



PROGRAM CHARTER

*Helping to eliminate poverty and achieve sustainable development by
facilitating private involvement in infrastructure*

July 1999

(revised July 2000 and May 2001)

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1. The Public–Private Infrastructure Advisory Facility (PPIAF) is a multi-donor technical assistance facility aimed at helping developing country governments improve the quality of their infrastructure through private sector involvement. PPIAF is managed by the World Bank on behalf of participating donors.

2. PPIAF was developed at the joint initiative of the Governments of the United Kingdom and Japan, working closely with the World Bank Group. An initial proposal was reviewed at an informal meeting of prospective donors in May 1999. The initiative was formally launched at the inaugural meeting of donors held during July 7-8, 1999. This document reflects decisions taken at the inaugural meeting of donors and constitutes the basic charter for PPIAF's operations. Revisions to the charter may be made by decision of participating donors.¹

A. Mission and Rationale

3. PPIAF's mission is to help eliminate poverty and achieve sustainable development in developing countries by facilitating private sector involvement in infrastructure.

4. Infrastructure plays a critical role in economic growth and living standards. The benefits of improved infrastructure range from increased industrial productivity and competitiveness to higher living standards for individual households as a result of better access to clean drinking water, sanitation, electricity, transportation and communication services.²

5. Experience over the last decade or so has confirmed the important contribution that the private sector can make toward the improvement of infrastructure services. Potential benefits of private involvement include access to management expertise, stronger incentives for efficient operation, improved financial performance, and enhanced responsiveness to consumers. Access to private financial resources can also free up public resources for other social purposes. The benefits of private involvement in infrastructure are being realized in country after country, rich and poor alike.

6. Effective private involvement poses many challenges for governments as they seek to transform their roles from the exclusive financiers, owners and operators of services to the facilitators and regulators of services provided by private firms. The burden of these challenges is considerable in developing countries, which usually face constrained administrative capacity and other resources. Developing countries also often face greater hurdles in addressing investor perceptions of the credibility of their transaction processes and regulatory frameworks.

7. In recent years official donors have been providing increasing support to developing country governments in the private infrastructure area, through both national programs and international agencies. PPIAF has been established to complement and

¹ This version reflects amendments made in July 2000 and May 2001.

² For a brief review of these linkages, see "PPIAF: A New Approach to Providing Technical Assistance to Help Eliminate Poverty and Achieve Sustainable Development through Private Sector Involvement in Infrastructure" (1998). For a fuller discussion, see World Bank, "Infrastructure For Development: World Development Report" (1994).

reinforce these activities and to increase the volume and effectiveness of donor support in this area. In particular, PPIAF will:

- (a) Mobilize and leverage donor resources.
- (b) Exploit the expertise and economies of scale and scope available from an integrated, multi-donor work program.
- (c) Promote the exchange of lessons of experience between sectors, regions and donors.
- (d) Facilitate coordination between bilateral and multilateral programs addressing the same concerns.

8. PPIAF has been established for an initial period of three years but can be extended by decision of the Program Council.

B. Relationship with Programs of Participating Donors

9. PPIAF is a multi-donor program owned and directed by participating donors. It builds on the World Bank Group's Infrastructure Action Program and aims to complement and reinforce actions of all participating donors.

10. The World Bank Group is a participating donor in PPIAF and the Bank manages the facility on behalf of donors. The relationship between PPIAF and key World Bank Group programs is outlined in Annex I. To the maximum extent feasible, similar complementarities will be sought with the programs of other participating donors.

C. PPIAF Mechanisms and Activities

11. PPIAF pursues its objectives through two main mechanisms:

- Channeling technical assistance to governments in developing countries on strategies and measures to tap the full potential of private sector involvement in infrastructure.
- Identifying, disseminating and promoting best practices on matters related to private sector involvement in infrastructure in developing countries.

12. PPIAF can support a comprehensive program of country-specific and multi-country advisory and related activities in the following areas:

- (a) Framing infrastructure development strategies to take full advantage of the potential for private sector involvement.
- (b) Building consensus for appropriate policy, regulatory and institutional reforms.
- (c) Designing and implementing specific policy, regulatory and institutional reforms.

