIC Member Countries in terms of Risk Management in Transport PPP Projects and the Lessons Learnt from the Selected Case Studies**

Mr. Roberto ZANI, director at Tplan and co-author of the research report delivered his presentation with a focus on the status of risk management practices of transport PPP projects in OIC Member Countries and lessons learned from six case studies. At the outset, he presented the results of the desk research and country visits conducted as part of the research.

##### ***Selection of the case studies and methodological background***

Mr. ZANI started his presentation providing an overview of the approach adopted for the identification and selection of the six OIC Member Countries subject of case study analysis and the methodology used to perform the research.

- The identification and selection of the countries for **case study** analysis were based on the information encoded in the World Bank's database on Private Participation in Infrastructure. According to the total number of projects included in the database, out of the 57 OIC Member Countries, only 14 registers a number of PPPs in the transport sector equal or higher to 5. 21

countries show a number of initiatives comprised between 1 and 4 and 22 does not appear to have transport PPPs implemented. The selection of the case studies concentrated on the 14 countries registering 5 or more PPP projects. Further to the total number of PPPs implemented in the transport sector their distribution by transport mode was also considered in the selection of the case studies. The combined application of these two criteria to the sample of 14 OIC Member Countries with 5 or more PPP projects lead to the selection of the following countries for case study analysis: Côte d'Ivoire and Mozambique (African Group), Algeria and Jordan (Arab Group), Malaysia and Turkey (Asian Group).

- In three out of the six selected case studies – i.e. Côte d'Ivoire, Jordan, and Turkey – country visits have been organized between July and August 2019, which allowed the consultation of a number of public institutions, as well as private entities and international agencies involved in the preparation, implementation, management and operation of PPP projects. Further to face-to-face **interviews** during the country visits, phone interviews have been also organized with public entities in Malaysia. The consultation of the PPP project stakeholders in the OIC Member Countries complemented the **review of publicly available plans and laws in the investigated countries**. **Research literature** was also consulted providing the view of professional and academic experts on the risk management practices applied to PPP projects in the transport sector in the six identified countries.
- The analysis performed as part of the six case studies was conducted in line with the **conceptual framework** for risk management of transport PPP projects and a set of guiding questions provided by COMCEC in the Terms of Reference of the study. The research focused on those PPPs including construction and/or rehabilitation works only, thus excluding those PPPs mainly related to operation and maintenance of existing assets and services.

### ***Results from the case study analyses***

Mr. ZANI continued his presentation with the description of the main findings and challenges from the three case studies subject of country visit. Further to a brief overview of the transport PPPs implemented in the countries, a description of the main findings and challenges was given, referring to the six main elements of the conceptual framework: strategy and policy [1], pre-tendering decision process [2], procurement and contracting [3], construction and operation [4-5], end of contract (follow up) [6].

### **Case study Côte d'Ivoire**

According to Ivorian Authorities, there are 31 PPP initiatives currently active or at the planning stage in the transport sector in the country. Of these 7 were implemented before the PPP legal and institutional reform of 2012 and 24 were identified for implementation after this milestone. Of these initiatives, 11 PPP signed contracts include infrastructure works and were accordingly subject to case study analysis. A PPP Unit and a dedicated PPP legislation are in place in Côte d'Ivoire since 2012. Standard risk management guidelines/checklists are also in use and a risk



management toolkit has been also recently adopted, which will be also integrated with a database of PPP projects currently maintained by the PPP Unit.

In order to perform the case study, a number of public and private entities have been consulted as well as international organizations. Project examples were also analyzed including the following: Abidjan Bus Rapid Transit, Second Container Terminal of the Port of Abidjan, Henri Konan Bédié Bridge in Abidjan, Abidjan–Ouagadougou–Kaya railway line.

The following main findings and challenges were highlighted with reference to the elements of the conceptual framework:

- **Strategy and policy:** PPPs are a cornerstone of the National Development Plan adopted in 2016 to deliver assets reducing the burden on state resources. PPP is also deemed strategic to deliver higher quality services compared to the ones provided by the public entities. A project portfolio of PPPs is also managed by PPP Unit. However, PPPs are not identified and planned as part of transport plans and sector regulatory frameworks.  
A dedicated PPP framework has been adopted in 2012 which has been also recently amended in 2018. A Central PPP Unit and departments have been established within the main institutions involved in PPPs and the PPP Unit also proves to be effective in promoting, developing and monitoring the PPP policy and projects.  
A mix of international and regional – CFA – currencies are adopted in PPP contracts to mitigate macroeconomic risks. The use of demand guarantees is not frequent and the shared implementation responsibility approach has been adopted in some projects to improve project bankability and mitigate financial credit risks.
- **Pre-tendering decision process.** Project preparation takes into consideration appraisal and risk management tools and methodologies. Capacity building and promotion of the extensive application of risk management practices and toolkit is however in the needed focus. National competence and advisory services are a valuable asset within the public administration (Bureau National d'Etudes Techniques et de Développement BNEDT). On the other hand, the interviewed institutions complain about the lack of financial resources to perform internal feasibility analyses.
- **Procurement and contracting.** The PPP law encourages public tender but allows direct negotiations, which are not infrequent. Some private groups appear to be overrepresented in PPP initiatives which might reduce market competition.  
Some weaknesses with respect to the monitoring of projects including their possible impact on state budget were found as part of previous reviews by Ivorian Authorities. Accordingly, a risk management toolkit has been recently adopted by the PPP Unit together with the PFRAM tool at the Ministry of Budget for the appropriate monitoring and follow up of PPPs.
- **Construction and operation.** A Project Management Unit is generally in charge of managing and monitoring PPP projects. At present contract, monitoring is not undertaken in the perspective of risk management. However, the toolkit for PPP risk management recently

developed by the PPP Unit also covers this phase, and its gradual implementation is currently ongoing.

- **End of contract (follow up).** The PPP Unit keeps a database of PPPs, which will be integrated with the risk management toolkit and PFRAM tool.

Two project examples were described that were respectively commented as relevant for the management of financial sustainability risks and financial credit risks:

- **Third Abidjan (Henri Konan Bédié) Bridge.** The scope of the bridge is to reduce congestion on the two pre-existing bridges Houphouët-Boigny Bridge (the 1950s) and Charles de Gaulle Bridge (1960s). The bridge was already identified in the Abidjan urban development plans in 1952 when the city population was less than 100,000 inhabitants. It actually opened for traffic in 2014 when the population in the metropolitan area had reached 4.7 million inhabitants. The infrastructure is operated by SOCOPRIM under a 30 years BOT concession. This SPV consists of Bouygues Group and the Government, holding about a 19% share of the company equity.

The bridge can be considered a successful project in terms of functional performance. An ex-post socioeconomic assessment conducted by the University of Chicago demonstrated that the bridge generated significant time savings (63,380 hours of driving time) and also reduced fuel consumption by 10% and emissions by 10%. Traffic levels are also reported to have reached the expected threshold. On the other hand, the scheme is showing a lower than expected financial performance in terms of generated revenues, which impacts on the financial sustainability of the project.

Representing the first toll road in the country, communication campaigns were made for public acceptance purposes in view of the opening of the bridge. However tolling resulted in an issue and due to public opposition, tolls were not published until ten months after the bridge opened. The Government finally unilaterally decided to apply prices lower than those set in the contract, which legitimates the concessionary company to be compensated.

- **Second Container Terminal/Port of Abidjan.** The scope of the project relates to the widening and deepening of the port canal, as well as building and equipping a second container terminal at this port. A BOT PPP was awarded in 2013 and the terminal is expected to be operational in 2021. The investment cost equals CFA 931,000 million (over USD 1.5 billion). In order to mitigate the financial credit risks of the project, the shared implementation responsibility approach was adopted for this project. The Port Authority of Abidjan (PAA) is responsible for the works of the channel and the berth infrastructure [awarded to the China Harbor Engineering Company (CHEC)], whereas the private party is responsible for equipping and operating the terminal with modern cargo handling facilities. According to this sharing of responsibilities, the contractor will invest about USD 0.5 billion over the concession period, which will be covered by a mix of equity and corporate commercial financing. Over USD 1 billion is instead covered by the Port Authority by means of own resources (15%) and a state loan from the Export-Import Bank of China (Eximbank) (85%).

