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

TRANSPORT INFRASTRUCTURE FINANCING MODALITIES:
Public-Private Partnerships in the OIC Member States

Proceedings of the First Meeting of the COMCEC Transport Working Group

COMCEC COORDINATION OFFICE
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on

TRANSPORT INFRASTRUCTURE FINANCING MODALITIES:
Public-Private Partnerships in the OIC Member States

Held on March 28th, Ankara-TURKEY

COMCEC COORDINATION OFFICE

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Introduction:

The First Meeting of the COMCEC Transport Working Group was held on March 28th, 2013 in Ankara, Turkey with the theme of "Transport Infrastructure Financing Modalities: Public Private Partnerships (PPPs) in the OIC Member States".

The Meeting was attended by the representatives of 13 Member States, which have already notified their focal points for the Transport Working Group namely, Bahrain, Burkina Faso, Egypt, Indonesia, Iran, Jordan, Kazakhstan, Nigeria, Oman, Pakistan, Senegal, Turkey and Uganda. The representatives of COMCEC Coordination Office, SESRIC, Islamic Development Bank, OISA, International Finance Corporation (IFC), Economist Intelligence Unit (EIU) and TAV Airports Holding have also attended the Meeting.

At the outset, the representatives of the COMCEC Coordination Office briefed the Meeting on the COMCEC Strategy on Transport and Communications and on the Transport Outlook of the Member States. The COMCEC Strategy defines transport and communications as one of the six cooperation areas of the COMCEC. The Transport Working Group, being one of the implementation instruments of the COMCEC Strategy aims at bringing together the technical experts from the Member States towards exchanging experiences, disseminating knowledge and develop common understanding on the important issues.

The Meeting considered the financing modalities in transport infrastructure investments and the Study namely "Bridging the Gaps: Implementation Challenges for Transport PPPs in the OIC Member States" which is considered as a valuable reference for implementing PPPs.

Representatives of some of the Member States also made presentations on their PPP experience in transport sector. The presentations demonstrated the relevant laws, institutions, success stories and challenges in implementing PPPs in the transport sector in the concerned Member States. The Meeting also provided the opportunity to the representatives from the international financial institutions and an experienced firm in PPP business to share their perspectives on the implementation of PPP projects.

The presentations and deliberations made during the meeting highlighted the fact that, implementing the PPP projects are more complex and costlier than the traditional budget financing. However, PPPs contribute additional financing, additional human resources and expertise, increase modernisation of technology and practices, improve investment environment and enhance the efficiency of infrastructure.

They also noted that, institutional and regulatory reform, development of human resources in relevant authorities, risk identification and allocation, transparency in tendering procedures are important factors to be taken into consideration for the success of the PPPs

1. Opening Session:

The Meeting was started with the recitation from the Holy Quran. At the outset, Mr. Mehmet Metin EKER, Director General of the COMCEC Coordination Office briefed the participants on the Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic Cooperation (COMCEC), which was established in 1981 and commenced its activities in 1984 after the election of the Turkish President as its permanent chairman. COMCEC is the responsible platform within the Organization of Islamic Cooperation (OIC) for economic and commercial cooperation among its 57 Member States. COMCEC meets annually at ministerial level under the chairmanship of the Turkish President in İstanbul to review the cooperation efforts and adopts resolutions for enhancing cooperation.

In his Statement, Mr. EKER gave background information on the COMCEC Strategy and the establishment of the Working Groups. He stated that, the COMCEC Strategy adopted by the Fourth Extraordinary Summit Conference held in 2012 was prepared under the high guidance of the Chairman of the COMCEC in accordance with the provisions of the İstanbul Declaration adopted by the COMCEC Economic Summit, held in 2009 in İstanbul with the participation of the Heads of States / Governments of the Member States.

Mr. EKER underlined the importance of the COMCEC Strategy which envisages a member driven COMCEC and establishes the working Groups in the cooperation areas aiming at bringing together the relevant experts from the Member States regularly together to Exchange experiences, achievements, best practices and obstacles. He also added that, the COMCEC Project Cycle Management, the second implementation instrument of the Strategy presents a clearly identified procedures and financial framework for implementation of the preojects developed by the Member States to serve reaching the objectives of the Strategy.

Lastly, Mr. EKER introduced the programme of the Meeting and shared his wishes for succesful deliberations.

In accordance with the traditions of the OIC, Head of Delegation of the Turkey, Mr. Bekir GEZER, Director General of the Foreign Relations and EU of the Ministry of Transport, Maritime Affairs and Communications of the Republic of Turkey was elected as the chairman of the Meeting.

Mr. Bekir GEZER welcomed the participants to the First Meeting and expressed his thanks for electing him as the chairman. He expressed his gratitute to the COMCEC for establishing the COMCEC Transport Working Group which will bring the relevant experts from the Member States. He also assured the participants that Turkey would continue to support cooperation with the other OIC Member States in the area of transport.

2. The COMCEC Strategy and Improving the Transportation and Communications Sector

a) The COMCEC Strategy on Transport and Communications

Mr. Murat DELİÇAY, Expert from the COMCEC Coordination Office made a presentation on "The COMCEC Strategy on Transport and Communications".

In his presentation, Mr. DELİÇAY briefed the participants on the major common challenges faced by the Member States in the area of transport, objective and output areas of the Strategy and the role of the COMCEC Transport Working Group to achieve the objectives of the Strategy.

Making reference to the Transport Workshop and Expert Group Meeting held in 2011 in İzmir, Turkey, Mr. DELİÇAY counted some of the major obstacles faced by the Member States in the area of transport as the following:

- Inadequate transport Infrastructure,
- Poor Maintenance Services,
- Limited financial resources and funding opportunities,
- Lack of progress in signing and implementing relevant international conventions,
- Cumbersome procedures and facilities in border crossings and
- Underdeveloped regulatory framework.

Mr. DELİÇAY informed the participants that the COMCEC Strategy has been built on three principles namely "Enhancing Mobility", "Strengthening Solidarity and "Improving Governance" which are very relevant with the strategic objective of the cooperation in transport and communications sectors, which is defined in the Strategy as *"Improving the functioning, effectiveness and sustainability of transport and communications in the Member States".*

In his presentation, Mr. DELİÇAY also made reference to the output areas of the COMCEC Strategy on Transport and Communications. The Strategy has defined the output areas for this area as the following:

- Regulatory Framework
- Institutonal and Human Capacity
- Transport Infrastructure Policies
- Information and Communications Technologies

Mr. DELİÇAY lastly briefed the participants on the role of the COMCEC Transport Working Group to achieve the objectives of the Strategy on Transport and Communications. He underlined that the Meetings of the Working Group will be held regularly twice a year with the participation of the relevant experts from the voluntary Member States. He also informed the participants that the working groups will be technical platforms under the auspices of the COMCEC to exchange experiences, best practices, achievements and challenges, to disseminate knowledge and develop common understanding on important issues of common concern.

b) Outlook of the Transport Sector in the COMCEC Region

Mr. İsmail Çağrı ÖZCAN, Expert of the COMCEC Coordination Office has presented some of the key findings of the COMCEC Transport Outlook 2013, prepared by himself on behalf of the COMCEC Coordination Office.

In his presentation, Mr. ÖZCAN focused on four dimensions of transportation covered by the Outlook namely, transportation and trade, transportation infrastructure, transportation privatization, and transport and environment.

With regards to transportation and trade, Mr. ÖZCAN demonstrated the relationship between the Logistics Performance Index (LPI) Scores developed by the Worldbank and total goods exports (excluding oil) of the Member States. The Member States having higher LPI scores have higher exports such as Malaysia, Turkey, Saudi Arabia and Lebanon. He also domonstrated a similar relationship between the LPI scores and Global Competitiveness Index Scores. In terms of this relationship, Member States, such as UAE, Malaysia, Turkey, and Saudi Arabia, with higher LPI scores tend to be more competitive. Regarding the custom procedures, the OIC Member States in the MENA region outperformed world averages and performed bettter than other OIC regions in the 2007-2011 period.