- (d) Supporting the design and implementation of pioneering projects and transactions.
- (e) Building government capacity in the design and execution of private infrastructure arrangements and in the regulation of private service providers.

13. An indicative list of PPIAF products in these areas is provided in Annex II.

14. PPIAF can support private sector involvement in the financing, ownership, operation, rehabilitation, maintenance and/or management of an eligible infrastructure service. This covers a broad array of contracting approaches, ranging from management contracts and leases through to concessions and divestitures.

15. Infrastructure services eligible for PPIAF support include:

- Electricity generation, transmission and distribution
- Natural gas transmission and distribution
- Water and sewerage³
- Solid waste⁴
- Telecommunications
- Railways
- Ports
- Airports
- Roads.

16. Countries eligible to receive PPIAF assistance are those included in the following categories of the OECD Development Assistance Committee's List of Aid Recipients: Developing Countries and Territories (all five columns of the Part I table); and Countries and Territories in Transition (column one of the Part II table).⁵

D. Approval Criteria

17. Proposals for PPIAF assistance which meet the threshold eligibility requirements described in Section C shall be assessed against the following criteria:

- (a) *Consistency with PPIAF Mission:* All activities must be consistent with PPIAF's overarching objective of helping to eliminate poverty and achieve sustainable development.

³ PPIAF's work relating to policy, regulatory and institutional reforms may cover options for private involvement in water and sewerage services provided at all levels of society. However, PPIAF's support to specific investment projects and transactions will focus primarily on services provided by or through utilities.

⁴ PPIAF will not have a major focus on solid waste in general, but may become involved at the policy level and in supporting private sector involvement in solutions for the disposal of solid waste at the metropolitan-level (>500,000 residents).

⁵ The DAC List can be found on the OECD homepage. See www.oecd.org/dac/htm/dacilst97.htm and explanatory notes at www.oecd.org/dac/htm/dacilst3.htm.

- (b) *Government Commitment:* Country-specific activities may be undertaken only where there is clear evidence of government commitment to the activity. The government in question must approve of the proposed activity in writing.⁶
- (c) *Donor Coordination:* PPIAF activities will be undertaken in a way that promotes effective coordination with the activities of official donors. In particular, country-specific activities may be undertaken only if the Program Management Unit is satisfied that the proposed activity does not conflict with programs or activities being undertaken by the World Bank Group, other PPIAF contributors or, to the extent this is easily verifiable, by other donors.
- (d) *Additionality:* PPIAF is intended to result in a net additional flow of resources to relevant activities. Accordingly, funding for the proposed activity should not be more conveniently available from other sources, including loans from international financial institutions, grants from other programs, or a government's own resources.
- (e) *Co-financing:* PPIAF is able to pay up to 100% of the costs of an activity. However, co-financing from the recipient government and other sources is encouraged.
- (f) *Value for Money:* PPIAF activities should aim to ensure value for money, including adopting the lowest cost strategies consistent with appropriate standards of quality.
- (g) *Quality Assurance:* Applications for PPIAF funding should contain indicators against which activity quality can be assessed. Larger activities should usually include appropriate consultative and quality review mechanisms.
- (h) *Regional and Sectoral Balance:* Subject to the work program approved by the Program Council, activities financed from the Core Fund should aim to maintain a reasonable balance across developing regions and across eligible infrastructure sectors.
- (i) *Environmental and Social Responsibility:* Where a project to be supported by PPIAF is anticipated to have significant potential adverse environmental or social consequences, appropriate measures must be adopted to ensure an objective and transparent assessment of the same. When required, PPIAF can finance such assessments.
- (j) *Expenditures:* Eligible expenditures for PPIAF activities may include the following:
 - Costs associated with identifying, supervising and delivering the activity.
 - Costs associated with preparing and disseminating information produced by PPIAF.

⁶ Multi-country activities will not normally be required to meet this criterion. However, the criterion may be applied to multi-country activities that are designed to benefit directly a small number of easily-identifiable countries.

- Costs associated with organizing workshops, seminars or conferences, including costs associated with participation by relevant international experts and, in appropriate cases, representatives of recipient governments.
- Costs of visit programs for appropriate developing country personnel.
- Other expenditures directly related to the fulfillment of PPIAF's mandate.