## Case study Jordan

Based on consultations with the Jordan Authorities a total of 7 PPP initiatives is active in the transport sector in the country. These include 1 airport project under the responsibility of the Ministry of Transport and 6 ports and logistics projects under the responsibility of the Aqaba Development Corporation, all of them implemented in the Aqaba Special Economic Zone. A PPP Unit and a dedicated PPP law are in place in Jordan. Standard risk management guidelines/checklists have been also adopted. A database of PPP projects is also available. A mix of public and private entities as well as international funding institutions have been consulted as part of the case study analysis. Two major PPP projects have been described as part of the case study: the Queen Alia International Airport (QAIA) in Amman and the Aqaba Container Terminal.

The following main findings and challenges were highlighted with reference to the elements of the conceptual framework:

- **Strategy and policy.** PPPs are strategic to address major infrastructural needs and deliver assets without causing excessive burdens on the national budget. PPPs are also expected to ensure quality in the management of transport and logistics services. However, PPPs are not identified and selected as part of national strategies and transport plans.  
A PPP Unit has been established, which was effective in promoting the PPP policy and developing a set of PPP guidelines. However, the actual involvement of the PPP unit in the whole life-cycle of the PPPs is less evident.  
A PPP dedicated legislation is in place, which is considered overall adequate by public and private stakeholders. Concerns are expressed about its actual implementation and the fact that it oversees fiscal commitments.  
The involvement of IFIs proved to be successful for the mitigation of financial credit risks.
- **Pre-tendering decision process.** PPP guidelines issued in January 2019 provide a sound and well-detailed framework for pre-tendering PPP appraisal, also accounting for risk-management dimensions. Fiscal Commitment and Contingent Liabilities impact assessment and reporting of the system of PPPs, represents a major gap, also according to foreseen amendments in the PPP law. No measures appear to have been taken to ensure an appropriate level of administrative capacity in risk management practices, with a possible risk that PPP guidelines are not followed and implemented.
- **Procurement and contracting.** Requests for Pre-Qualifications in Jordan require risk management experience and capacity. Requests for Proposals should also contain among the bid documents a detailed risk allocation matrix. Standard procurement procedures do not seem to apply to PPPs implemented under the responsibility of the Aqaba Development Corporation that seems to benefit from special rules and a degree of autonomy.
- **Construction and operation.** A Project Management Unit is generally in charge of managing and monitoring the PPP. PPP guidelines recognize the need for whole life-cycle performance monitoring, also after construction. A set of KPIs can be also defined for the monitoring of

design, construction and operation risks as well as the PPP performance. Follow up and monitoring of risk allocation should be performed throughout the duration of the contract.

- **End of contract (follow up).** A database of PPP projects had been set up by the PPP unit. The updating of this database has been however discontinued and does not include initiatives under the responsibility of the Aqaba Development Corporation.

The Queen Alia International Airport (QAIA) PPP project was described that was commented as relevant for the management of financial credit risks:

- First opened in 1983, at the beginning of the years 2000s the airport needed capacity expansion. A 25-years BOT PPP was awarded in 2007 to the consortium Airport International Group (AIG). The Government involved the World Bank and the International Finance Corporation (IFC) as advisors in the process. The financing of the project was entirely under the responsibility of the contractor. IFC, international banks and the Islamic Development Bank contributed to the financing of the project. IFC provided a USD 120 million loan to the contractor and supported arrangements for an additional USD 180 million loan from commercial banks. Further support was offered by the Islamic Development Bank through a USD 100 million loan. IFC involvement was instrumental for reducing risk perception and increase investment attraction thus mitigating financial credit risks. Still, nowadays International Funding Institutions (IFIs) and multilateral banks continue financing the further expansion of the airport.

### Case study Turkey

According to interviews with the Turkish authorities, a total of 38 PPP transport projects is active in the country. Out of 38 initiatives, 30 are BOT projects and include construction works, whereas 8 are Transfer of Operating Rights projects in the airport sector. Of the 30 projects including construction works, 9 relate to road infrastructure (1 tunnel and 1 bridge also including rail facilities), 18 projects related to airport infrastructure, 12 concern port marinas. 1 initiative has been also implemented in the rail sector, which relates to the Ankara High-Speed train station. A PPP Unit has been set up within the Presidency of Strategy and Budget that is also managing a database of PPP initiatives.

Public and private stakeholders have been interviewed as part of the case study on Turkey. Several project examples have been also considered in the analysis, including the international Ankara and international “Zafer” regional airports, the Osmangazi Bridge in the Izmit Bay and the Third Bosphorus Bridge.

The following main findings and challenges were highlighted with reference to the elements of the conceptual framework:

- **Strategy and policy.** PPPs are considered strategic to accelerate the delivery of projects, reduce the financial burden of infrastructure investments on the state budget and facilitate

the transfer of know-how and technology. PPPs are however not identified and selected as part of national strategies and transport plans. A PPP dedicated law does not exist at present and the existing legal framework has been commented to be fragmented in the existing literature. PPP units/departments are established within the main involved institutions. The current institutional setting would, however, benefit from a more structured definition of roles/responsibilities. The Ministry of Treasury and Finance is for instance responsible for the monitoring of liabilities resulting from PPPs. This supervision is nonetheless limited to the projects involving debt assumption by the state and excludes airport projects under the responsibility of the line Ministry.

- **Pre-tendering decision process.** Screening for PPP suitability and project preparation studies appear to consider the most relevant elements of analysis required to appraise fiscal risks, design risks, and financial sustainability risks.
- **Procurement and contracting.** Risks are basically identified, allocated and treated at the stage of the contractual elaboration/finalization. Risk management guidelines/checklists and toolkits covering the entire project life are not in use at present. Bonus malus schemes are applied at construction (contract duration) and operation stages (revenue sharing).
- **Construction and operation.** A Project Management Unit is generally in charge of managing and monitoring the PPP. Multiple levels of supervision and control of construction and operation activities are usually performed. This proves to be generally effective in ensuring the successful management of design, construction and operation risks.
- **End of contract (follow up).** A centralized database of PPPs is in use by the Presidency of Strategy and Budget (PSB) mainly focusing on liabilities and fiscal risks monitoring.

Two project examples were described that were respectively commented as relevant for the management of macroeconomic and financial sustainability risks:

- **Osmangazi Bridge.** Opened in 2016, the bridge interconnects the city of Gebze with the Yalova Province in the Izmit Bay. The bridge is part of the O-5 motorway (Gebze – Orhangazi – Izmir, 421 km), completed in August 2019. Thanks to the bridge, the crossing time in the bay decreased from 80 to 6 minutes. OTOYOL A.Ş. constructed and operates the infrastructure under a BOT contract including demand guarantees up to 40,000 car equivalent vehicles/day.
- **3rd Bosphorus (Yavuz Sultan Selim) Bridge.** Opened in 2016 it is the third bridge crossing the Bosphorus Strait, located North of Istanbul, near the Black Sea, and designed for both rail and road traffic. Part of the O-6 Northern Marmara Motorway (414 km) the main goal of the project was to reduce traffic congestion on the two existing bridges providing a by-pass to the city for heavy vehicle traffic transiting through the Istanbul metropolitan area.

### **Policy recommendations**

Mr. Zani concluded his presentation listing the policy recommendations proposed as a result of the research, summarising for each of them the main rationale for their identification. Policy

recommendations were formulated around the following eight areas: political measures, institutional and organizational measures, technical measures, legislative measures, procedural measures, statistics & surveys related measures, capacity-building measures and follow up measures.

**Policy Recommendation I (Political measures): *Identify and plan PPP projects in the framework of the wider socio-economic development vision and transport development strategy of the government.***

- PPP projects should preferably be identified as part of the elaboration and updating of relevant national development and transport strategy plans. The preparation of an indicative pipeline of PPP projects should be considered, which may also be used to cluster and rank projects according to their value for money and value-added for society. Such a list could also provide a basis for discussion with the financial stakeholders aimed at reducing the macroeconomic and financial credit risks. It would also increase the attractiveness of the PPPs and PPP system to the private sector and investors market. Regulatory issues should also be taken into account when identifying and selecting PPP projects, first of all, the tariff setting regulations, thus mitigating political and financial sustainability risks.
- Especially in those countries with few or no PPP experiences, the authorities should consider the adoption of a PPP policy and sensibilization initiatives targeted to the managers of the relevant public institutions involved in the procurement and management of public infrastructure and services. This will raise awareness on the applicability of the PPP model and the implications of its adoption for infrastructure and services procurement and operation. These measures would represent a precondition for the subsequent adoption of institutional reforms and eventually a PPP dedicated regulatory framework.