Mr. ÖZCAN also shared some of the figures in transportation infrastructure in the Member States. With regards to the quality of transport infrastructure in different modes such as road, rail, maritime, and air transport, the OIC performed below the world averages. Within the subgroups of the OIC,OIC MENA seems to be the best performing OIC region.

Mr. ÖZCAN did not go into detail in transport privatization, which would be discussed by the following speakers. Regarding the relation between transportation and environment, he demonstrated interesting figures which showed that per capita energy consumption in road transport has a direct relationship with per capita income. In this context, per capita energy consumption in the GCC countries is higher than most of the Member States. He also informed the participants that the per capita energy consumption in road transport decreases when the pump price for gasoline increases.

Underlining the great diversification in transport sector among the Member States and considerable potential for cooperation in the transport industry, Mr. ÖZCAN concluded that the factors required for the development of the transport sector in the Member States are as follows:

- Adoption of a sound policy framework,
- Right cooperative approach,
- Institutional capacity and human resources development and

- Accumulation of expertise.

3. Financing the Transport Infrastructure

a) Transport Infrastructure Financing Modalities

Mr. İsmail Çağrı ÖZCAN also made a presentation on the financial modalities for financing transport infrastructure. In his presentation, Mr. ÖZCAN divided the financial modalities into five groups namely, (1) public budget, (2) debt financing, (3) dedicated funds and earmarked taxes, (4) revenue sharing certificates, and (5) privatizations.

Among these five categories, Mr. ÖZCAN concentrated on the dedicated funds and earmarked taxes, revenue sharing certicifates and privatizations. Mr. ÖZCAN has explained the dedicated funds with the road funds which are established to finance the relevant projects and governed by an autonomous body. These funds are based on user pay principle and its revenues are tolls, vehicle license fees, heavy vehicle fees, gasoline taxes, congestion charges etc.

In some cases earmarked taxes have also been used to finance the transport projects. These taxes include fuel taxes, sales taxes, income taxes, property taxes etc. However, these taxes sometimes may raise equity concerns because they tend to be regressive meaning that poors are affected more than rich people. Another concern related to the earmarked taxes is that they may challenge the user-pays principle as .

Mr. ÖZCAN explained the revenue sharing certificates which he considered as one of the financing tools used by the governments. In this type of financing, the governments sell the future revenues of the projects but continue to own and manage it.

Privatization is the other type of financing transport infrastructure projects. Mr. ÖZCAN identified the reasons of privatization as follows:

- Lack of finance
- Low operating efficiency
- Labor redundancy
- Politically motivated tariff setting
- Underinvestment threatening the sustainability of the system

b) Utilizing PPPs in the Transport Sector

Following Mr. ÖZCAN, Ms. Vanesa SANCHEZ, Senior Analyst at the EIU, made a presentation on the ways and means of utilizing the PPPs in the transport sector, which constitutes the first part of the study, namely "Bridging the Gaps: Implementation Challenges of the Transport PPPs in OIC Member States" commissioned by the COMCEC Coordination Office to the EIU.

Ms. Sanchez started her presentation on the historical background on the PPPs which has gained a sustained growth between 1990 and 2011. She continued her presentation by explaining the varied types of PPPs.

According to the presentation, there is no single definition for PPPs, given the numerous forms they can take and the different ways in which countries legal frameworks classify them. She quoted from the World Bank and US National Council for PPPs, whose definitions are widely accepted.

According to the World Bank, PPPs are "Long-term contracts between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility." The US National Council for PPPs has defined PPPs as "a contractual agreement between a public agency and a private-sector entity. Through this agreement, the skills and assets of each sector are shared in delivering a service of facility for the use of the general public. In addition to the sharing of resources, each party shares in the risks and rewards of the delivery of the service and/or facility."

Ms. SANCHEZ underlined the importance of the relationship between the government entity and the private entity which is " a solution is requested by a public entity and delivered by a private entity. The two stakeholders (public and private entities) share the risk."

According to the presentation, PPPs have two types namely user pay PPP type and public entity pay PPP type. In the first one, the users of the infrastructure are charged fees by the private entity and in the second type, the government pays the private entity. In some cases these two types could be combined when user fees would not be sufficient to cover the cost of public interest service or infrastructure.

Ms. SANCHEZ also focused on some of the key risks that must be identified and allocated during PPP implementation. She counted these risks as; legal and political risk, demand risk, operational and maintenance risk, construction risk and financing risk. Furthermore she pointed out that perhaps the most important risks in PPP projects are those that affect gross revenues. These risks reflect uncertainty in both the predictability of future demand (for example, in traffic volumes) and the willingness of users to pay tariffs. She added that risks should be identified for each stage of a project and responsibility should be allocated for the identified risks to the parties best placed to manage them.

She continued her presentation by moving to global trends in PPP financing. She discussed financing trends before and after the 2008/9 financial crisis as well as new trends in Islamic Finance. According to her presentation, before the global economic crisis, bigger projects seemed more attractive to banks than smaller ones, and monoline financing as well as credit enhancements were commonplace. In developed countries, long-term project finance was the usual solution for financing PPP projects before the financial crisis. In such cases, debt maturity closely matched the terms of the project.

However, following the crisis in 2008, large projects have been sliced into smaller pieces in order to make them easier to finance, and some sources of finance have dried up altogether. Many governments have been introducing some kind of facility or guarantee to support PPPs. She discussed the Islamic finance within the framework of opportunities and challenges. She said the Islamic finance has been utilized in the forms of sukuk: istisna'a; murabaha; ijara; and musharaka. She gave the example of new Medina Airport as first of its kind in the Middle East and financed by sukuk. She also pointed out the achievements in Malaysia, where mechanisms have been developed according to the principles of Sharia.

Ms. SANCHEZ identified the success factors for PPPs in transport sector as the following:

- Legal and Regulatory Framework,
- Public Sector Capacity and Coordination,
- Risk Identification and Allocation,
- Attracting Private Sector

With regards to the necessary Legal and Regulatory Framework, she emphasized the necessity of developing the regulatory framework in order to allow both types of PPP which would lead to taking advantage of different contracts. She stressed that traditional procurement laws are often inadequate. In this context, she recommended special PPP law could serve as an important communication and marketing tool for investors. She also informed the participants that PPPs require long term planning, dispute resolution mechanisms and shift from public investment models to market-based pricing, investment and oversight models. She lastly emphasized the importance of selecting the right partner to do the PPP, which require transparent and competitive bidding process.

To address the complexity of PPP transactions, Ms. SANCHEZ stressed the importance of creating specialized institutions to facilitate project planning, coordination and evaluation, quality control, policy formulation and technical advisory. She also emphasized that know-how needed to be developed within the line ministries and communication between the line ministries, PPP agencies and bodies should be smooth. Saying that the private sector needed oversight over the project lifecycle, from procurement to completion, Ms. SANCHEZ also named the viability of tariffs and clearly shared roles and responsibilities among the agencies as success factors.

Risk identification and allocation is one of the key success factors for PPPs counted by Ms. SANCHEZ. This is in large part because the private sector is willing and able to control some risks but not others. Placing risk on the private sector that it is not well placed to manage will result in decreased private sector interest. On the flip side, the public sector must be careful not to place excessive risk on itself which the private sector is better placed to manage.

