Public Disclosure Authorized

Public Disclosure Authorized

68354

TRAINING ON INFRASTRUCTURE FINANCE IN PUBLIC PRIVATE PARTNERSHIP PROJECTS

20 July, 2010

Final Report

ORIGINAL

Submitted by:

Cambridge Economic Policy Associates Ltd

CEPA

Australian Government
AusAID

CONTENTS

1. Introduction 3
2. The Course 4
3. The Participants 6
4. Participant Evaluation 7
5. Course Evaluation 8
6. Conclusions 10
Annex 1: Participant Attendance 11
Annex 2: Ideas for Further Courses 14

1. INTRODUCTION

Cambridge Economic Policy Associates (CEPA) was selected to provide a training course on Infrastructure Finance for the State Bank of Pakistan (SBP), co-funded by the World Bank. The course was held at the SBP's Learning and Resource Centre (LRC) at Karachi, Pakistan, From Monday July 12th to Friday July 16th, 2010.

This final report provides:

- an overview of the final course provided (Section 2);
- a summary of the participants (Section 3);
- the results of two assessments (one of the learning arising from the training and one relating to the provision and coverage of the course – Sections 4 and 5); and
- some conclusions and next steps (Section 6).

CEPA and the team that provided the course would like to thank the SBP and the participants of the course for their support, active involvement and feedback. All these things made the course, in our view, a success. We would also like to thank the staff at the LRC and believe that the facilities available at the LRC created an environment which made the provision of the course possible.

2. THE COURSE

Following an Inception Report a final outline for the five day course was agreed which built on an earlier proposal provided by the World Bank Institute. Figure 2.1 provides an overview of the final course outline.

The course was structured around:

- initially developing key concepts relating to Project Finance and PPPs;
- considering the way that core ideas, such as Risk Transfer, are implemented and what they mean for each of the stakeholders;
- establishing the tools that can be used to evaluate the core issues, especially the Financial Model; and
- using examples of the tools and concepts to cement the understanding of the concepts.

This is reflected in the build-up of the course through plenary sessions, case studies and exercises, culminating in a morning long computer based exercise on the final day, evaluating a proposed PPP project.

Where possible examples from Pakistan and more broadly across South Asia were used to illustrate issues. However, these needed to be supplemented with broader experience owing to the lack of detailed case studies available.

In addition, a CD was provided to all participants. This included:

- copies of all the slides used;
- a copy of the financial model used for the final exercise; and
- background papers that covered the issues considered in the course.

The SBP also provided hard copies of all slides and exercise documentation for participants at the beginning of the course.

Table 2.1: Course outline

Session	Monday	Tuesday	Wednesday	Thursday	Friday
1) 8:30 to 9:00	Registration	Recap and intro	Recap and intro	Recap and intro	Recap and intro
2) 9:00 to 10:15	Introduction & welcoming remarks	**Plenary 5** Sources of Finance	**Plenary 10** Financial Modelling I	**Plenary 13** Fiscal risk management & PPPs	**Exercise 2** Risk allocation and funding (1)
3) 10:15 to 10:45 (T)					
4) 10:45 to 12:00	**Plenary 1** Project Finance	**Plenary 6** PPP project risks I	**Plenary 11** Financial Modelling II	**Case study 2** Risk allocation and mitigation in a road project	**Exercise 2** Risk allocation and funding (2)
5) 12:00 to 13:00	**Plenary 2** Public Private Partnerships	**Plenary 7** PPP project risks II	**Case study 1** Example of a financial model for roads	**Plenary 14** Description of the Concession Agreement	**Exercise 2** Risk allocation and funding (3)
6) 13:00 to 14:00 (L)					
7) 14:00 to 15:00	**Plenary 3** Public Sector 'for & against' PPPs	**Plenary 8** Project Feasibility	**Plenary 12** Weighted Cost of Capital (WACC)	**Plenary 15** Contract Award methods	**Exercise 2** Group report back on exercise
8) 15:00 to 15:30 (T)					
9) 15:30 to 16:30	**Plenary 4** Requirements for a successful PPP Programme	**Plenary 9** Value for Money	**Exercise 1** Assessing the viability of a project proposal	Evaluation	Final summing up
10) 16:30 to 17:00	Wrap-up	Wrap-up	Wrap-up	Wrap-up	Wrap-up

3. THE PARTICIPANTS

The SBP made the course available to a range of stakeholders in Pakistan as well as SBP staff, including:

- Commercial banks;
- Government agencies and Development Finance Institutions; and
- Other companies, potential sponsors etc.