**Policy Recommendation II (Institutional and organizational measures): *Allocate clear responsibilities for the management of PPPs over the course of their life-cycle.***

- A unit/department within the government or within the authority responsible for state budget monitoring and control should be identified that should be responsible for the appropriate management of the accounting liabilities deriving from the involvement of the public sector in PPPs.
- Depending on the number of PPPs implemented or expected to be implemented in a country and the existing institutional setting concerning foreign investment promotion and public procurement, a PPP unit may also be set up that could be involved at least in PPP policy definition and implementation, identification, planning, promotion and appraisal of PPPs. Furthermore, additional PPP units/departments may be also established within the mainline Ministries involved in the planning, development, implementation, and monitoring of PPP projects in the transport sector as well as within the established Regulatory Authorities.
- Adequate regulations and institutional settings should be also considered to ensure an optimal level of competition in the market as the presence of a small number of operators



dominating the market may reduce the long-term efficiency in the provision of transport services.

- The capacity of the existing units should be strengthened as appropriate.

**Policy Recommendation III (Technical measures): *Support the use of appropriate technical tools, analyses, and competences***

**Rationale:**

- Pre-feasibility and feasibility studies should be preferably prepared by the public sector following the identification of the PPP initiatives as part of national and sector-specific transport plans. In-depth analysis should be performed at this stage by the public party also using dedicated software and models. This is crucial to avoid public acceptance risks which ultimately lead to financial sustainability risks.
- The practice of the recourse to demand and/or revenue guarantees by the public sector to implicitly cover possible imbalances between the demand and revenue thresholds required to turn projects bankable and mitigate financial sustainability risks, may be substituted by alternative remuneration/regulatory schemes such as the Least Present Value of Revenues (LPVR) approach, share-in-profit/Joint Venture approach or shared implementation responsibility.
- At the tendering phase, projects should be preferably at an advanced stage of maturity to avoid risks related to changes in the project scope which can lead to contract renegotiation risks.
- Independent consultants and engineers should be recruited for due diligence and auditing procedures of feasibility studies as well as technical design documentation, project implementation, and operation monitoring procedures.
- To mitigate fiscal risks, the authorities responsible for the state budget should estimate and monitor the impact on the state budget of PPPs related contingent liabilities and fiscal risks. This should be done on a project-by-project basis as well as with reference to the system of active PPPs. Reports on all direct fiscal commitments and contingent liabilities should be elaborated on a periodic basis (at least annually), also depending on the number of PPPs.

**Policy Recommendation IV (Legislative measures): *Improve the legal framework adopting a PPP tailored legislation***

**Rationale:**

- Also depending on the number of PPP initiatives implemented or foreseen to be implemented in a country, consideration should be given to the adoption of a PPP dedicated regulatory framework. Tailored to PPPs this would address more appropriately the specificities related to this type of procurement method, also providing a standard set of provisions potentially mitigating risks of contractual disputes and renegotiations. Attention should be also given to the inclusion in the new or existing PPP legislation of provisions concerning transparency in the procurement of PPP initiatives, limiting as far as possible the use of the unsolicited proposal and direct negotiation procurement methods.

- Islamic finance solutions should be considered for the positive implications these might have on the mitigation of macroeconomic and financial credit risks. For the adoption of Islamic finance in countries where this is not already the following basic steps could be considered such as, amending the legislation and regulatory framework of the banking and financing system, undertaking sensibilization campaigns on Islamic finance at the institutional level, implement training programs dedicated to the improvement of the competences and skills of the human resources.

**Policy Recommendation V (Procedural measures): *Adopt risk management guidelines and checklists***

- Risk management guidelines and checklists should be considered for adoption, were not already in place for the overall improvement of risk management practices with reference to all types of risks. Where these tools are already available, their improvement might be considered. These tools should be country if not transport/mode-specific in order to reflect peculiarities in the policy, institutional and regulatory settings. Guidelines should be tailored to PPP initiatives and not generally applicable to infrastructure investments as PPPs are more complex than projects developed and implemented under the public procurement conventional model. Further to the identification of the main risks applicable to the PPPs over the course of the different stages of project life-cycle, the entities responsible for their assessment, monitoring and treatment should indeed be indicated. As of supervision and monitoring activities, the scheduling/frequency of the reporting tasks should be also specified. Standard templates for collection of project relevant information should be preferably adopted.
- Guidelines for risk management practices should cover all dimensions of risk governance. A “legal attitude” to PPP risk management focusing on risk identification, allocation and treatment should be combined with an economic approach to reflect the appropriate management of risks at all stages of the project life-cycle integrating risk identification, allocation and treatment-related analyses, with risk appraisal (ex-ante), monitoring and evaluation (ex-post) of PPPs (including all different elements of analysis to be performed as part of economic and financial evaluations, e.g. Value-for-Money, public sector comparator, Cost-Benefit Analysis, sensitivity analysis, scenario analysis, risk analysis...).

**Policy Recommendation VI (Statistics & surveys related measures): *Ensure PPP analyses are based on reliable data and promote transparency***

- In order to mitigate financial sustainability risks, the tools and analyses developed as part of pre-feasibility and feasibility studies should be based on the use of real data and/or surveys, including the willingness to pay surveys.
- Transparency increases confidence in the market by private investors and reduces corruption risks. Accordingly, consideration should be given to the adoption of open data policies concerning preparatory and feasibility studies, transport statistics, cartography, transport models, etc. The collection and publication of information and data on the



management of contingent liabilities and fiscal risks, as well as the performance of the PPP contracts, is also recommended that will overall improve the management of political and legal risks.

**Policy Recommendation VII (Capacity-building measures): *Integrate learning by doing approach with capacity building and training programs***

- The institutions involved in the preparation, implementation, and monitoring of the PPPs should have adequate financial resources, competences, and authority to perform directly their tasks or hire experts.
- The experience gained on the basis of learning by doing approach should be preserved and valorized in any possible changes in the institutional settings. Training programs are suggested for consideration that could take the form of workshops to valorize the best practices already implemented in the country. In line with successful experiences in the investigated countries International Funding Institutions and Multilateral Agencies may be also involved in the organization of capacity building initiatives.
- Where the number of PPPs is limited or where no experiences exist, PPP pilot projects involving limited financial and fiscal risks should be preferably identified and technical assistance support sought for their preparation and implementation, also involving International Funding Institutions and Multilateral Agencies.

**Policy Recommendation VIII (Follow up measures): *Support control, supervision, and guardianship of PPPs using a dedicated shared database***

- Control, supervision, and guardianship monitoring reports should feed into a centralized database of PPP initiatives under the responsibility of the PPP unit or entity responsible for the state budget and the authority/authorities responsible for sector regulation. All phases of project development, implementation and operation should be covered by the PPP database thus allowing for the possibility of identifying success stories and provide lessons learned.
- Ex-post evaluations of PPP projects should be considered which could also relate to the completion of specific phases of the project life-cycle in order to provide useful inputs and possible improvements to the management practices of the risks associated with PPPs in the transport sector.

**Questions and Answers**

**Question:** How do you see the strategic relevance of implementing PPPs for a country vis-à-vis the affordability risk associated with the repayment of the initiative by the public and/or direct users of the infrastructure/services?

**Answer:** Affordability is indeed an important aspect of PPPs that should be carefully assessed at the initial phases of the project life-cycle in order to understand to what extent the project is

financially sustainable, and whether it can be fully financed by user fees (so-called hot PPPs) or whether the public sector shall partially or totally finance the project by means of direct or indirect subsidies and availability payments (so-called cold PPPs). Affordability appraisals shall consider the impact of adverse socioeconomic conditions, i.e. macroeconomic risks. In the case of hot projects, it is important that the willingness to pay surveys are performed. Value-for-Money and Cost-benefit Analysis of projects shall finally be performed in order to confirm the suitability of a project to be implemented as a PPP model and assess the benefits generated by the project in comparison to the investment costs.

**Question:** To what extent should the institutional setting be changed/adapted to appropriately implement PPP projects and manage the risks associated with PPPs?