Ms. SANCHEZ also highlighted that countries with a developed a coherent, transparent pipeline of projects would be more attractive to private investors and operators because this generates confidence in the PPP System of that country. A transparent PPP pipeline sends a signal that a country is serious about doing PPPs and makes project bidding efforts more appealing, since private stakeholders can hope to do multiple projects in a country.

Ms. SANCHEZ concluded her presentation by underlining that PPPs are not free. They have some positives and negatives. Ms. SANCHEZ explained the positives of the PPPs as the following: The PPPs contribute additional financing, additional human resources and expertise, increases modernisation of technology and practices, improve investment environment and enhance the efficiency of infrastructure.

Ms. SANCHEZ counted the negatives of the PPPs as the following:

- Higher complexity in procurement: costlier and longer
- Higher cost of finance
- Reduced control in service delivery and low flexibility during project
- Generate higher general public scrutiny and is thus more politicised
- Does not fully remove regulatory burden of public sector, and requires development of PPP expertise and institutions

In this regard, Ms. SANCHEZ underlined that the Member Countries can consider the following questions before conducting PPPs:

- The overall financial impact? – Is the PPP delivering value compared to other public investment options?
- Fiscal implications – Does the PPP deliver a viable fiscal solution?
- Risk Allocation – Are the risks correctly allocated to the parties best placed to manage them?
- Management Issues – Are private managers doing a better job than otherwise public managers could be expected to do?

4. Implementing PPP Projects in the Transport Sector in the Member States

a) Presentation of the Findings of the Study

Under this Agenda Item, Ms. Vanesa SANCHEZ, Senior Analyst at the EIU presented the findings of the Study on "Bridging the Gaps: Implementation Challenges of the Transport PPPs in OIC Member States". At the outset, she gave a brief information on the modality in conducting the study. She explained that while conducting the study, the EIU examined the 57 Member States through analyzing existing research and studies, EIU proprietary data and country analysis as well as international project databases and conducting interviews with government officials and sector experts.

The objectives of the study were defined as:

- To highlight global trends and best practice frameworks,

- To identify country characteristics in terns of legal frameworks and experience and establish similarities
- To discuss challenges for implementation and indicate pathways for improvement/expansion.

Based on the research made, the EIU classified the Member States into four groups:

- Group 1: Countries without a PPP Framework and no transport PPP experience
- Group 2: Countries with a PPP Framework and no transport PPP experience
- Group 3: Countries without a PPP Framework that have implemented at least one transport PPP
- Group 4: Countries with a PPP Framework that have implemented at least one transport PPP

While doing so, the EIU used the data from the World Bank PPIAF database between 1990-2011 and used "concessions" and "greenfield" categories to filter country results.

Ms. SANCHEZ, pointed out that some of the Group 1 countries as small economies and some have low per capita GDPs. On the other hand some of the countries in the Group such as Bahrain, Oman and Brunei have highest competitiveness scores according to the World Economic Forum (WEF).

Futhermore, most of the Member States in Group 1 face challenges in ternms of planning approach, pricing infrastructure, preparing contracts, competitiveness, human resources, country instability and local financial markets.

Regarding the Group 3 countries, she pointed out that, within the group only Turkey and Mozambique have implemented more than three projects since 1990 showing the fact that, it would be difficult to implement such projects continuously and succesfully without adequate laws, regulations and institutions in place. Ms. SANCHEZ counted the major challenges for the Group 3 countries as inadequate legal framework, bidding and procurement rules, inadequate institutional framework, risk allocation, poor or inconsistent quality of feasibility studies and broader development issues.

For the Group 2 and Group 4 countries, which already have a PPP Framework, Ms. SANCHEZ identified the challenges put forward by the study as lack of expertise, long-term oversight and incremental improvements.

To address the issues raised, Ms. SANCHEZ recommended the Member States the following:

- Application of the risk matrix,
- Stakeholder consultation,
- Institutional reform,
- Legal and regulatory reform,
- International Financial Institution (IFI) support,

- On the job training
- Developing private sector
- Commitment to good governance, transparency and competitive bids

Regarding the cooperation among the Member States, she recommended that Member States may exchange experience and best practices in the following areas:

- Risk identification and risk matrix construction,
- Institutional design,
- Legal and regulatory design,
- Feasibility studies,
- Learning to engage external consultants,
- Training on project accounting and planning for Ministries of Finance,
- Training on financial instruments and guarantee methods.

Futhermore, in order to improve the implementation of Transport PPPs in the Member States, Ms. SANCHEZ voiced the recommendations of the study as the following:

- In several OIC countries, the existing laws may need to be modified to allow for successful infrastructure PPP projects, such as enabling the granting of step-in rights to lenders and requiring open and fair procurement processes. These modifications may be embodied in sector-specific law or in the case of procurement or competition law.

- Many OIC countries lack PPP-specific laws beyond a basic concessions law. This limits the types of PPPs that can be applied as well as the types of infrastructure they can be applied to.

- Countries with sufficient staff skilled in PPPs at line and core ministries have been more capable of implementing successful PPP projects. Specific training sessions, can be used to build or enhance local capacity.

- Technical assistance can help provide expertise and know-how in areas which are often lacking. This is a quick solution to a longer-term problem.

- Even relatively experienced local contractors may require some help to bid satisfactorily, win and implement a PPP project in a OIC member state as a concession, as opposed to a traditional construction or maintenance contract. This is because it involves longer-term planning and future-project cost estimates that local contractors may not be used to. More targeted support should be defined through a survey and interviews with the local contactors and government officials.

- The Risk Matrix should be updated and refined as project preparation evolves. It is usually prepared with the support of transaction experts and in consultation with potential bidders. Ultimately, risk allocation determines a PPP project's financeability. Good practice in preparing risk matrices is to adopt the following structure for each stage of the project: Description of the risk, Proposed allocation of the risk (usually two columns: grantor and concessionaire), and Comments.

- Risk mitigation instruments are financial instruments that transfer certain defined risks from project financiers to creditworthy third parties who have a better capacity to accept such risks.

b) Questions and Answers (Q & A)

Q: *Can you give an example for the BTO model?*

EIU team: BTOs are not very common in COMCEC countries. BTO seems to be used most commonly in South Korea and is not common in many other countries. However the Medina airport (Saudi Arabia), the Queen Alia international airport (Jordan), and the Doraleh Container Sea Terminal (Djibouti) were financed as BTOs.

BOTs and BTOs have different risk profiles and structures, but can also be quite similar transactions. Either PPP can be implemented as a user pay or public-entity pay type; the key difference is the timing of when the ownership of the asset is transferred to the public sector. In many Middle Eastern countries, BOT is typical. However if the public cost of financing is significantly lower than other types and the private party keeps the payment collection risk, a BTO can be applied and public finance can be used for the construction period (and the public sector avoids taking construction risk all the while). In cases where the infrastructure has to be owned by the public sector, BTO models become more attractive.

Q: *Why is there a dilemma or not, in the UK nowadays in PPP?*

EIU team: Several public buildings and transport projects suffered from cost overruns which led to negative public attention. The main problems were (a) lack of transparency -- the signed contracts were not made available to the public; and (b) the contracts created more future public debt, as most of the PFI contracts did not involve any user charges -- all payments to the concessionaires were to be made from the public budget. These ultimately led to a change in political climate for PPPs. For more details you can refer to the UK Treasury report (December 2012): "A new approach to public private partnerships." The report is available at:

http://cdn.hm-treasury.gov.uk/infrastructure_new_approach_to_public_private_parnerships_051212.pdf

Q: *How should the stakeholder consultations be made in PPPs?*

EIU team: This topic could be its own separate report. In emerging countries, Chile can serve as an example of excellence in stakeholder consultation and environmental regulation for PPPs. Nevertheless, stakeholder consultations and environmental assessments for PPP projects usually follow the same procedures used in a country for traditionally procured projects. In other words, the best practices for traditional projects can also be applied to PPP projects. The only additional consideration required is when implementing tariff-based PPP projects, it is important to also consider users' willingness (and ability) to pay.