Over 60 participants registered for the course, with over 50 actually attending. Information on the participants is provided in table 3.1.

Table 3.1: Attendance

Type	**Booked**	
	No. of people	**Institutions**
SBP	14	1
GoP	5	3
Commercial Banks	37	14
DFIs	7	4
Other	2	2
Total	65	24

Final attendance was actually 57 of the 65 who had booked. As is ever the situation with a long course, attendance did vary during the week. However, the average number of days attendance for each participant was 4.3 (for those people who attended at least one day of the course) and 41 participants attended every day of the course.

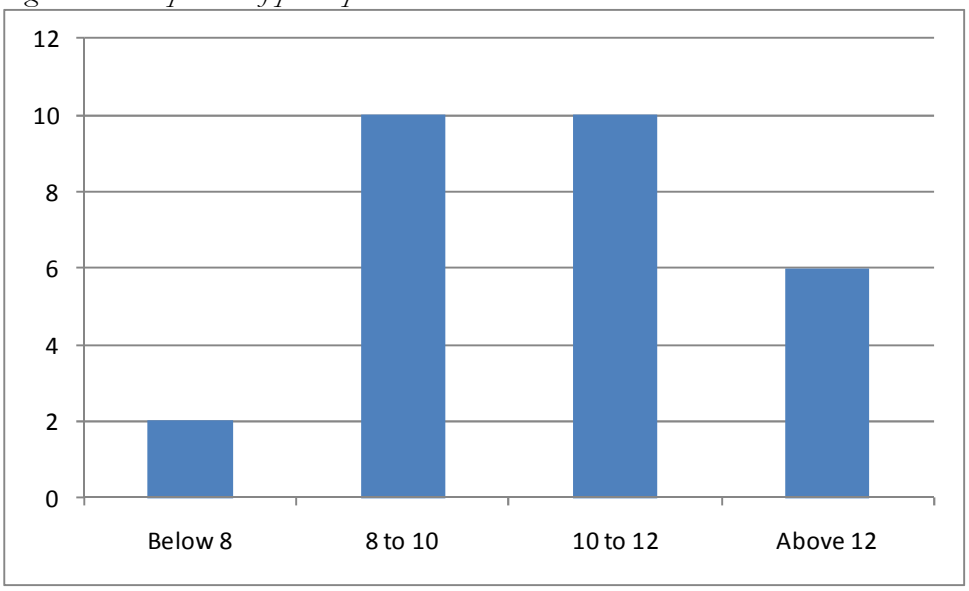
4. PARTICIPANT EVALUATION

One issue that CEPA was asked to assess was the impact of the course on attendees. Ideally this sort of evaluation would be undertaken through a test that is implemented twice, once at the beginning of a course and once at the end (what the World Bank Institute refers to as a level 2 assessment). Rather than this detailed level 2 assessment a simpler level 1 assessment was undertaken – this was through a single test towards the end of the course. While this does not allow the impact of the course to be directly evaluated (through the change in the scores of the participants) it does allow for an assessment of whether a level of understanding had been achieved.

Further, we viewed the test as a way of establishing whether there were areas that had been taught on the course which required clarification or correction rather than testing how well participants remembered issues – so the test was also undertaken on an open-book basis.

The dispersion of results of the test are shown in the following figure. It should be noted that the maximum score was 15 (no-one scored this but two people did score 14.5).

Figure 4.1: Dispersion of participant scores



The average mark was 10.66.

5. COURSE EVALUATION

Apart from evaluating the participants, a questionnaire was circulated to help assess the course in terms of content, presentations and presenters. Table 5.1 summarises the responses to the general questions raised in the questionnaire.

Table 5.1: Summary of responses

Question	Responses	Absolute		Percentage	
		Yes	No	Yes	No
Was the course what you expected?	30	23	7	77	23
Were the case studies useful?	30	29	1	97	3
Were the exercises useful?	28	25	3	89	11
Were the slides clear?	30	24	6	80	20

What is clear is that the course met the expectations of the majority of respondents (who were in turn over half the attendees). For those respondents who did not think expectations were met the majority focused on issues around practical experience and examples, wanting more hands-on aspects to the course. This was clearly supported through the significant support for the case study and exercise aspects of the course, shown through the second and third questions.

While we are clearly aware of the problems that a primarily plenary based course raise, and the frustration that this can cause, the course was designed to:

- cover a wide range of subjects – hence the need for significant plenary time; and
- be accessible to a large group – the expected numbers were between 50 and 60 – which makes practical sessions difficult.