**Answer:** The consultant highlighted that the institutions shall at least be prepared to appropriately assess and monitor the impact on the state budget of contingent liabilities and fiscal risks associated with PPPs. Depending on the number of projects already implemented or foreseen to be implemented in the country, additional institutional arrangements may be appropriate which include the set up of a PPP unit and of additional units/departments that could be involved in the identification and selection of PPPs as well as in their development, implementation, and monitoring. In the event the country has little or no experience in implementing PPPs, support might be sought from International Funding Institutions and Multilateral Agencies for the implementation of pilot initiatives.

**Question/comment:** PPP is an important instrument for the development and implementation of infrastructure projects that might be particularly relevant to solve congestion in urban and metropolitan areas in the future. This requires a number of analyses (i.e. traffic, Value of Time...) to be performed in order to appropriately address the risks related to the PPPs as well as the development of specific capacities by the institutions.

**Answer:** The consultant confirmed that the robustness of the pre-feasibility and feasibility analysis for the development of PPP projects is key for all PPPs, but particularly for those to be implemented in urban areas, where projects are not just part of a network, but rather embedded in a multimodal system of different transport modes. It is thus essential to assess the technical, functional and financial performance of the project in the wider urban/metropolitan system. With reference to transport and demand modeling activities, reference was made to a number of data that are nowadays available to improve the reliability of the feasibility analyses such as real travel time data from TomTom or Google. This can, for instance, be acquired and used to calibrate and validate the results of the models.

## 5. Roundtable Policy Debate Session

Mr. MOHAMMED SHAH NAS MOHAMED FAWZI, Manager, Port Klang Authority, Malaysia moderated the roundtable session. At the outset, Mr. Selçuk KOÇ, Director at the COMCEC Coordination Office, made a short presentation on the responses of the member countries to the Policy Questions circulated by the CCO.

After fruitful discussions and deliberations, the Working Group has come up with the following policy recommendations<sup>2</sup> to be submitted to the 35<sup>th</sup> Ministerial Session of the COMCEC for adoption.

- **Policy Recommendation I:** Encouraging to develop/improve the legal framework through adopting a PPP tailored legislation.
- **Policy Recommendation II:** Allocating clear responsibilities for the management of PPPs over the course of their life-cycle and establishing/strengthening a unit/department within the government to that end.
- **Policy Recommendation III:** Supporting the use of appropriate technical tools, analyses, etc., and development of strong database and competences for minimizing risks during the implementation of the PPP projects
- **Policy Recommendation IV:** Developing/Improving risk management guidelines and checklists for the betterment of the implementation of the PPP projects

## 6. Utilizing the COMCEC Project Funding (CPF)

Mr. Deniz Göle, Director at COMCEC Coordination Office delivered a presentation on utilizing the COMCEC Project Funding (CPF) for the transport-related projects of the member countries as well as the OIC institutions.

In the beginning, Mr. GÖLE informed the participants about the essentials of COMCEC Project Funding. He explained the two instruments of COMCEC Strategy, namely Working Groups and Project Funding. Then, he stated the relationship between Ministerial policy recommendations, Strategy's principles and objectives. He gave details about the activity-based projects and research projects. Lastly, the main characteristics of COMCEC Project Funding such as membership to the WGs, partnering with at least two member countries and meeting the Project Preparation and Submission Guidelines were touched upon.

Mr. GÖLE emphasized the importance of Sectoral Themes, which should also be considered while submitting project proposals, published on the COMCEC website. He enumerated the supported topics in transport and communications cooperation area as follows:

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<sup>2</sup> The Room Document is attached as Annex 3.

- Developing an enabling legal, institutional and regulatory framework for enhancing cooperation among the enroute countries along the transport corridors
- Establishing a dedicated corridor coordination unit for facilitating corridor governance
- Promoting the development of transport corridor governance
- Developing guidelines for the preparation and implementation of national transport master plans
- Identifying comprehensive Key Performance Indicators for effective monitoring and evaluation of the performance of transport plans
- Improving the planning capacity of the OIC member states within the framework of social and economic objectives
- Improving national transport infrastructure planning processes and encouraging public-private partnerships (PPPs)
- Designing a systematic framework for transport project appraisals, indicating the objectives, types, and methodologies
- Developing manuals and guidelines for ensuring effective transport project appraisals as well as implementing the existing ones
- Applying transport project appraisals as the main part of a full project cycle and making use of quality data and information
- Enhancing the capacity for transport project appraisals through official certification of competences
- Improving risk management in PPP projects
- Making use of pricing policies for transport infrastructure in the OIC countries
- Analyzing the economic and social impact of transport infrastructure

Mr. GÖLE continued his presentation with the implementation statistics, both yearly and on a sectoral basis, for the last 5 years. Also, he gave the details of the contents and activities of the Transport and Communications projects implemented in 2019 by the Gambia, Iran, and Jordan.

Lastly, Mr. GÖLE gave general information about the relevant pages of the COMCEC Project Funding website and mentioned about the timeline for the project submission. He indicated the relevant reference materials in the Online Project Submission System to be used during the project submission period.

## **7. Presentations of the Member States**

### **a. Azerbaijan**

Mr. Elvin MAMMADOV, Senior Adviser, Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan, made a presentation on Azerbaijan's experiences concerning the risk management in the projects on public-private partnerships in the field of transport.

At the outset of the presentation, Mr. MAMMADOV stated that the use of a Public-Private Partnership has been recently started in the Republic of Azerbaijan. There can be shown various fields of the economy where a PPP model has been applied, for instance, energy, healthcare, tourism, and others. However, there is no PPP project in the Republic of Azerbaijan which has been applied in the field of transport. Nevertheless, there are exist big opportunities in this sphere.

Mr. MAMMADOV continued his presentation by expressing that at the present, there are several legal acts and regulations in Azerbaijan that regulate separate types of public-private partnerships. "Build Operate and Transfer" (BOT) model was first introduced in Azerbaijan through the Law "On implementation of special Financing for the investment projects on construction and infrastructure", adopted in 2016. The Law on "BOT" model establishes the legal basis for investment and construction facilities in the following areas below:

- Bridges and tunnels;
- Highways, railway systems, bus station complexes;
- Logistics centers;
- Special economic zones, seaports, and airports;
- Industrial parks, high-tech parks, agro parks;
- Education, health, culture and tourism objects.

In addition to the BOT Law, the Decree of the President of the Republic of Azerbaijan "On particularities with regard to conditions of investment, requirements to private investors, the procedure of investor's selection process" was adopted in 2016. A competent authority that is responsible for the implementation of the BOT model in the Republic of Azerbaijan is the Ministry of Economy. The Authorized body has the following competences with regard to the implementation of the BOT model:

- To establish a commission for the selection of an investor
- To take measures on the development of the BOT model
- To monitor and evaluate the performance of contracts
- To calculate the state's financial obligations with respect to investors, evaluate their risks
- To sign agreements with the winning company, as well as the feasibility study

Then, Mr. MAMMADOV expressed that within a "BOT" model the Competent Authority implements a monitoring mechanism to evaluate an investor's compliance with the terms of the agreement. ' Besides that, the Competent Authority calculates the state's financial obligations with respect to investors, evaluates their risks and distribution. "Strategic Roadmap for the development of logistics and trade in the Republic of Azerbaijan" was approved by the Decree

of the President of the Republic of Azerbaijan dated 06 December 2016. ' In the priority 3.1 of Strategic Road Map "Increasing the level of participation of private sector in the logistics and trade sphere" are determined major directions of the utilization of public-private partnership models in the various fields of transport. With the aim of the establishment of logistics and trade centers in Azerbaijan, the mechanism of public-private partnerships will be considered.

In accordance with the Strategic Road Map, the public-private partnership model is designed to be used to complete the second and third stages of the New Baku Port complex. The use of the PPP model is also possible in certain areas of railways, also in the expansion of the locomotive fleet, which is one of the most investment-related areas in the railway sector. An upgrading of civil aviation infrastructure in Azerbaijan plays a crucial role. With the aim of expanding Azerbaijan's transit capacity and increasing the tourist flow to the country, analyzes and feasibility studies can be implemented to establish a "low-cost" airline in the country. A PPP model can also be implemented in this field.

Mr. MAMMADOV touched upon the risks regarding the PPP model in the field of transport in Azerbaijan as followings:

- PPP considered as a new model for our country and there is a lack of legislative base;
- Transport field consists mainly of infrastructure projects and it requires a high amount of investments;
- Since the financial markets and oil prices are unstable in the region, it is difficult to attract investments into this field.