The European Union has set some standards for Environmental Impact Assessment (EIA); the IFC also has some Environmental and Social Impact guidelines to inform best practices.

Q: *Is the Islamic Finance used effectively in the OIC Member States? How the sukuk system operate in actual terms in PPP?*

EIU team: Islamic finance presents increased financing opportunities and sources in some cases, for example in Egypt. Nevertheless, difficulties exist when trying to tap these resources. Historically, Islamic banks have had little appetite to finance long-term projects in or out of transport. The sponsors of PPP projects often fear that including an Islamic tranche in project financing could cause delays. In the past, too, Islamic banks have struggled to compete on pricing with conventional banks. This is even truer during times when conventional finance is freely available. If a project is not big enough to attract international capital, it can also be hard to find the depth of finance required to issue sukuk for projects even in developing economies which show promise. That is why it often helps to procure the backing of international financial institutions even in deals that use Islamic financing sources.

Q: *Can you give example of environmental impact assessment studies in PPP?*

EIU team: The Hyderabad-Badin Road Project had an Environmental Management Plan and Matrix developed as part of initial project evaluations, but this is just one example. Any EU project which has had good application of the EIA guidance mentioned above can also serve as an example.

Q: *Why is Senegal classified in group 3?*

EIU team: The grouping classifications were determined by looking at not only the existence of a law which allows PPPs and/or concessions, but also whether there is an institutional framework setup specifically for PPPs and if procurement and implementation are addressed in the legal framework.

Q: *What can be advised to countries to go from group 3 to group 4?*

EIU team: Authorities in group 3 countries need to improve regulatory and legal frameworks for PPP, so that a wide range of PPP types are allowable and so that there are designated institutions whose role in the PPP design, approval and implementation process is clear. Procurement and bidding processes must laid out for these project types specifically.

One of the main problem of countries in group 3 (and indeed is the reason why there are in group 3 not 4) is the existence of multiple procedures and tendering processes that create disorganization starting with the launch, management and approval of PPP projects among public institutions. It creates a lack of standardization in PPP contracts, heterogeneity in risk allocation, and results in an ad-hoc organization of the tender process. Bidding mechanisms are implemented without considering game theory and the impact of economic regulation. Therefore, some bidding mechanisms are suboptimum and lead to improper bidder selection. This is all the result of an inadequate legal and regulatory framework which does not guide PPP implementation properly.

Q: *Oman is in group 1. You said its difficult for small countries (population) to implement PPPs. How can we go futher?*

EIU team: Oman and Bahrain are investment grade countries with low political risk. These countries' biggest next step is to create the legal, institutional and regulatory framework to implement PPPs. The size of the population suggests that projects should be relatively small. However, governments fortunately have the public funds to include mechanisms to guarantee demand during the project lifecycle. Authorities will need to prioritize which projects will receive financial support from the government. Transport projects will not necessarily generate a steady income stream and so therefore the government will need to structure its financial support to projects and project finance more generally so as to mitigate the risks of demand. At the same time, financing must be conducted so as to let financial institutions participate and offer competitive financing rates. An important challenge will be creating the correct institutions to manage PPPs, as well as reducing the typical bureaucratic inefficiencies that currently increase the amount of time it takes to develop and implement projects with private sector participation. In addition, authorities will need to guarantee transparency in the tendering process to increase competition in the PPP process. The creation of independent transport regulators is important. The regulator can foster the enforcement of contracts and project standards and it can facilitate potential negotiations, mitigating conflicts between the partners and fostering transparency in the whole process.

Small countries usually set up a project implementation team by hiring experienced project managers with PPP experience. Short-term but intensive training courses can also help regulators design reforms better and prepare/implement projects better in these cases. Small countries could also consider the option of bundling together projects in different subsectors (e.g., water, sanitation, and urban streets) in the same project. That could help provide investment sizes big enough to attract the required degree of competition for an efficient PPP project.

Q: *Is there a best practice for small populated countries with high GDP in railways PPP?*

EIU team: Implementing a railway PPP (or metro) in Oman should be subject to the same rigorous value for money, public sector comparator and cost benefit analysis as any other PPP project would. That is to say that reliable economic and financial analysis, as well as good social and environmental assessments, should be conducted before deciding to launch a project and conduct bid to award and finance the project. The Netherlands can provide some examples of private participation in railways for a small country.

Q: *What main points should be considered when conducting social impact evaluation?*

EIU team: Social Impact Evaluation is conducted on a case by case basis, but the main issues to look at are the fiscal impact, macroeconomic impact, employment impact, number of people benefiting from the asset or service, reduction of service delivery time and cost for users, and the environmental impact (as determined by factors such as the reduction in congestion, increase or reduction of pollution and others). For public-entity pay projects, the procedures used in traditional procurement are a good starting point; for tariff-based PPP, users' willingness (and ability) to pay should also be considered.

Q: *What would be the best way of transferring knowledge in PPPs from the experienced Member States to the ones which did not experience yet?*

EIU team: There are several kinds of activities such as twinning, expert exchange and training programmes which can foster knowledge transfer; events such as the Transport Working Group are also a great way to facilitate information exchange.

Q: *Is there a Special fund within the OIC dedicated to PPPs?*

CCO: There is not any special fund dedicated for the PPPs within the OIC. The IDB, which is a multilateral development bank serving for the Member States of the OIC, has a special unit for PPPs under Its Infrastructure Department.

Q: *What may be the possible role of COMCEC in transferring knowledge among the Member States?*

CCO: Member States can utilize the Project Cycle Management (PCM), which is planned for financing the projects proposed by the Member States focusing on the capactiy building and technical cooperation projects. Within the framework of the COMCEC PCM, the COMCEC Coordination Office will call for projects in September 2013.

5. Member States Presentations on Implementation of PPPs in Trnasport Sector in their Respective Countries

The representatives of Jordan, Uganda, Senegal, Turkey, Egypt, Indonesia and Pakistan made the following presentations on their experience on implementing transport PPPs.

a) Jordan

Mr. Naim HASSAN, Development and Strategic Planning Director in the Ministry of Transport of Jordan made a presentation. Mr. HASSAN started his presentation by giving basic information on the legal framework of privatization in Jordan. According to the presentation, Law no:25 adopted in 2000 provides the legal and institutional frameworks for the privatization program. Pursuant to the law, Executive Privatization Council formulates the general policies on privatization and identifies the enterprises to be privatized. The Council approves all restructuring and privatization transactions and supervises the Privatization Proceeds Fund.

Mr. HASSAN informed the participants that 66 transactions, including the government's shares in 55 companies, have been completed up to date. Privatization proceeded to over USD 1.3 Billion.

Regarding the Transport PPPs, Mr. HASSAN gave detailed information on Aqaba Container Terminal and expansion of Queen Alia International Airport (QAIA). Regarding the Aqaba Container Terminal, A 25-year Joint Development Agreement (JDA) was signed between ADC and the Aqaba Container Terminal (ACT) in 2006. Under the contract, APM Terminals Jordan would operate, manage and market ACT in addition to executing the Master Plan, which anticipates achieving a drastic increase of throughput capacity through a combination of physical and operational improvements. Mr. Hassan stated that, the Aqaba Container Terminal Pvt. Co. has grown from a feeder port to a mature main liner facility and played a crucial role in the Jordanian economy, enabling growth and development regionally. He also added that the ACT has been serving as a gateway for the Jordanian market, as well as for transit cargo moving to and from other countries in the region.