Future courses that can either focus on a more specific issue or have a smaller number of participants could address some of the concerns raised by participants – the computer room at the LRC has 15 computers and would ideally have only one or two people working on a screen (depending on the type of course – that would bring the participant numbers down significantly compared to the numbers at this course). Possible future courses were an issue also raised in the questionnaire and the responses to this are discussed below.

The final general question related to the slides. While the majority of people found the slides acceptable there were some general concerns about the font size and amount of information on the slides. These are issues that can be addressed if future courses are held.

With respect to the speakers, feedback was requested. For the majority of respondents no issues were raised. A few requested that speakers should speak more slowly.

Many of the respondents provided suggestions for further courses – a comprehensive list is provided as annex 2. Issues identified by multiple attendees included:

- financial modelling – related to more hands-on development of models (something that would be possible with the resources available at the LRC;
- power sector issues – including more about IPPs, especially as this is an area where Pakistan has been particularly active;

- other sector issues – as per the power sector issue above, each of the sectors have specific issues and examples that could be investigated;
- Pakistan case studies – learning lessons from relevant case studies can be helpful, although work would be required to develop the case studies outside of the power sector;
- documentation issues – ranging across more detailed investigations of concession documents, other legal documents etc; and
- Shariah compliant issues – how infrastructure financing can be made Shariah compliant.

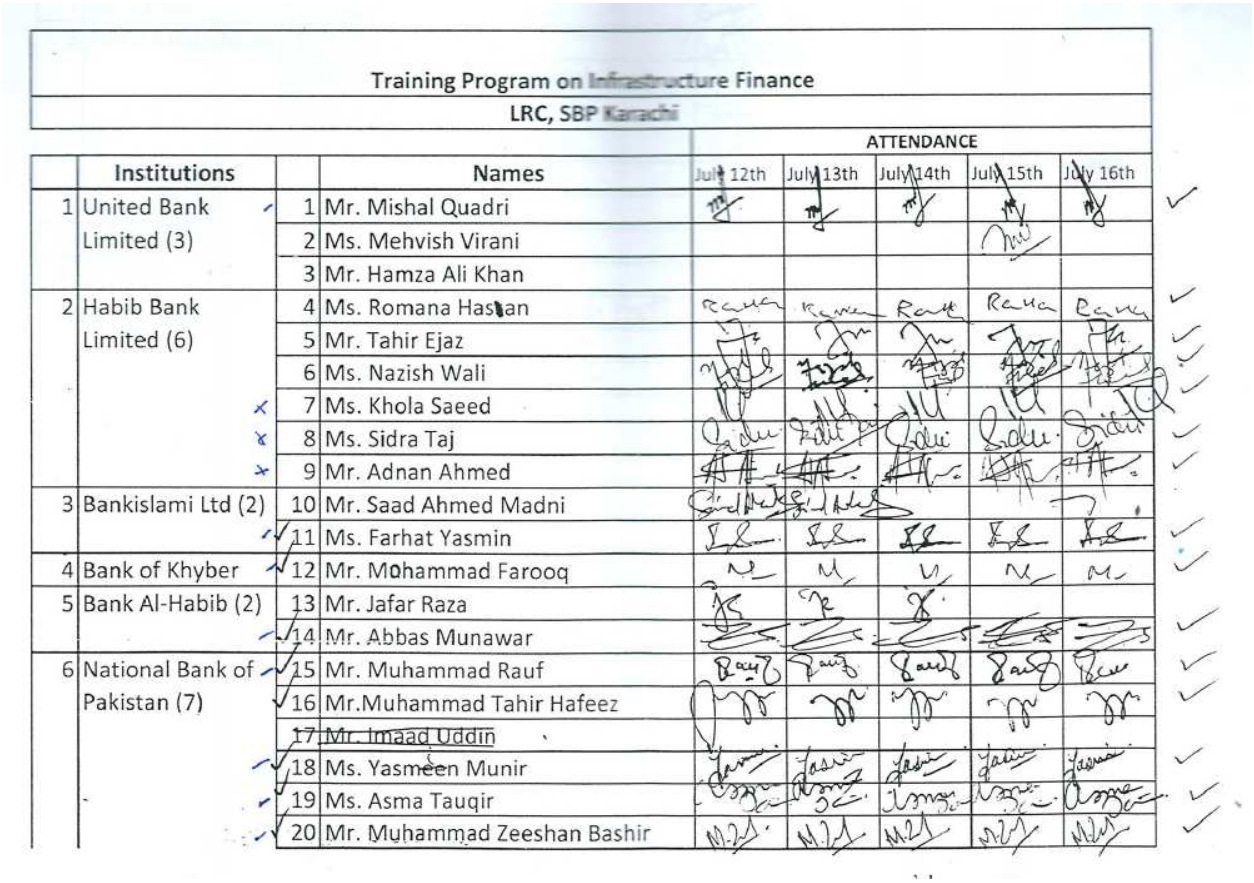
6. CONCLUSIONS

This report has summarised the results of the course provided by CEPA during July 2010. We believe that the results show that the course was a success.