18. Within these guidelines, participating donors may determine particular priorities through the approval of annual work programs. The annual work plan for the Core Fund shall be determined by the Program Council as a whole. The annual work plan for Non-Core Funds shall be determined by relevant donors in consultation with the Program Council.

19. The process for evaluating and approving proposals for PPIAF assistance is described in Annex III.

E. Contributors

20. PPIAF is open to contributions from official donors, international financial institutions and other official agencies.

21. The private sector will play an important role in PPIAF (see Section F). At least during the initial period, however, PPIAF will not be open to private sector financial contributions. The question of whether to expand participation may be considered at a later date, having regard to such factors as the need to preserve PPIAF's integrity as an objective advisor to governments on often sensitive commercial issues.

F. Interface with Recipient Governments and the Private Sector

22. Successful design and execution of PPIAF's mandate requires a close understanding of the needs, constraints and priorities of recipient governments and the private sector. PPIAF also needs to enjoy the full confidence of governments and the private sector.

23. PPIAF will adopt a range of strategies to meet these objectives, including:

- An event will be organized in conjunction with the annual meeting of the Program Council to bring together representatives of recipient governments, the private sector, donors and other key stakeholders to review developments in private sector involvement in infrastructure in developing countries and to share perspectives on issues associated with PPIAF's mandate, strategy and work program.
- Recipient governments will be closely involved in all country-specific activities.
- Private sector perspectives will be actively solicited as a matter of course in framing PPIAF outputs. In addition, the consultative features of the Country Framework Reports developed under the Infrastructure Action Program will be retained and where possible strengthened.
- PPIAF will promote the dissemination of key findings and other relevant information.

G. Governance and Organizational Structure

24. The governance and organizational structure of PPIAF will comprise a Program Council, a Technical Advisory Panel and a Program Management Unit supported by Regional Coordination Offices.

Program Council

25. Contributors to PPIAF will be represented on the Program Council. The Program Council will be responsible for:

- (a) Considering and defining PPIAF policies and strategies.
- (b) Approving the annual work program and financial plan.
- (c) Reviewing PPIAF performance, including selection of activities for *ex-post* evaluation by the Technical Advisory Panel.
- (d) Overseeing the Technical Advisory Panel and Program Management Unit.

26. The Program Council will generally meet once per year, and will establish mechanisms to provide appropriate supervision of and guidance to the Program Management Unit between Program Council meetings.

27. The Program Council will be chaired by the World Bank Vice President for Private Sector Development and Infrastructure. Decisions shall be made by consensus.

Technical Advisory Panel

28. To ensure the quality and relevance of PPIAF-financed activities, the Program Council will be supported by an independent Technical Advisory Panel. The Technical Advisory Panel will comprise up to six experts selected on the basis of their expertise in matters related to private involvement in infrastructure in developing countries. More detailed selection criteria will be determined by the Program Council. Technical Advisory Panel members are appointed by the Chair of the Program Council, after consultation with Program Council members.

29. The Technical Advisory Panel will be responsible for:

- (a) At the request of the Program Council, providing advice on specific issues associated with private sector involvement in infrastructure in developing countries.
- (b) Reviewing and commenting on the PPIAF strategy as reflected in draft annual work programs prepared by the Program Management Unit.
- (c) Evaluating the impact of the PPIAF annual work program through *ex-post* evaluation of selected activities.

30. The Technical Advisory Panel's findings and recommendations will be forwarded to the Program Council Chair and disseminated to all members, at least four weeks prior to the Program Council's annual meeting. The Technical Advisory Panel will meet as required, at a minimum twice a year, and Technical Advisory Panel members will be available during the annual meeting of the Program Council.

Program Management Unit

31. The Program Management Unit will carry out the PPIAF mandate and manage its day-to-day operations. The Program Management Unit will report to the Program Council at least quarterly through the Program Council Chair, and be housed in the Washington, DC office of the World Bank. Professional staff of the Program Management Unit will be recruited internationally based on relevant expertise.