Queen Alia International Airport (QAIA) Expansion project was the other project highlighted by Mr. HASSAN. He stated that the new terminal was part of Jordan's plans to develop the aviation sector and place foundations for civil aviation as a necessary means for growth. The project was carried out by regional and local investors; a prime example of successful public private partnerships with a 25-year BOT concession and an estimated cost of USD 750 million investment. The Government of Jordan retains the ownership of the Airport and receives around 54.47% of gross revenues for the term of the agreement (25 years). The new terminal, offering around 20,000 direct and indirect job opportunities, has been classified by the IFC as one of the 40 best PPP projects in emerging markets. IFC played a leading role by advising the Jordanian government on the transaction and by providing $120 million in financing. IFC also arranged $160 million in syndicated loans from international lenders, and the Islamic Development Bank provided a loan of $100 million.

Mr. HASSAN lastly briefed the Meeting on the ongoing projects namely “Bus Rapid Transit between Amman and Zarga” and “Dry Port”.

b) Uganda

On behalf of Uganda, Eng. Tony B Kavuma, Assistant Commissioner, Air and Road Transport Services and Infrastructure,Ministry of Works and Transport made a presentation. In his presentation, Mr. KAVUMA shared some socio-economic indicators on Uganda. Uganda’s population is 32.9 million with USD1.241 per capita GDP in 2011.

Eng. KAVUMA informed the participants on the general outlook on transport sector in Uganda.

Road transport is the prominent mode in transport sector carrying about 95% of the country’s goods and 99% of traffic. However, within 22.000 km national roads, only 17 percent (approximately 3400 km) is paved. Uganda has one international airport (Entebbe) but the Government has embarked on programs to upgrade Kasese, Gulu and Arua aerodromes to international standards. Despite having rail network of 1266 km from Malaba, the Kenya border to western Uganda in Kasese and Pakwach, only 337 km are currently operational with an average annual volume of about 585.000 tones in 2010. Uganda is a land-locked country but has considerable lakes and rivers. The Government is working with the World Bank to improve the transportation on these lakes and rivers.

Mr. KAVUMA also shared some of the experiences of Uganda in transport PPPs. Participants were informed that being the first major PPP arrangement in road transport, Kampala-Entebbe Expressway is expected to significantly improve connection and transit challenges, lower transport costs and contribute to the developments of the quality of infrastructure in the area. The process on the implementation of the project has been ongoing.

Another feasible project, raised was the Central Route (Tanga-Arusha Musoma) which is meant to connect Uganda to Tanzania at the Port of Musoma and Mwanza and connect Kenya at Port of Kisumu. The Central Corridor would provide an opportunity for the port to divert traffic flows from the northern corridor. Feasibility Study and Preliminary Design to develop Tanga-Arusha-Musoma-New Kampala Port at Bukasa underway. Planned feasibility cost of the project has been about US$ 6.5m.

Mr. KAVUMA provided briefs on other projects namely “Rehabilitation of Portbell, Jinja Piers”, “Gulu-Atiak-Nimule Railway” “Rehabilitation of Kampala Malaba Railway” and “Upgrading of Kasese and Gulu Airports to International Standard”.

Based on the experience, Mr. KAVUMA identified the factors constraining the implementation of PPPs in transport sector in Uganda as regulatory and legal framework, Predictability/Confidence in the Governments commitment to honor contractual obligations, Challenges in institutional structures and obtaining finances, cumbersome approval processes, long wasteful procurement delays and bureaucratic procedures and resistance by environmental groups.

c) Senegal

Mr. Modou Kane DIAO, Transport Expert from the Ministry of Transport and Infrastructure of Senegal made a presentation. In his presentation, Mr. DIAO firstly shared some figures on Senegal's economy and transport sector. Mr. DIAO then informed the participants on the transport sector policy in Senegal. Since 2000, the government has been giving utmost importance to the development of transport sector which is believed that transport sector development supports the rest of the economy and attracting investment. Since then many projects have been developed including the extension of container terminal of Port of Dakar.

He also stated that the new transport sector policy have economic and social objectives. The three axis determined in order to reach the objectives are as follows:

- Continue internal and external opening of the country, in line with national policy planning and deepening regional integration, developing road, rail, port and airport.
- Improve the performance of transport services likely to play a key role in the competitiveness of the national economy.
- Search for a greater viability of the sector to the achievement of sustainable mobility of goods and people most in need, in particular by ensuring an equitable distribution of funding for infrastructure and transport services between the direct and indirect beneficiaries in implementing of sustainable financing mechanisms.

Mr. DIAO continued his presentation by giving information on the sources of finance for the transport sector development. He stated that there were four types of finance in Senegal. These were, bilateral aid, multilateral aid, budget financing and PPP.

Mr. DIAO stated that there have been several bodies and relevant laws governing the transport sector policy. To attract private sector to transport sector development Senegal has adopted Law 2004-12 of 13 February 2004: BOT and later modified it in 2009 and in 2011 to attract the private sector. He then shared some of the projects realized by using PPP such as toll highway with with Eiffage), Bus Terminals, Control of Axle Road, Railway (Transrail.Sa), Port (Container terminal with DPW) etc.

Mr. DIAO introduced the projects implemented or being implemented such as "Toll Highway beteen Dakar-Diamniadio", "Control of Axle Road", "Joint Border Post between Senegal and Mali" and "Railway from Dakar to Bamako".

Lastly, Mr. DIAO shared the reasons for using the PPP in Senegal. These are:

- Alleviate the budget constraint of the public authority
- Reduce economic distortions related to taxation
- Accelerate the implementation of the project
- Get good value for money
- Transfer risks to the private operator
- Empower the private partner
- Benefit from the expertise of the private operator

d) Turkey

Country Presentation of Turkey was made by Mr. Mücahit ARMAN, Head of Department at General Directorate of Turkish Highways and Ms. Tülay ÖNEN, Manager at General Directorate of State Airports Authority of Turkey.

In his presentation, Mr. ARMAN firstly introduced the legal framework on implementation of the PPPs in Turkey. He stated that, there was not a single framework in Turkey for the PPPs however, several laws have been supporting the implementation of the PPPs such as Law no: 3465, 3996, 4046 and 5335.

He also described the life cycle of PPP Highways Projects as the following:

- Project Definition
- Preparation of Basic Design
- Economical and Financial Feasibility Studies and Report of the Project
- Submission of the project to the High Planning Council for approval
- Preparing Tender Documents after the approval of High Planning Council
- Approval of Tender Documents by the Minister of Transport, Maritime and Communications
- Announcement of the Tender Notice
- Requesters start as a party after announcement of tender notice
- Requester which proposed the best bid is chosen by Tender Committee and approved by the minister
- After this stage, the requester is called as contractor
- Signing of the contract
- Realization of the Motorway Project
- Operation of the Motorway
- Transfer of the project back to the Government at the operating term

Mr. ARMAN, gave also brief information on some important features of PPP Implementatiıon Agreement as the following:

- The government has the right to assume the financing obligations of the project company, in the event that the implementation agreement is terminated prior to the expiry of the operating term.

- Administration supervises the project in both construction and operation period
- Demand guarantee (meaning a guarantee that there will be at least a minimum traffic flow)
- Exemptions from value added tax, stamp duty and fees
- Equity part of the financing obtained by the project company should be at least 20% of the expected fixed construction cost of the project.

In his presentation, Mr. ARMAN also shared some figures on PPP implementaion in Road Sector. He stated that, 23 Highway Service Facilities has been realized by BOT Model according to Law no: 3465 and Göcek Tunnel according to Law no: 3996 so far.