Lastly, Mr. MAMMADOV emphasized that implementation of PPP in the field of transport is one of the priorities in the Strategic Road Map.

#### **b. Indonesia**

Ms. Intan NOVIANINGSIH, Researcher, Ministry of Transportation of the Republic of Indonesia, delivered a presentation titled "Risk Management in Transport PPP Project in Indonesia". At the beginning of her presentation, she gave some information about the financial infrastructure development of Indonesia in the period between 2020-2024. She emphasized that the total value of investment required for infrastructure in the 2020-2024 period is 444.564.054,55 USD Dolar and private participation is expected to be 42%percent of this amount of investment.

Ms. NOVIANINGSIH touched upon the PPP projects in the transportation sector highlighting that Indonesia has a totally 40 PPP projects in the field of transportation; 4 projects in the airport sector, 14 projects in the port sector, 8 projects in the road sector and 13 projects in the railway sector.

Ms. NOVIANINGSIH continued by saying that the increasing demand for infrastructure development to support Indonesia's economic growth has led the Government of Indonesia to provide financial support and a better framework in attracting private investment and participation of a measurable scale. Within this framework, Indonesia has established the Indonesia Infrastructure Guarantee Fund (IIGF), as a state-owned enterprise under the Ministry of Finance which is responsible for providing government guarantees for infrastructure projects developed under the PPP scheme.

Ms. NOVIANINGSIH highlighted the IIGF's role in infrastructure project development in terms of planning, preparation, transaction, and operation of the PPP projects. She also touched upon the typical risk allocation practices covered by the IIGF. She stressed that risk should be allocated to the party who has;

- Greater ability to assess the risk,
- Higher capacity to reduce the probability of the occurrence of a risk,
- Better capability to manage the risk and apply to incur lower costs,
- Higher capacity to mitigate the consequences of the risk occurring

With respect to the scope of activities in risk management, Ms. NOVIANINGSIH cited that the main activities of risk management are; risk identification, risk assessment /evaluation, risk allocation, and risk mitigation plan. Concerning risk identification, she expressed that project risk is any event that might occur that could cause project losses and/or project stakeholders. Every project has project risks, both those that are undertaken by the Government itself or Cooperated with business entities. The risk identification process is carried out in all aspects: legal, technical, financial, economic, social-cultural, environmental and political.

With respect to the risk assessment /evaluation activities, she stated that the value or amount of risk depends on two factors: The frequency or probability or possibility of occurrence of the risk and the impact or amount of loss if a risk occurs. Assessment can be done in a qualitative or quantitative way and the results can be plotted into the Risk Impact Matrix being used in Indonesia.

Regarding the risk allocation practices in her country, Ms. NOVIANINGSIH expressed that the purpose of risk allocation is to provide incentives for the party (Government or Business Entity) who is most efficient at managing risk. The result is that project risk costs will fall. Every risk must be allocated to those who: Have a better ability to control the possibility of risk Have a better ability to manage the impact of the risk Have the ability to bear the risk with the lowest risk cost. The result of the risk allocation analysis is the risk allocation matrix. Lastly, she demonstrated the mitigation and risk management plan used in her country with a concrete example from a project implemented.

### c. Pakistan

Mr. Muhammad ARSHADJAN, Economy Advisor, Embassy of Pakistan in Ankara, delivered a presentation on investment opportunities in the road infrastructure of Pakistan.

At the outset, Mr. ARSHADJAN emphasized the mission of the National Highway Authority (NHA) as *"Promote national integration through an efficient, reliable, safe and environment-friendly road network, for sustainable economic growth and improved living standards."* He said that NHA established in 1991 and it is a custodian of 49 national motorways and highways. Over the 13,128 kilometers network, the NHA operates 5% of roads but caters for 80% of commercial traffic.

Mr. ARSHADJAN gave some information on the legal framework of PPP under the NHA. He said that the NHA PPP Policy and Regulatory Framework was approved by National Highway Council in May 2009. Under this Policy, NHA procures PPP Projects on the basis of open competitive bidding. Furthermore, PPP Authority is established to provide a regulatory framework to execute PPPs in Pakistan so as to promote domestic as well as foreign private.

Concerning the NHA's recent achievements, Mr. ARSHADJAN stressed that in the last four years, Pakistan has initiated an ambitious program of 13.63 Billion USD, completed north-south motorway links and strengthened east-west connectivity i.e. Baluchistan. Regarding the NHA PPP Plan, he explained that the vision to double the road density from 32 km/100 km<sup>2</sup> till 2025 is only possible with the support of the private sector. Insufficient fiscal budget allocation needs to be supplemented by off-budget financing. NHA has planned to undertake a major portion of its highway development projects by financing through PPPs. NHA is promoting PPPs in order to bring efficiency, modern skills and to augment limited public resources.

Lastly, Mr. ARSHADJAN briefed the participants about the PPP projects implemented in Indonesia. In addition, he listed the upcoming priority projects to be implemented through the PPP initiatives as followings;

- Hyderabad – Sukkur Motorway (M-6)
- Sialkot – Kharian Motorway
- Kharian – Rawalpindi Motorway
- Karachi Northern Bypass (M-10)
- Dualization and Rehabilitation of Karachi – Quetta – Chaman (N-25)
- Construction of Shahdara Flyover Bridge
- Construction of Southern bypass Peshawar
- Construction of Chakdara-Bagh Dheri Extension of Swat Expressway
- Construction of Additional Carriage Way from Balkasar (M-2) to Mianwali
- Dualization of Mianwali- Muzaffargarh
- Nullah Lai Transportation Corridor



#### **d. Turkey**

Mr. Serdar ÜNSAL, Head of Department, Head of Department, Ministry of Transport and Infrastructure of Turkey, delivered a presentation on Turkey's experiences regarding risk management in transport PPP projects on behalf of the General Directorate of Infrastructure Investment.

At the beginning of his presentation, Mr. ÜNSAL cited that the most important feature that distinguishes PPP method from classical methods is that the cooperation between private and public bodies continues not only during the construction but also during the operation phase, besides it creates a synergy in both construction and operation periods between public and private sectors.

Mr. ÜNSAL continued his presentation by stressing the advantages of PPP projects as followings;

- Reduction of public debt burden,
- Providing ease of financing,
- In addition to this advantage, the scope of the private sector is expanded with the BOT and the entry of foreign capital inflow to the country is easier.
- The new investment areas opened to foreign capital have a positive impact on GDP.
- The BOT model increases the applicability of the private sector's profitability, efficiency and efficacy principles and the understanding of the performance management system to public services.
- It also accelerates the transfer of advanced technology to public services. This enables the provision of public services with lower costs and higher quality.
- Proper identification of risks of project and sharing of them with respect to necessary assessments,
- Unlike the feasibility of other public investments, public/private comparison analysis is prepared,
- Transparent and competitive tender environment,
- Support of high level (political) decision-makers,
- Existence of central coordination unit,
- Monitoring and reporting of projects with a qualified monitoring and evaluation system,

Moreover, Mr. ÜNSAL highlighted the PPP project models undertaken by the General Directorate of Infrastructure Investment. He listed the infrastructures undertaken by public budget, superstructures by Build-Operate and Transfer (BOT) model as followings;

- Karasu Port
- Çanakkale Port Superstructure
- Kumkuyu Marina Port
- Alanya Marina Port

- Mersin Marina Port
- Sığacık Marina Port
- Çeşme Marina Port
- Kaş Marina Port ( 2nd. Part Construction)
- Yalova Marina Port

He also listed the projects fully undertaken by BOT modal as followings;

- Eurasia Tunnel
- Bodrum Passenger Pier
- Didim Marina Port
- Muğla – Ören Marina Port
- Turgutreis Marina Port

Mr. ÜNSAL continued his presentation by explaining the tender evaluation criteria with respect to the PPP projects in Turkey. He said that the technical criteria and minimum requirements of the project are determined by the Contracting Authority. Tenderers, meeting the Qualification Criteria (Balance Sheet, Turnover, Work Experience, etc.), are invited to bid. Bidders are requested to submit their Technical Approaches (Projects, Work Program, Quality/Environment/Business Management Plans, Maintenance, and Operation Plans, etc.) and Total Contract Duration (Financial Proposal) including construction and operation. Concerning the duration fixed/usage price and investment amount, he said that the construction and operation period of the project is determined by the Contracting Authority. The dossiers of the eligible bidders are taken into financial evaluation. The maximum usage price and investment amount offered are evaluated.