32. The Program Management Unit will be kept small and focus on the administration of the PPIAF program rather than the delivery of PPIAF-funded assignments. Key responsibilities will include:

- (a) Reviewing proposals for PPIAF assistance in accordance with the criteria and process approved by the Program Council (in the case of activities funded from the Core Fund) or by relevant contributors (in the case of activities funded from Non-Core Funds).
- (b) Arranging delivery of PPIAF programs and activities.
- (c) Providing secretariat services to the Program Council and Technical Advisory Panel.
- (d) Maintaining effective relationships with contributors, recipient governments, the private sector, and other stakeholders.
- (e) Proposing and administering the PPIAF work plan and budget, and managing the disbursement of funds.
- (f) Overseeing the operations of field-based Regional Coordination Offices.

33. The Program Management Unit will make extensive use of consultants in delivering approved activities. Consistent with the approach of other multi-donor programs of this kind the Program Management Unit may, within certain limits, contract the services of World Bank Group staff to assist in identifying, supervising and, in limited cases, delivering PPIAF activities.⁷

34. With the approval of the Program Council, the Program Management Unit may establish field-based *Regional Coordination Offices* to assist in executing the PPIAF work program. The Regional Coordination Offices would comprise small teams who

⁷ During the initial period a maximum of 30% of donor funds may be utilized for the costs associated with World Bank Group staff involved in identifying, supervising and, in limited cases, delivering PPIAF assignments on behalf of the Program Management Unit. This figure may be reviewed in light of operating experience.

would report to the head of the Program Management Unit. Key responsibilities of Regional Coordination Offices would include:

- (a) Identifying opportunities for PPIAF assistance, supporting local requests for PPIAF interventions, and tailoring assistance strategies to local priorities and conditions.
- (b) Working with recipient governments and representatives of contributors, international financial institutions and other official agencies to promote effective coordination of advisory activities.
- (c) Liaising with private sector representatives to ensure their perspectives are reflected in PPIAF advice and activities.
- (d) Assisting in the supervision of PPIAF activities.
- (e) Fostering contacts and good working relationships with key government officials and representatives of donor, multilateral and investor communities.

35. Additional details on the appointment of the Technical Advisory Panel and Program Management Unit and Regional Coordination Office staff are outlined in Annex IV.

H. Financial Structure

36. To maximize flexibility for contributors, PPIAF has a two-tier financial structure: a "Core Fund" and "Non-Core Funds".

37. The *Core Fund* comprises a pool of resources that can be used for any activity falling within the work program approved by the Program Council. The funds may be applied to governance costs, country-specific activities and multi-country activities. Contributions to the Core Fund are not subject to any donor restrictions, including in relation to the nationality of consultants. Unless otherwise indicated, all contributions to PPIAF would be designated to the Core Fund. All participating donors will be required to make a minimum contribution to the Core Fund of US\$250,000 per annum. In the case of the regional development banks, such core contributions can be tied to their relevant operational regions where required by their statutes.

38. *Non-Core Funds* are those that include donor restrictions relating to themes, activities, regions or, within limits, the nationality of consultants. Individual Non-Core Funds may be established with the consent of the Program Management Unit. Contributors to Non-Core Funds will be required to make at least the minimum contribution to the Core Fund.

39. Contributions to PPIAF will primarily be in the form of cash. In limited cases, however, contributions of in-kind resources may also be considered.

40. Each contributor will enter into a trust fund agreement with the World Bank for its contributions to PPIAF. The World Bank recovers a small administrative charge for costs associated with the administration of trust funds.

41. Key reporting and auditing arrangements are outlined in Annex V.

I. Procurement

42. The Program Management Unit will designate a task manager for each PPIAF funded activity. Hiring of consultants will generally be initiated by the task manager in consultation with the Program Management Unit. In some cases, consultants and/or equipment may be procured by recipient governments. Procurement will, in all cases, be implemented in accordance with World Bank guidelines.

Annex I: Relationship Between PPIAF and World Bank Group Programs

1. PPIAF builds on and complements the World Bank Group's Infrastructure Action Program, and also aims to complement and reinforce actions of all participating donors.
2. The World Bank Group is a participating donor in PPIAF and the Bank manages the facility on behalf of donors. The relationship between PPIAF and key World Bank Group programs is outlined below. To the maximum extent feasible, similar complementarities will be sought with the programs of other participating donors.