He also gave detailed information on some of the ongoing projects namely Gebze-Orhangazi-İzmir Motorway, Northern Marmara Motorway (Odayeri Paşaköy Section-Including 3rd Suspension Bridge) and Sabuncubeli Tunnel Project. According to the presentation, Total investment cost for Gebze-Orhangazi-İzmir Motorway is about USD 6.3 Billion. The contract has been signed in 2010 and would be finished in 2017. The Contractor would operate the project for 15 years and 4 months. The second project, namely Northern Marmara Motorway (Odayeri Paşaköy Section- Including 3rd Suspension Bridge) would be finishe in 2.5 years and would be operated by the contractor for 7 years, 8 months and 20 days. Total investment cost of the project would be USD 2.5 Billion. The investment cost of Sabuncubeli Tunnel Project would be USD 62 Million.

The PPP experience of Turkey in airports and sea ports was presented by Ms. ÖNEN. She categorized the PPP types implemented in Turkish Airports as BOT and "Transferring the operational rights of passenger terminals within airports". Regarding the BOT model, She informed the participants that, 9 airport termina projects have been implemented with the investment cost of USD 1.7 Billion, created 103 million passengers addiditional capacity, 110.000 employment.

Regarding the Operational Rights Transfer Model she identified the basic features as:

- Repairment - maintenance and renewal.
- Fixed renting amount.
- No passenger guarantee.
- Revenues to private sector company.
- Inspect and observe by government.
- Maximum 49 years.

Turkey has realized 7 renting tenders with the amount of approximately USD 7.13 Billion. Regarding the PPP Projects in Ports, Ms. ÖNEN informed the participants that Turkey has realized 11 projects in Ports and a Highway Strait Tube to be built under İstanbul Bosphorus.

e) Egypt

Dr. Mohamed NASR, Investment and Business Development Advisor for the Minister of Transport of the Arab Republic of Egypt, made a presentation on the Egypt's experience on transport PPPs.

Informing the participants that Egypt had a special PPP law in place and a PPP Unit within the Ministry of Finance, Mr. NASR noted that Egypt has offered most of the projects in the form of concessions.

Mr. NASR then focused on the development corridors within Egypt namely Suez Channel Development Corridor, Northern Corridor within the border with Libya and Southern Corridor within the border with Sudan which would contribute to the economic development of the Country. Egyptin Government has developed a Master Plan for the Suez Channel Corridor and has been developing Master Plan for the second and third development corridors.

He then explained the mission of Ministry of Transport in Eygpt as "To build a world class integrated multimodal transport infra structure and services which satisfies people and business needs and demand as well as enabling economic growth and sustainable development in Egypt".

Mr. NASR explained the reason of using PPPs in Egypt as to achieve rapid economic growth. Traditional budget financing would be inadequate to achieve the targets. He stressed that going for the PPP is more expensive but necessary for rapid economic growth.

Mr. NASR continued his presentation on the developments regarding the transport PPPs in Egypt. According to his presentation, Egypt has developed 123 projects so far and prioritized 48 of them, which are planned to be offered for PPP in four to five years. He also briefed the participants that within the 48 projects, 7 projects were at the completed stage and their prefeasibility studies have been conducted. For the rest of the projects, technical studies have been carried on. He underlined that, as many countries, Eypt has been facing difficulty due to limited technical capacity to go for tender in international bidding.

Mr. NASR introduced the 48 projects which are in railway and metro, road, river and maritime transport sectors. Regarding the metro projects he emhpasized that three lines have been already constructed and they were negotiating for the construction of the fourth one. The fifth and sixth lines are planned to be constructed through PPP.

Mr. NASR noted the second challenge faced in Eygpt with regards to PPPs as the low recovery of the projects. More that 60 percent of the mentioned projects need more than 15 years for the recovery, impeding the interest of the private sector.

As the third challenge, Mr. NASR pointed out that, the expected total investment cost for the 48 projects was around USD 30 Billion, making the market difficult to absorb it. Identifying the timing to go for tender became an obstacle.

With regards to road sector, Mr. NASR gave brief information on the planned projects to be implemented in Egypt, especially in Cairo to ease traffic. he stressed that, however, the public in Egypt was not used to use toll roads in the country, and it made risky for traffic estimates in the toll roads to be constructed.

In river transport Mr. NASR shared the vision of the Egyption Government to utilize the Nile River for freight transport. The Government developed projects namely Quena Port (Concession), Sohag Port (Concession), Assiut Port (Concession) and Meit Ghamr Port (Concession).

In maritime transport East Port Said Port (Concession), Sokhna Port (Concession), Damietta Port (Concession) and Dekheila Port (Concession) are the projects introduced by Mr. NASR. He noted that, they do not face difficulties in these projects since, the private sector, including major international operators were very interested in these projects which are planned to be tendered. Egyption Government is planning to use concessions for these port projects for 25 to 49 years.

As final words, Mr. NASR said that, Egypt is facing the similar challenges with the other Member States which were raised by the previous speakers. He shared his wishes that COMCEC would play a significant role in overcoming these challenges.

f) Indonesia

Indonesia's experience in transport PPPs was presented by Mr. Yogie Nugraha, from Planning Bureau of the Ministry Transportation of the Republic of Indonesia. Mr. Nugraha started his presentation by introducing the Framework of Transportation Development Plan of Indonesia. According to his presentation, Spatial Plan Regulation and Road Regulation are undertaken by the Ministry of Public Works and Transportation Regulation is governed by Ministry of Transportation.

Regarding the transport infrastructure development phases. Mr. NUGRAHA informed the participants that Ministry of Transport is currently implementing the Strategic Plan 2010-2014, the second phase of Development Plan through the work plan of the Ministry. He identified the objectives of the Transport Infrastructure Development Programme as the following:

- Development of safety and security of transportation facilities to support the Roadmap to Zero Accident
- Institutional structuring and improving the quality of human resources
- Follow-up activities / completion of construction the infrastructure and transportation facilities

- Pioneer services in the form of operating subsidies and the provision of infrastructure and transportation facilities
- Development of transport infrastructure in undevelop areas, border areas and outer islands and post-conflict and disaster areas

In this context, Mr. NUGRAHA stressed that the mission of the Ministry as "Accelerating the development of transportation in order to support the improvement of public welfare" and presented the focus areas of the Transport Development Plan as the following:

- Development of basic transport infrastructure
- Expanding the range of transport services
- Improved performance of transport infrastructure
- Improving the competitiveness of national products
- Subsidies for particular pioneer transport
- Provision the rural infrastructure, underdeveloped regions and border areas
- Provision the cheap, reliable and sustainable mass transportation

Mr. NUGRAHA continued his presentation by introducing the goals and strategies of Indonesia for logistics infrastructure in different modes of transport.

In the following parts of his Presentation, Mr. NUGRAHA focused on the Master Plan for Accelerating and Expansion in Indonesia Economic Development (MP3EI) which came into effect by the Presidential Degree in 2011. In the Master Plan, Indonesia identified six Priority Economic Corridors. In order to support the MP3EI, the Ministry of Transportation has developed a work plan. According to the work plan, transport sector investments in each corridor could be financed by budget financing, PPPs or purely private investment.

He noted that, the availability of government budget has been very limited and could only meet less than 10% of the total investment requirement, although the government budget to the Ministry of Transportation grew by an average of 27% per year. He added that, to attract private investment, simplification in permitting process needed to be done. Mr. NUGRAHA also gave brief account on the investment projects to be financed by the government and through PPP.

Mr. NUGRAHA also introduced transport investment procedures in Indonesia. He summarized the policy reforms and other studies towards the improvement of effective use of project budget and government support to PPP projects. With regards to PPP projects, he concentrated on the priorities which are the following:

- The construction of Airport Railways from Manggarai – SHIA, that has 2 (two) lines : Express Line/Dedicated Line (via Pluit) and Commuter Line (via Tangerang), with investment budget forecast approximately US$ 1.1 Billion;
- The development of Tanjung Priok Port at Kali Baru with investment budget forecast approximately US$ 1.3 Billion;

- The development of Tourism Port of Tanah Ampo at Bali with investment budget forecast US$ 40 million.