Regarding the compensation of duration and investment amount, Mr. ÜNSAL outlined that the construction and operation time of the project is proposed by the tenderer. The dossiers of the eligible bidders as a result of the technical evaluation shall be taken into financial evaluation. It is evaluated by considering the maximum investment amount and minimum time offered. The final assessment is made according to the Technical and Financial assessments and the contractor is determined accordingly. Moreover, with respect to the duration, investment amount and service charge fixed, he explained that the technical criteria and minimum requirements of the project are determined by the Contracting Authority. Tenderers meeting the Qualification Criteria (Balance Sheet, Turnover, Work Experience, etc.) are invited to bid. The construction and operation period of the Project, as well as service charges, are determined by the Contracting Authority. The maximum premium offered for the transfer of rights for the operation period is evaluated. The final evaluation is made according to the financial assessments and the responsible company is determined.

Lastly, Mr. ÜNSAL highlighted the risk management practices of his country citing that risks are determined during the pre-feasibility phase. Project risks are shared between public and private

bodies, such as currency risk, income risk, corruption or bankruptcy of the incumbent company, minor and major risk events that can affect the construction period and or operation period. He said that in order to ensure investment risks, a %80/%20, credit/equity ratio limits the amount of credit to be used by the private body in BOT projects, which limits the public body to give guarantee up to % 80 of the investment amount. In exchange for private investment, the public body gives an income guarantee to counterpart. In order to eliminate operational risks and ensure operational readiness, a test period for the facility is followed with respect to internationally recognized institutions' safety, operability standards. After certification is completed, the commencement of the operation is allowed.

Furthermore, Ms. Elif ORHAN, Deputy Branch Manager, General Directorate of Highways, Ministry of Transport and Infrastructure of Turkey, delivered a presentation BOT Projects of the General Directorate of Highways.

Firstly, she briefed the participants about the Gebze-Orhangazi-Izmir Motorway. She stressed that the total construction cost \$7,0 billion including financing costs \$8,5 billion. The total lent of the motorway is 426 km with 384 km of motorway 42 km connection roads. She said that Marmara and Aegean Regions which form the spine of the Turkish economy will be connected to each other with a complete access-controlled motorway. The industrial, commercial and touristic traffic between Istanbul, Kocaeli, Yalova, Bursa, Balıkesir, Manisa, and Izmir, where one-third of the Turkish population lives, will be more comfortable and secure. This will generate major benefits in terms of savings in travel time, reductions in traffic through towns and cities, and improved safety and economic efficiency.

Secondly, she briefly mentioned about Kınalı-Tekirdağ-Çanakkale-Balıkesir Motorway including 1915 Çanakkale Bridge. She said that 1915 Çanakkale Bridge will be the world's longest span suspension bridge with 2.023 m middle spans, 770 m side spans, 3.563 m bridge length, 318 m tower height, 45,06 m deck width, 70 m x 1.600 m navigation width.

Lastly, she touched upon the assessment of the contract due to the exchange rate update and the payment of guaranteed income every six months during the year of assessment. She mentioned that updating the exchange rate twice a year will reduce the foreign exchange risk, which significantly affects the cash flows of the appointed company. It will reduce financial costs by reducing hedging costs. Also, with the reduction of financial costs, more effective contract periods will be introduced during the tender stage and the existing investment will be transferred to the administration in a shorter period of time.

## **8. Private Sector's/International Organizations' Perspectives**

### **a. IsDB: "Transport Infrastructure Development: IsDB Group's Experiences Regarding Risk Management in Transport PPP Projects"**

Mr. Ali Rıza KAYAR, Project Management Specialist, IDB Group delivered a presentation with the theme "Transport Infrastructure Development: IsDB Group's Experiences Regarding Risk Management in Transport PPP Projects".

At the beginning of the presentation, Mr. KAYAR outlined the IsDB Group activities and priority areas in terms of the development of the OIC Member Countries. He mentioned that IsDB Group has a mission to promote comprehensive human development with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people. Under its Ten-Year Strategy, IsDB Group aims to become a preferred partner for Member Countries (MCs) economic and social development, a strong catalyst for South-South cooperation and a leading authority in Islamic Finance. It endeavors to realize the strategic objectives through cooperation in Economic & Social Infrastructure, private sector development, inclusive social development, cooperation among MCs and development of Islamic Finance. IsDB has adopted a new business model under the President's Five Year Program to empower people for a sustainable future through a focus on driving Innovations, Partnerships, Islamic Finance and support for Value Chains.

Furthermore, he mentioned that since inception, IsDB Group has cumulative approvals of around USD 138 billion including USD 72 billion of trade financing and USD 61 billion of project financing. As for the IsDB's financing from Ordinary Capital Resources of USD 57 billion, major sectors of support include infrastructure (71%) followed by human development (13%) and agriculture (12%). The aggregate business insured by our insurance arm, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is US\$52.8 billion.

After giving the definition of the PPP, Mr. KAYAR listed the benefits of the PPP initiatives as followings;

- Increasing transparency
- Improving service delivery
- Reducing construction time and costs
- Ensuring regular maintenance
- Lack of a robust regulatory framework
- Providing better value for money

Then he listed the general requirements for the PPPs as followings;

- The transparent bidding process for the concession agreement part
- Experienced Sponsors
- Reputed consultants working for the Banks (flexible procurement)
- Risk mitigation
- Adequate risk allocation between the Public Entity, the Private Entity, and the Banks.

Concerning the involvement of IsDB in PPP initiatives, he said that to date IsDB has had 57 number of transactions with 20 member countries and 4,3 billion USD total approvals. He said that the transport sector constitutes 9 percentage of total involvement.

After giving some information about how the risk management issues were handled by the IsDB in Queen Alia Airport Transaction Structure Project and Dakar Airport Project, Mr. KAYAR listed the lessons learned as followings;

- PPP Advisory & Project Preparation Services help to structure.
- MDBs involvement facilitates mobilization of commercial funding.
- Experienced and strong project sponsors reinforces implementation.
- Collaboration of project parties is essential in large scale projects.
- Best practices should be adopted in all aspects of the project management including environmental and social fronts.

**b. Association of Turkish Consulting Engineers and Architects (TMMOB): "Private Sector Perspective on Risk Management in Transport PPP Projects"**

Mr. Halil AGAH, Secretary-General, Association of Turkish Consulting Engineers and Architects (TMMOB), made a presentation with the theme "Private Sector Perspective on Risk Management in Transport PPP Projects: Challenges and Lessons Learned".

At the beginning of his presentation, Mr. AGAH highlighted the definition of the PPPs. Then he said that over the past decades, developing countries have experienced significant economic growth, which has also been supported by the expansion and modernization of energy, ICT, municipal services, transportation, and health infrastructures. The economic growth of Turkey has also been coupled with an increase in the use of PPP projects. Over 240 PPP projects have been implemented within the last 15 years for a total budget volume of nearly USD 140 billion.

After highlighting the number of PPP projects implemented in the field of transportation in Turkey, Mr. AGAH said that consulting engineers should be involved during all project cycle management stages to aware of the possible risks. Risk analysis should be done for all parties

(public, private and financiers) by the consulting engineers/firms. The success of the PPP investments is directly related to the estimation and monitoring of the impact of PPP project-related contingent liabilities and fiscal risks.

Lastly, Mr. AGAH listed the possible activities done by the independent consulting engineers/firms as followings;

- Identification of potential PPP projects for the different sectors in the country,
- Pre-feasibilities (legal, institutional, technical, etc.),
- Appraisal of the project with all aspects (technical, social, environmental, financial, etc.)
- Final design and alternative financial modules, • Tender documents for works, goods, and services,
- Procurements and contract management,
- Supervision and monitoring of all process,
- Periodic reports on technical and fiscal commitments,
- Early warning systems before facing the risks.

**c. Yapı Merkezi Group: "Yapı Merkezi's Experiences with respect to the Risk Management in Transport PPP Projects and Expectations"**

Mr. Mustafa KOÇAR, Head of Investments and Project Finance, Yapı Merkezi Group, delivered a presentation with the theme "Risk Management in Transport PPP Projects Private Sector Perspective".

At the beginning of his presentation, Mr. KOÇAR shed light on the key risks in PPP projects per each phase during the project life. Then he mentioned the risk allocation matrix which shows the distribution of the risks between public and private sectors.

