

**THE POLICY RECOMMENDATIONS HIGHLIGHTED BY
14TH 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. In-depth analysis shall be performed at this stage by the public side through 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 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 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, where 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.