Lastly, he presented potential and ready for offer projects for PPP in Inland Transport, Railways, Sea Ports and Airports.

g) Pakistan

The Pakistani experience in implementing Public-Private-Partnership (PPP) projects was presented by Mr. Saad, WARRAICH, First Secretary of the Embassy of Islamic Republic of Pakistan in Ankara. Mr. WARRAICH began his presentation by underlining that the PPPs in the transport sector in Pakistan was buttressed by a strong legal framework and an impressive array of infrastructure accomplishment.

For the Road Transport sector, He informed the participants that the National Highway Authority (NHA) was the premier implementation agency. As part of the Government of Pakistan's medium term development framework and its vision 2030, the PPP Policy & Regulatory Framework (May 2009) of the NHA provided the legal and institutional mechanisms "to ensure that the service is provided efficiently and the responsibilities assumed by the private sector are fulfilled".

He also stated that since 2005, the NHA has established a fully functional and dedicated PPP Cell being responsible for coordinating with relevant agencies, preparing and negotiating Concession Agreements and monitoring the Concessionaires performance in accordance with the respective Agreements.

Lastly, Mr. WARRAICH informed the Meeting that, till date, three projects were in the implementation stage, seven in the procurement stage and another seven available for investment.

6. Non-governmental Perspectives on Implementing Transport PPPs in the Member States

Implementation of PPP projects in transport sector requires the interest of the private sector and support of financial institutions. In this context, TAV Airports Holding, which is a private firm based in Turkey and has been engaging in PPP projects in different countries, was invited to the Meeting to share its views on the implementation of the PPP projects. International Finance Corporation (World Bank) and Islamic Development Bank were also invited to the Meeting, as multilateral financial and development institutions to share their views and comments for the implementation of PPP projects successfully in the Member States.

a) PPP in Airport Business and TAV Experience

Mr. Murat ÖRNEKOL, Chief Operations Officer of TAV Airports Holding made a presentation on the TAV's perpective on PPPs.

Mr. Murat ÖRNEKOL started his presentation by explaining what does PPPs mean for the investors. He defined the PPPs as "Public Private Partnership (PPP), is a work model that is based on a contract or concession agreement between a government or statutory entity on one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges". He underlined that in PPPs, the private sector assumes a greater role in the planning, financing, design, construction, operation and maintenance of these facilities whereas the govermental body assumes the guarantee for the revenues and controlling the investment.

Mr. ÖRNEKOL stressed that, The investors most likely use the below formula to evaluate Build-Operate-Transfer (BOT) projects, which is one of the most common type of PPPs:

Revenues - Operational Expenditures - Loan Repayments ≥ Capital Expenditures

He also listed the main concerns of the investors in engaging PPPs as the following:

- Feasibility and Profitability
- Bankability
- Clear Regulations
- Environmental Factors

To Achieve Successful Outcomes from PPP Tenders, Mr. ÖRNEKOL suggested the following:

- Clearly defined scopes
- Concept design
- Agreed CAPEX(Capital Expenditure) based on the concept
- Clear definition of the Revenue Streams
- Governmental guarantee (Direct/Indirect) for the revenues
- The investor should have the know-how for design, financing, building, construction and operations.

Mr. ÖRNEKOL pointed out that, the PPPs have three sides, clients (governments), investors and financial institutions. Without financial institutions it would not be possible to finance the huge PPP projects.

Being an investor in airpot business, Mr. ÖRNEKOL identified the advantages of PPPs in airport business as the following:

- Improved and expanded infrastructure services that would not be there otherwise,
- Transfer the burden of raising funds from government to the private investor,
- Re-allocation of government resources for other urgent uses,
- Better allocation of risk between the public and private sectors,

- Reduce public sector risk and improve budget certainity through improved service delivery,
- Operational, administrative and technological know-how transfer, training of local staff and development of domestic capital markets,
- Stimulate economic growth.

Mr. ÖRNEKOL continued his presentation by informing the participants on TAV's experience. TAV is currently having Airport Operation Companies and Service Companies. TAV has 12 Airport Operation Companies in six countries namely, Turkey, Georgia, Tunisia, Macedonia, Latvia and Saudi Arabia.

Before concluding his presentation, Mr. ÖRNEKOL shared some figures with the participants demostrating the passenger growth rates in the TAV Airports. Making reference to the studies carried out by International Civil Aviation Organisation (IACO) he suggested that TAV's 2012 operations contributed USD 3.5 Billion and created 126.000 new employments in the countries where they are operating.

b) IFC: Transport PPP Experience

Mr. Pavlo GRABOVETS, Senior Investment Officer of the International Finance Corporation (IFC) made a presentation on the IFC's experience with the PPPs. In the first part of his presentation, Mr. GRABOVETS introduced the IFC, its vision and activities. He defined the IFC as "the private arm of the World Bank Group dedicated towards the promotion of private sector participation in emerging countries".

He underlined that IFC provides Equity/Quasi-Equity, Long-term Loans, Risk Management and Advisory Services for the private companies in its member countries. Mr. GRABOVETS grouped the IFC'a businesses into three, namely Investment Services, Advisory Services and Asset Management Company. With regards to investment services, Mr. GRABOVETS informed the participants that IFC had five investment parameters. These parameters are as follows:

- Commercially Sound,
- Market Catalyst
- Long-term Horizon
- Environmentally and Socially Responsible
- Corporate Governance

In the first part of his presentation, Mr GRABOVETS also shared very useful information on the IFC's organizational structure, products and services, project cycle, financing principles. According to the presentation, IFC finances the projects as the following:

•Project Type	•IFC Investment
•Greenfield, total cost less than $50 million	•Up to 35% of project cost for IFC's account
•Greenfield, total cost more than $50 million	•Up to 25% of project cost for IFC's account
•Expansion or rehabilitation	•Up to 50% of project cost

Source: IFC

In the second part of his presentation Mr. GRABOVETZ focused on IFC's experience with transport PPPs. He poited out the inadequate budget resources for financing necessary investments to be a consistent problem for many countries and defined the PPPs as a risk-management technique to privatize a project or a service traditionally provided by the public sector. He stressed that, the PPPs provide competitive process, increased transparency, private sector efficiencies, improved levels of service etc. On the other hand, PPPs would be more complex and costlier than public financing.

He identified the key factors for success in PPPs as the following:

- Understanding of public interests and ability to balance public/private issues
- Capacity building of governments to increase their expertise in structuring and managing PPPs
- Transparency and Communication
- Oriented towards development objectives
- Knowledge of investors' market and confidence of investors
- Leverage international experience elsewhere
- Public dissemination and PR campaigns

With regards to transport projects, Mr. GRABOVETZ identified the important characteristics of transport projects as long-term projects, have tariff adjustment mechanism and financial equilibrium concept and termination provisions.

For the transport PPPs, he suggested the key success factors as the following:

- Realistic market expectations
- Construction cost control
- Competent Sponsors (operations and commercial aspects)
- Government commitment
- Robust financial structure
- Sponsors' financial resources

Mr. GRABOVETZ also shared his views on key failure factors as well. These factors include:

- Unrealized market expectations:
  - ramp up period
  - gaining market share

  - changing traffic flows
- Over-supply leading to declining rates
- Financially weak sponsors
- Labour unions unrest
- Political events
- Government interference
- Bad Management

To avoid any failure in PPP Projects, Mr. GRABOVETS recommended to develop the projects in reasonable size, tender and award the concessions transparently and allocate the risks fairly between the public and private sectors.

c) Islamic Development Bank – PPP

Mr. Mohammad ASHEQUE Moyeed made a presentation on the IDB's views and activities on the PPPs in transport sector. IDB is a multilateral development bank based in Jeddah and has 56 Member countries who are also members of the Organization of Islamic Cooperation (OIC). IDB is rated AAA by S&P and Fitch and Aaa by Moody's.