After briefing the participants about the project organization structure, finance package, key bankability information of the Eurasia Tunnel Project which Yapı Merkezi involved in, Mr. KOÇAR highlighted the risks and mitigants during the design and construction period. He mentioned that the preliminary studies were made with the generation of a successful geological/geotechnical profile supported by literature searches (especially Melen and Marmaray studies), expert reports, investigation of exploratory borings, bathymetric survey and geophysical studies. He listed the lessons learned as followings;

- Prioritizing utility relocations and expropriations
- Being prepared for contingencies
- Having the right technologies and choosing the right methods
- Avoiding conflict with local authorities

- Taking risks in a planned way to save time

After outlining the possible risks and mitigants during the operation and maintenance periods of the projects as well as financial sustainability of the projects, Mr. KOÇAR outlined the private sector expectations as more collaboration between the public and private parties in understanding the key risks, establishing an effective risk allocation framework, and adopting the most effective risk management and mitigation strategies.

At the end of the presentation, Mr. KOÇAR briefly listed the main factors for the successful implementation of a PPP on the public side as followings;

- Legal and regulatory readiness
- Pre-tender (decision-making process) preparation studies
- Clearly defined roles and responsibilities
- Fairly addressed the risk-sharing mechanism
- Preparation of risk management guidelines

## 9. Closing Remarks

The Meeting ended with closing remarks of Mr. Selçuk KOÇ, Director at the COMCEC Coordination Office. He thanked all the representatives for their attendance and precious contributions. Mr. KOÇ informed the participants that the 15<sup>th</sup> Meeting of the COMCEC Transport and Communications Working Group will be held in March 2020 in Ankara with the theme of “Pricing of Transport Infrastructure in the OIC Member Countries”. He stated that a research report is also being prepared on this theme and will be shared with the focal points and other participants in advance of the meeting.

Finally, he brought the participants’ attention that the policy recommendations formulated by the delegations during this working group meeting will be submitted to the kind consideration of the Ministers during the 35<sup>th</sup> COMCEC Session.

H.E. FATHIMATH, the Chairman of the Meeting, also thanked all the participants for their participatory attitudes and contributions.

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## **Annex 1: Agenda of the Meeting**



### **14<sup>TH</sup> MEETING OF THE COMCEC TRANSPORT AND COMMUNICATIONS WORKING GROUP**

(October 3rd, 2019, Ankara, Turkey)

#### ***"Risk Management in Transport PPP Projects in the OIC Member Countries"***

#### Opening Remarks

1. COMCEC Transport and Communications Outlook 2019
2. Global Trends in Risk Management in Transport PPP Projects
3. Risk Management in Transport PPP Projects in the OIC Member Countries and the Lessons Learnt from the Selected Case Studies
4. Policy Debate Session on Improving Risk Management in Transport PPP Projects in the OIC Member Countries
5. Member States' Presentations
6. Private Sector's/International Organizations' Perspectives
7. Utilizing the COMCEC Project Funding

#### Closing Remarks





*There will be a policy roundtable under this agenda item. The main inputs of the roundtable will be the findings of the research report and the member states' responses to the policy questions circulated by the COMCEC Coordination Office. At the outset, the CCO will make a short presentation introducing the responses of the Member Countries to the policy questions as well as the Room Document.*

- Presentation: *"Member Countries' Responses to the Policy Questions on Risk Management in Transport PPP Projects"*  
*Mr. Selçuk KOÇ*  
*Director, COMCEC Coordination Office*

**14.10-15.15** - Policy Discussion

**15.15-15.30 Utilizing the COMCEC Project Funding**

- Presentation: *Mr. Deniz GÖLE*  
*Director, COMCEC Coordination Office*

**15.30-15.45** - Discussion

**15.45-16.00 Coffee Break**

**16.00-17.00 Member State Presentations**

- Presentation(s)
- Discussion

**Private Sector's/International Organizations' Perspectives**

**17.00-17.15** - Presentation: *"Transport Infrastructure Development: IDB Group's Experiences Regarding*

*Risk Management in Transport PPP Projects"*  
*Mr. Ali Rıza KAYAR*  
*Project Management Specialist*  
*IDB Group*

**17.15-17.30** - Presentation: *"Private Sector Perspective on Risk Management in Transport PPP Projects"*

*Mr. Halil AGAH*  
*Secretary General,*  
*Association of Turkish Consulting Engineers and Architects*

**17.30-17.45** - Presentation: *"Yapı Merkezi's Experiences with respect to the Risk Management in Transport PPP Projects and Expectations"*

*Mr. Mustafa KOÇAR*  
*Head of Investments and Project Finance*  
*Yapı Merkezi*

**17.45-18.00** - Discussion

**18.00-18.15 Closing Remarks and Family Photo**

### **Annex 3: The Policy Recommendations**

#### **THE ROOM DOCUMENT FOR POLICY DEBATE SESSION OF 14<sup>TH</sup> MEETING OF THE COMCEC TRANSPORT AND COMMUNICATIONS WORKING GROUP**

The COMCEC Transport and Communications Working Group (TCWG) successfully held its 14th Meeting on October 3rd, 2019 in Ankara, Turkey with the theme of “Risk Management in Transport Public-Private Partnership (PPP) Projects in the OIC Member Countries”. During the Meeting, TCWG made deliberations on the policy recommendations related to the risk management in transport PPP projects. The policy recommendations were formulated by taking into consideration the research report titled “Risk Management in Transport PPP Projects in the Islamic Countries” and the responses of the Member States to the policy questions sent by the COMCEC Coordination Office. The policy recommendations are as followings:

***Policy Recommendation I: Encouraging to develop/improve the legal framework through adopting a PPP tailored legislation.***

**Rationale:**

PPP projects shall preferably be identified as part of the elaboration of relevant national development and transport strategy plans. Depending on the number of PPP initiatives implemented or foreseen to be implemented in a country, a PPP dedicated regulatory framework can be adopted. Tailored to PPPs, the legal framework, inter alia, would more appropriately address the specificities related to this type of procurement method, also providing a standard set of provisions potentially mitigating risks of contractual disputes and renegotiations. Islamic finance solutions would also be considered for the positive implications these might have on the mitigation of macroeconomic and financial credit risks. For the adoption of Islamic finance in countries where it is not already in use, the COMCEC research report suggests some basic steps, i.e. amending the legislation and regulatory framework of the banking and financing system, undertaking sensitizing campaigns on Islamic finance at the institutional level, and training programs dedicated to the improvement of the competences and skills of the human resources etc.

***Policy Recommendation II: Allocating clear responsibilities for the management of PPPs over the course of their life-cycle and establishing/strengthening a unit/department within the government to that end.***

**Rationale:**

A unit/department within the government or within the authority in charge of state budget monitoring and control would be identified that can be responsible for the appropriate management of the accounting liabilities deriving from the involvement of the public sector in PPPs. Depending on the number of PPPs implemented or expected to be implemented in a

country and the existing institutional setting concerning foreign investment promotion and public procurement, PPP units may also be set up that could be involved at least in PPP policy definition and implementation, identification, planning, promotion and appraisal of PPPs. Furthermore, additional PPP units/departments may also be formed, as appropriate, within the Ministries involved in the planning, development, implementation, and monitoring of transport PPP projects as well as within the established Regulatory Authorities. Adequate regulations and institutional settings would also be considered to ensure an optimal level of competition in the market as the presence of a small number of operators dominating in the market may reduce in the long-term efficiency in the provision of transport services, by taking into consideration national priorities and sector specificities

***Policy Recommendation III: Supporting the use of appropriate technical tools, analyses, etc., and development of strong database and competences for minimizing risks during the implementation of the PPP projects***

**Rationale:**

Pre-feasibility and feasibility studies would be preferably prepared by the public sector following the identification of the PPP initiatives as part of national and sector-specific transport plans. The in-depth analysis shall be performed at this stage by the public side by using dedicated software and models. This is crucial to avoid public acceptance risks which ultimately lead to financial sustainability risks. Least Present Value of Revenues (LPVR) approach, share-in-profit/Joint Venture approach or shared implementation responsibility are some of the tools to mitigate financial sustainability risks.