Several possible interesting areas for further courses were identified by participants. These are things that the World Bank, SBP and other relevant agencies in Pakistan should consider. We would be happy to help develop course outlines and deliver courses where appropriate.

Finally, the support of the SBP and the facilities available at the LRC helped make the course a success. Again we would like to thank our hosts for all their help and support.

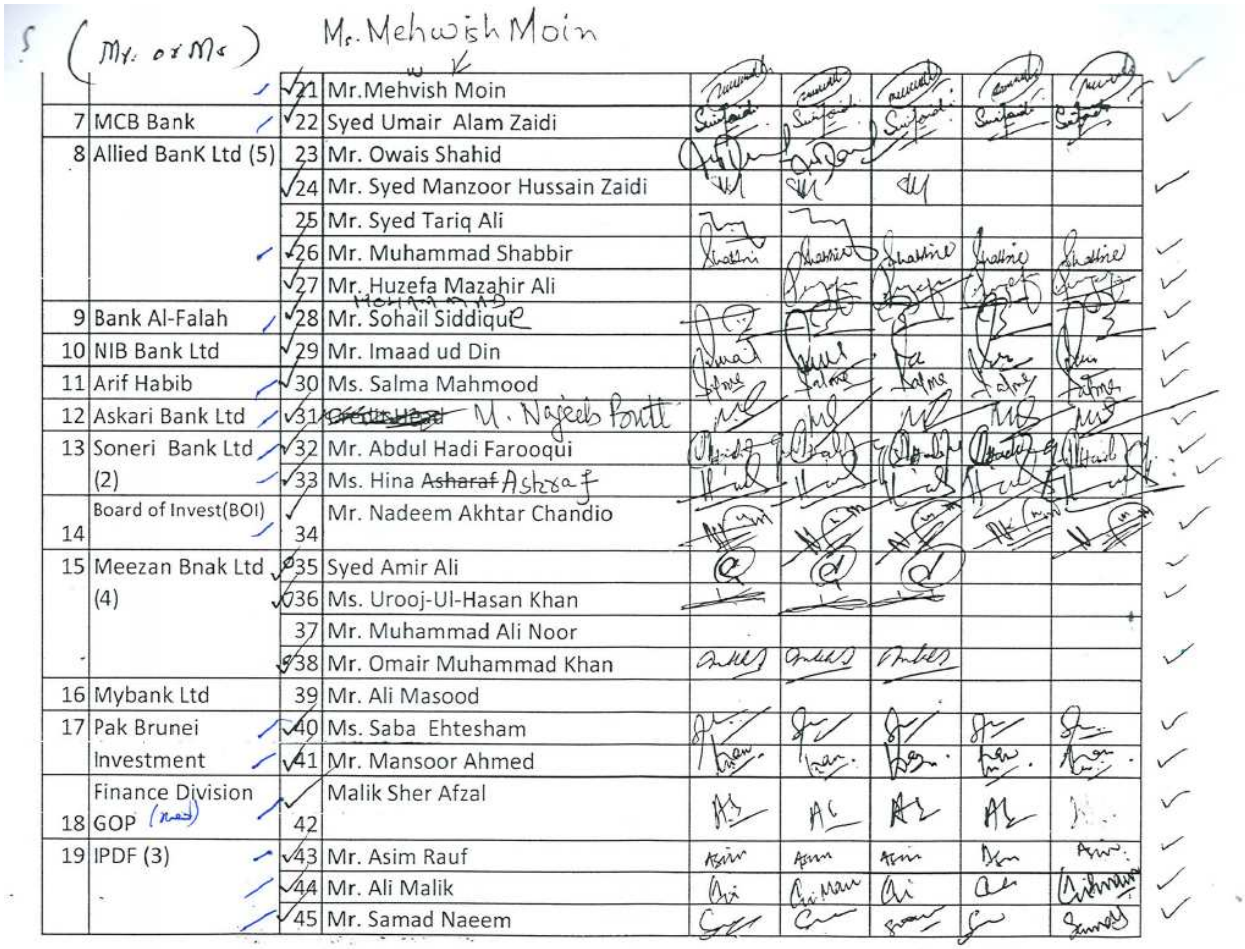
ANNEX 1: PARTICIPANT ATTENDANCE



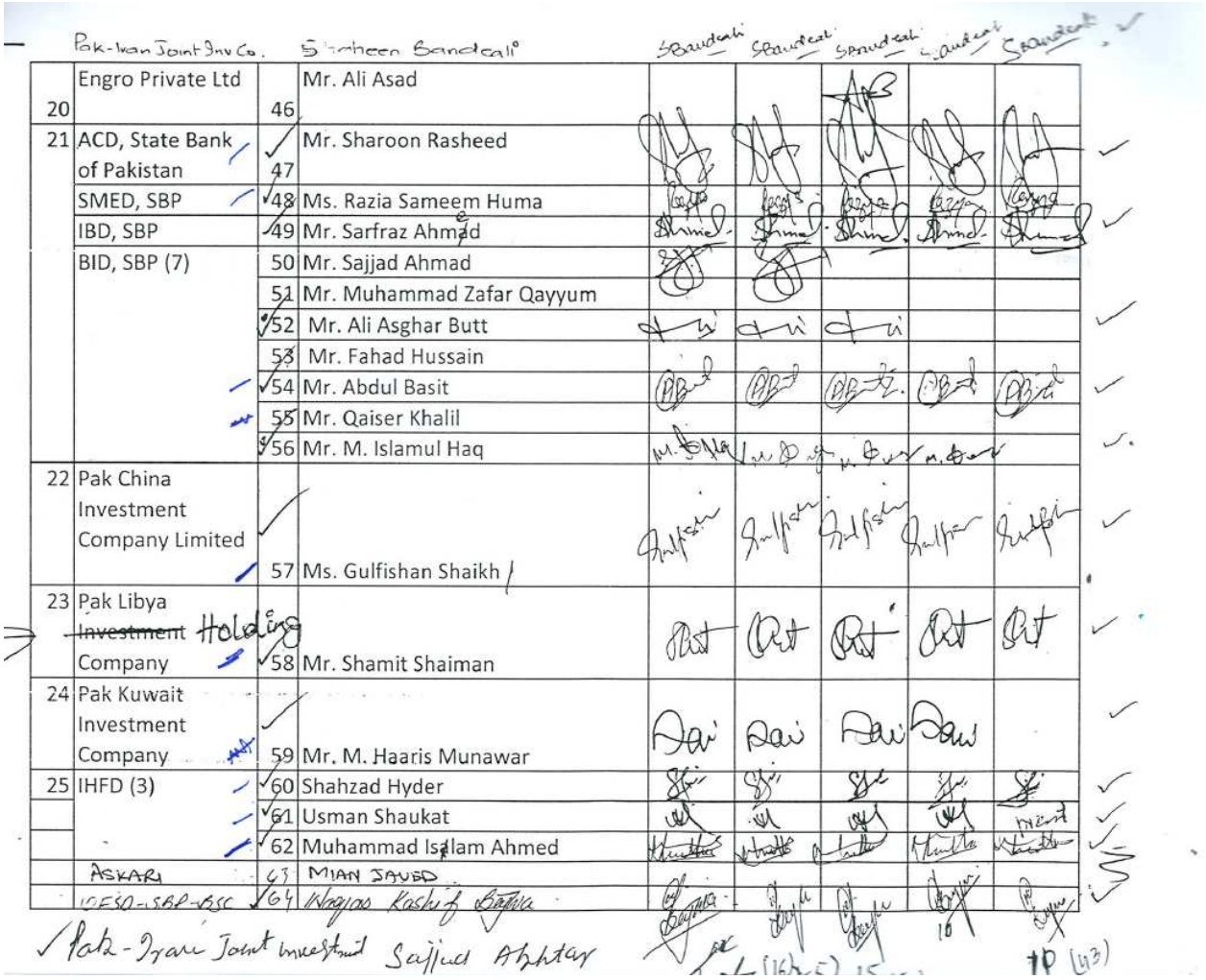
Training Program on Infrastructure Finance