Mr. Moyeed supported the arguments put forward by the previous speakers on the benefits of implementing PPP projects and identified the enabling environment necessary for successful PPPs as the following:

- **Capacity in the Public Sector:**
  - Clear rules / precedence for PPP concessions;
  - Ability to select bankable projects
  - Well prepared projects with credible & adequate data
  - Transparent and competitive procurement process;
  - Supervision and enforcement of PPP agreements;

- **Legal and Regulatory Framework:**
  - Rights of the investors and lenders;
  - Sector Policies;
  - Taxation/Forex/Ownership etc.
  - Islamic Finance

Equitable risk allocation was the another point Mr. Moyeed focused in his presentation. He noted that based on country, sub-sector and market appetite, equitable risk allocation would differ. He stressed that a risk should be allocated to the party which is best positioned and has most influence in managing it.

With regards to IDB's PPP operations, he listed the following facts on IDB's financing:

- Limited/non-recourse long term finance in infrastructure projects
- Risk due diligence is in line with the PF industry practices
- Financial instruments are in accordance with Sharia' principles

- Most common products are: Leasing, Istisna and Installment Sale
- Product selection often depends on the ownership / assignment ability
- Financing is generally extended in USD or Euro and for long term
- Co-finance with other reputable Islamic and conventional lenders

In his presentation, Mr. Moyeed also informed the participants on the IDB's PPP operations. So far, IDB has approved mored than USD 3 Billion to 45 projects, including 14 line of finance. Within the total amount, the share of transport PPPs is 17 percent. In this important sector, IDB has provided USD 560 Million in six projects in toll roads, airports and sea port up to now.

Mr. Moyeed concluded his presentation with demonstrating the list of transport PPPs which IDB has provided financing.

IDB's Transport PPP Operations

Country	Project	Main Sponsors	IDB Commitment (approximate equiv USD Mn)
Jordan	Queen Aalia Airport	J&P Avax, Abu Dhabi Investment Co., Noor Financials, others	100
Malaysia	KL-Selangor Expressway	Bina Puri, Arean Irama Bhd	100
Malaysia	SKV Expressway	Dato' Rahmat Abu Bakar	90
Djibouti	Doraleh Container Terminal	Port Autonome, DP World	65
KSA	Hajj Terminal, Jeddah	Saudi Binladin Group	100
Senegal	Aeroport International Blaise Diagne	Senegalese Government	91
Asia	Tintin (code name) (equity in a portfolio of four toll road assets)	n/a	PE Fund: 50 Indir. IDB: 28

Source: IDB

7. The Way Forward: Utilizing the New COMCEC Project Cycle Management

The last presentation of the Meeting was performed by Mr. Deniz GÖLE, an expert from the COMCEC Coordination Office (CCO). His presentation was dedicated to the new Project Cycle Management (PCM) mechanism introduced by the COMCEC Strategy.

The presentation consisted of nine sections. In the first section, Mr. Göle has explained "where does PCM stand in the COMCEC Strategy" and how it would help to realize the objectives determined in the Strategy.

In the second section, the definition of the term PCM was elaborated so that the audience would have a better understanding regarding the project funding process of COMCEC.

After underlining the distinguished qualifications of the COMCEC PCM which are "simple and clearly defined procedures and financial framework", potential project owners were identified. It was emphasized that relevant ministries and other public institutions of the Member Countries and OIC Institutions operating in the field of economic and commercial cooperation could submit projects.
The presentation continued with the clarification of "Project Selection Criteria" namely, compliance with Strategy's Principles, targeting strategic objectives of the strategy, focusing on output areas and pursuing multilateral cooperation among COMCEC Member Countries.

In the third and fourth sections, nature of the projects (Technical Cooperation and Capacity Building) and several eligible activities were explained. Some eligible activities were deemed as research, analytical studies, guides, roadmaps, study visits, conferences, workshops etc.

During the presentation, three key actors and their responsibilities under the PCM were identified; the CCO (Program Management), the Intermediary Bank (Project Monitoring and Financing) and Project Owner (Project Submission and Implementation). Moreover, steps and roles of these key actors throughout the project application process were defined.

The fifth section put forward the timeline which begins with the Call for Project Proposals in September 2013 and would end with the beginning of the project implementation period.

Regarding the details on project implementation and financing procedures, Mr. Göle clarified that Project Owners must submit invoices to the Intermediary Bank (the Bank) in order to claim payment during project implementation.

Monitoring of projects funded by the CCO was another issue explained in the presentation. It presented that the Bank would be mainly responsible for financial and technical monitoring of projects while the CCO would oversee the overall implementation of the PCM. Reporting procedures of project activities were also explained to that end.

With respect to the financial framework, Mr. GÖLE emphasized that the funds were grant in nature and would be provided by the Turkish Government for the 2013-2015 period. He also cited that each cooperation area defined in the COMCEC Strategy would have a certain share from those funds.

From the illustration of the indicative grant limits and co-finance rates for COMCEC projects, it was seen that Member Countries could submit a project with a budget up to

USD 250.000 on condition that they have to cover at least ten percent of project total budget. This amount would be USD 100.000 and at least twenty five percent should be covered by the project owner if it would be an OIC Institution.

In the last section of the presentation, a case study was examined in order to give the audience a clearer idea regarding the funding mechanism. In this respect, Mr. GÖLE showed how to define an idea into a project from the first to the last step of the COMCEC PCM giving specific attention to each stage through a sample project.

The presentation was concluded by putting forward the reference documents of the PCM namely, Program Implementation Guidelines, Project Fiche, Logical Framework and Visibility Manual which would be issued by COMCEC and be available for download through COMCEC web site in the coming weeks.

8. Closing Remarks

After the presentations and deliberations made on the agenda items, the Meeting ended with closing remarks of Mr. Bekir GEZER, Chairman and Mr. Metin EKER, Director General of the COMCEC Coordination Office.

In his remarks, Mr. GEZER emphasized that transport sector was a very sophisticated sector, which require high level olf expertise and experience for development. The Transport Working Group aimed at exchanging the existing expertise and experience among the Member States, disseminate knowledge and create common understanding on the output areas defined in the COMCEC Strategy.

He also underlined that, the First Meeting of Transport Working Group which focused on the PPPs in transport sector brought together relevant experts from the Member States, International Institutions and the private sector in order to analyze all aspects of transport PPPs for its better implementation in the Member States. He shared his wishes that, the future meetings will continue to do so to serve the development of transport sector in the Member States. He concluded his remarks with thankinng the participants for their attendance and valuable contributions and the COMCEC Coordination Office for its dedicated efforts for the success of the Meeting.

Mr. Metin EKER started his remarks by thanking all the participants for their attendance and contributions to the success of the Meeting which was the first of series of Transport Working Group Meetings. He stressed that, the Meeting provided the opportunity for the Working Group to address the PPPs in Transport Sector from the perspectives of Member States, financial institutions and the private sector and exhibited the opportunities for the Member States to benefit from each others expertise and experiences.

Mr. EKER reminded that the next meeting of the Transport Working Group would be held in the last quarter of 2013. He also informed the participants that the COMCEC

Coordination Office has been develping a program in parallel with the PCM consisting of the possible themes for the upcoming three years. The program would be circulated to the Members of the Working Group to get their views/observations on the topics to be covered in the next meetings.

Before concluding his remarks, Mr. EKER informed the participants that the proceedings of the Meeting would be distributed to the participants at earliest convenience and wished the participants a pleasant journey.

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