Independent consultants or engineers may be utilized for due diligence and auditing procedures of feasibility studies as well as technically well-designed documentation, project implementation, and monitoring. Furthermore, in order to mitigate fiscal risks, the authorities in charge of the state budget need to estimate and monitor the impact of PPPs related contingent liabilities and fiscal risks on the budget. This can be done on a project-by-project basis and the reports on all direct fiscal commitments and contingent liabilities would be elaborated on a periodic basis depending on the number of PPPs.

***Policy Recommendation IV: Developing/Improving risk management guidelines and checklists for the betterment of the implementation of the PPP projects***

**Rationale:**

Risk management guidelines and checklists should be considered for adoption, were not already in place for the overall improvement of risk management practices with reference to all types of risks. These should be country if not transport/mode-specific in order to reflect peculiarities in the policy, institutional and regulatory settings. Guidelines should preferably be tailored to PPP initiatives and not generally applicable to infrastructure investments as PPPs are more complex

than the projects developed and implemented under the conventional public procurement models. Further to the identification of the main risks applicable to the PPPs over the course of the different stages of project life-cycle, the entities responsible for their assessment, monitoring and treatment should be indicated where appropriate. As of supervision and monitoring activities, the scheduling/frequency of the reporting tasks should also be specified. Standard templates for collection of project relevant information should be preferably adopted.

***Instruments to Realize the Policy Advice:***

**COMCEC Transport and Communications Working Group:** In its subsequent meetings, the Working Group may elaborate on the above-mentioned policy areas in a more detailed manner.

**COMCEC Project Funding:** Under the COMCEC Project Funding, the COMCEC Coordination Office calls for projects each year. With the COMCEC Project Funding, the Member Countries participating in the Working Groups can submit multilateral cooperation projects to be financed through grants by the COMCEC Coordination Office. For the above-mentioned policy areas, the Member Countries can utilize the COMCEC Project Funding and the COMCEC Coordination Office may finance the successful projects in this regard. These projects may include organizing seminars, training programs, study visits, exchange of experts, workshops and preparing analytical studies, needs assessments and training materials/documents.

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## **Annex 4: List of Participants**

### **LIST OF PARTICIPANTS 14TH MEETING OF THE COMCEC TRANSPORT AND COMMUNICATIONS WORKING GROUP 3 October 2019 ANKARA**

#### **A. MEMBER COUNTRIES OF THE OIC**

##### **REPUBLIC OF AZERBAIJAN**

- Mr. ELVIN MAMMADOV

Senior Advisor, Ministry of Transport Communications and High Technologies

- Mr. SALMAN AZIKHOV

Leading Advisor, Ministry of Transport Communications and High Technologies

##### **REPUBLIC OF BENIN**

- Mr. GALBERT HONOUVE

Head of PPP Support and Service, Ministry of Planning and Development

##### **REPUBLIC OF COTE D'IVOIRE**

- Mr. ABDOULAYE TOURE

Secretary General, Observatory of the Fluidity of Transport

##### **REPUBLIC OF GAMBIA**

- Mr. SULAYMAN GAYE

Senior Planner, Ministry of Transport, Works & Infrastructure

##### **REPUBLIC OF INDONESIA**

- Ms. INTAN NOVIANINGSIH

Researcher, Ministry of Transportation

- Ms. RATIH LIBANIA

Researcher, Ministry of Transportation

##### **ISLAMIC REPUBLIC OF IRAN**

- Mr. MEHRAN KHAMISIZADEH

Advisor to Deputy Minister, Ministry of Roads & Urban Development

##### **REPUBLIC OF IRAQ**

- Mr. ISRAA HANOON

Ch. Engineers Asst, Ministry of Transportation

##### **HASHEMITE KINGDOM OF JORDAN**

- Ms. SAWSAN SHABSOUGH  
Expert, Ministry of Transport
- Ms. EVA ALHABASHNEH  
Researcher, Ministry of Transport

#### **MALAYSIA**

- Mr. MOHAMMED SHAH NAS MOHAMED FAWZI  
Manager, Port Klang Authority
- Ms. NATERAH ABDULLAH SANI  
Assistant Secretary, Ministry of Transport in Malaysia

#### **REPUBLIC OF MALDIVES**

- H.E. SHAHEEDHA FATHIMATH  
Deputy Minister, Ministry of Communication, Science and Technology
- Ms. ZULAIKHA IBRAHIM  
Deputy Director, Communications Authority of Maldives

#### **ISLAMIC REPUBLIC OF MAURITANIA**

- Mr. BELKHEIR BELKHEIR  
President, Ministry of Transport
- Mr. MAHMOUD BA  
Director, Ministry of Transport

#### **KINGDOM OF MOROCCO**

- Ms. ZAHRA KHALFI  
Engineer, Ministry Of Equipment, Transport, Logistics, and Water

#### **The FEDERAL REPUBLIC OF NIGERIA**

- Ms. ANTONIA A. EKPA  
Director, Federal Ministry of Transport
- Mr. USENEKONG AKPAN  
Expert, Federal Ministry of Transport

#### **SULTANATE OF OMAN**

- Mr. SAIF SAID SALIM AL SINANI  
Director-General of Planning and Studies, Ministry Of Transport and Communications

#### **ISLAMIC REPUBLIC OF PAKISTAN**

- Mr. MUHAMMAD ARSHAD JAN  
Economy Advisor, Embassy of Pakistan in Ankara

### **STATE OF QATAR**

- Mr. HASSAN ABDULLA ALMOHANNADI  
Economic Specialist, Ministry of Economy and Trade
- Mr. SALEH ALMARRI  
Expert, Ministry of Transport and Communications

### **REPUBLIC OF SURINAME**

- Mr. CLIFTON AMOIDA  
Deputy Director of Transport, Ministry of Public Works, Transport and Communication
- Mr. SHERWIN IVAN ROBERT VALIES  
Head of Public Transportation, Public Transportation

### **REPUBLIC OF TURKEY**

- Mr. CİHAN ŞAHİN  
Deputy Head of PPP Department, State Airports Authority
- Ms. ARZI BANU REVAN  
Branch Manager, General Directorate of Infrastructure Investments
- Ms. İLKSEN TAVŞANOĞLU  
Department Head, General Directorate of Infrastructure Investments
- Mr. HASAN UMUR ALSANCAK  
Engineer, Ministry of Transport and Infrastructure
- Mr. RAHMİ ŞEN  
Industrial Engineer, State Airports Authority
- Ms. ZEYNEP DANYILDIZ  
Industrial Engineer, State Airports Authority
- Ms. NURSEDA KARAGÖZ GÖKÇE  
Branch Manager, General Directorate Of Infrastructure Investments

### **REPUBLIC OF UGANDA**

- Mr. WINSTONE KATUSHABE  
Commissioner Transport Regulation and Safety, Ministry of Works and Transport

## **B. THE OIC SUBSIDIARY ORGANS**

### **STATISTICAL, ECONOMIC, SOCIAL RESEARCH AND TRAINING CENTER FOR ISLAMIC COUNTRIES (SESRIC)**

- Mr. AHMET B. ARPA  
Assistant Project Officer, SESRIC
- Mr. EDEMA MUZAMIL  
Data Registrar, SESRIC



## C. SPECIALIZED ORGANS OF THE OIC

### ISLAMIC DEVELOPMENT BANK (IDB)

- Mr. CEM GALİP ÖZENEN  
Senior Transport Specialist, IDB Group
- Mr. Ali Rıza KAYAR,  
Project Management Specialist, IDB Group

### D. INVITED INSTITUTIONS

- Mr. Halil AGAH  
Secretary-General, Association of Turkish Consulting Engineers and Architects (TMMOB)
- Mr. Mustafa KOÇAR,  
Head of Investments and Project Finance, Yapı Merkezi Group
- Mr. ROBERTO ZANI  
Consultant, TPLAN
- Ms. CHIARA PANCOTTI  
Consultant, Centre for Industrial Studies
- Mr. MATTEO PEDRALLI  
Consultant, Centre for Industrial Studies
- Dr. İsmail Çağrı ÖZCAN  
Consultant

### E. COMCEC COORDINATION OFFICE

- Mr. M. METİN EKER  
Director General
- Mr. ERTAN TOSUN  
Deputy Director-General
- Mr. SELÇUK KOÇ  
Head of Department
- Mr. DENİZ GÖLE  
Head of Department
- Mr. MEHMET ASLAN  
Head of Department
- Mr. NİHAT AKBALIK  
Expert
- Mr. UĞUR AKARSU  
Expert