LRC, SBP Karachi

	Institutions		Names	ATTENDANCE				
				July 12th	July 13th	July 14th	July 15th	July 16th
1	United Bank Limited (3)	1	Mr. Mishal Quadri					
		2	Ms. Mehvish Virani					
		3	Mr. Hamza Ali Khan					
2	Habib Bank Limited (6)	4	Ms. Romana Hasan					
		5	Mr. Tahir Ejaz					
		6	Ms. Nazish Wali					
		7	Ms. Khola Saeed					
		8	Ms. Sidra Taj					
		9	Mr. Adnan Ahmed					
3	Bankislami Ltd (2)	10	Mr. Saad Ahmed Madni					
		11	Ms. Farhat Yasmin					
4	Bank of Khyber	12	Mr. Mohammad Farooq					
5	Bank Al-Habib (2)	13	Mr. Jafar Raza					
		14	Mr. Abbas Munawar					
6	National Bank of Pakistan (7)	15	Mr. Muhammad Rauf					
		16	Mr.Muhammad Tahir Hafeez					
		17	Mr. Imaad Uddin					
		18	Ms. Yasmeen Munir					
		19	Ms. Asma Tauqir					
		20	Mr. Muhammad Zeeshan Bashir					



	(Mr. or Ms.)		Ms. Mehwish Moin					
		21	Mr.Mehvish Moin					
7	MCB Bank	22	Syed Umair Alam Zaidi					
8	Allied BanK Ltd (5)	23	Mr. Owais Shahid					
		24	Mr. Syed Manzoor Hussain Zaidi					
		25	Mr. Syed Tariq Ali					
		26	Mr. Muhammad Shabbir					
		27	Mr. Huzefa Mazahir Ali					
9	Bank Al-Falah	28	Mr. Sohail Siddique					
10	NIB Bank Ltd	29	Mr. Imaad ud Din					
11	Arif Habib	30	Ms. Salma Mahmood					
12	Askari Bank Ltd	31	~~Credit Head~~ M. Najeeb Pontt					
13	Soneri Bank Ltd (2)	32	Mr. Abdul Hadi Farooqui					
		33	Ms. Hina ~~Asharaf~~ Ashraf					
14	Board of Invest(BOI)	34	Mr. Nadeem Akhtar Chandio					
15	Meezan Bnak Ltd (4)	35	Syed Amir Ali					
		36	Ms. Urooj-Ul-Hasan Khan					
		37	Mr. Muhammad Ali Noor					
		38	Mr. Omair Muhammad Khan					
16	Mybank Ltd	39	Mr. Ali Masood					
17	Pak Brunei Investment	40	Ms. Saba Ehtesham					
		41	Mr. Mansoor Ahmed					
18	Finance Division GOP (nad)	42	Malik Sher Afzal					
19	IPDF (3)	43	Mr. Asim Rauf					
		44	Mr. Ali Malik					
		45	Mr. Samad Naeem					



Pak-Iran Joint Inv Co. Sixteen Syndicate

20	Engro Private Ltd	46	Mr. Ali Asad					
21	ACD, State Bank of Pakistan	47	Mr. Sharoon Rasheed					
	SMED, SBP	48	Ms. Razia Sameem Huma					
	IBD, SBP	49	Mr. Sarfraz Ahmad					
	BID, SBP (7)	50	Mr. Sajjad Ahmad					
		51	Mr. Muhammad Zafar Qayyum					
		52	Mr. Ali Asghar Butt					
		53	Mr. Fahad Hussain					
		54	Mr. Abdul Basit					
		55	Mr. Qaiser Khalil					
		56	Mr. M. Islamul Haq					
22	Pak China Investment Company Limited	57	Ms. Gulfishan Shaikh					
23	Pak Libya ~~Investment~~ Holding Company	58	Mr. Shamit Shaiman					
24	Pak Kuwait Investment Company	59	Mr. M. Haaris Munawar					
25	IHFD (3)	60	Shahzad Hyder					
		61	Usman Shaukat					
		62	Muhammad Isalam Ahmed					
	ASKARI	63	MIAN JAVED					
	IGFSO-SBP-BSC	64	Waqas Kashif Batla					

Pak-Iran Joint Invest Sajjad Akhtar

ANNEX 2: IDEAS FOR FURTHER COURSES

Disclosure requirements
Legal and regulatory framework for infrastructure financing
Shariah compliant modes for infrastructure financing (x2)
Contractual frameworks
Power sector issues (esp IPPs x3)
Pakistan case studies (x2)
Financial modelling (x2)
Concession agreements
Bid evaluation
Legal documentation
Quantifying risk in the discount factor
Sector wise issues (x2)
Financial aspects of PPP
International case studies
Project documentation