A. Infrastructure Action Program

3. In 1997, the World Bank Group launched the Infrastructure Action Program (IAP), a set of new and strengthened actions to improve the environment for private sector involvement in infrastructure in developing countries. The IAP was endorsed by the Development Committee, operates as a World Bank Group program, and has been supported financially by the Government of Japan. The IAP comprises five key elements: (i) country framework and status reports; (ii) advisory services; (iii) knowledge management; (iv) expansion of World Bank Group guarantees; and (v) advice on sub-sovereign finance and reform.
4. The three elements of the IAP most relevant to PPIAF are outlined below:
 - *Country Framework and Status Reports* are prepared at the request of a government. The reports review the country's investment needs and plans across infrastructure sectors, assess the policy and regulatory framework for private sector involvement, and include an action program developed by the government. Reports are prepared in consultation with key stakeholders and are published. The pilot countries for these reports were for India, the Philippines, Vietnam, Peru and Cote d'Ivoire.
 - *Advisory services* to governments focus on specific issues associated with the policy, regulatory and institutional environment for private sector involvement in infrastructure. Advisory assignments have been undertaken on a wide range of subjects, with outputs ranging from workshops to more detailed studies on particular issues. Advisory assignments have been complemented by broader analytical work on selected issues ranging from the role of service contracts in the water and sanitation sector to the impact of the East Asian financial crisis on private infrastructure arrangements.
 - *Knowledge management*, including the identification and dissemination of best practice on issues associated with private involvement in infrastructure as well as capacity building and related activities.
5. PPIAF builds on and complements the IAP. Specifically, PPIAF provides an improved mechanism for mobilizing donor resources and coordinating strategies and actions to assist developing country governments with issues associated with private sector involvement in infrastructure. PPIAF incorporates and continues to support the

country framework and status reports and advisory services currently financed under the IAP, as well as key knowledge management activities.

B. Country Assistance Strategy

6. The World Bank's Country Assistance Strategy (CAS) is the key instrument guiding lending and other operations by the World Bank Group. It is developed in consultation with relevant stakeholders and is endorsed by the World Bank's Board.

7. PPIAF's activities are not governed by the CAS per se. However, consistent with PPIAF's objective of promoting coordination among official donors, PPIAF country-specific activities may not be undertaken if they conflict with the actions being undertaken by PPIAF members or, to the extent this is easily verifiable, by other donors. To operationalize this requirement in the case of the World Bank Group, the relevant contact point will be the World Bank Country Director.

8. In many cases, PPIAF activities will complement and reinforce actions proposed to be undertaken by the World Bank Group. In addition, PPIAF-funded activities – such as country framework reports and analytical work on best practices – are expected to provide valuable inputs to the development, refinement and execution of the CAS.

C. Comprehensive Development Framework

9. The Comprehensive Development Framework (CDF) is being developed by the World Bank Group to guide a long-term, holistic and strategic approach to development based on country ownership and partnership. PPIAF is fully consistent with the approaches being adopted by the CDF. In particular, PPIAF will:

- Encourage country ownership of strategies for private involvement in infrastructure, and ensure they are tailored to country circumstances.
- Support the development of partnerships between the private sector, host governments, and the official donor community.
- Foster a coherent view of infrastructure development strategies in particular countries, including by promoting the exchange of experience between sectors and, in appropriate cases, supporting integrated, cross sectoral analyses and perspectives.
- Facilitate an integrated approach to interventions aimed at supporting private involvement in infrastructure, encompassing strategy development, advice on specific reforms or transactions, consensus-building, capacity-building, and dissemination of best practice knowledge.

D. Existing World Bank Group Advisory and Related Groups

10. The World Bank Group has a number of advisory groups relevant to PPIAF's mission.

11. The Private Participation in Infrastructure Group in the World Bank's Private Sector Development Department specializes in private infrastructure issues, supports Bank

operations, acts as the Bank's central focal point for policy development and identification and dissemination of best practices in this area, and has been managing major components of the Infrastructure Action Program.

12. A number of other advisory and related units sometimes deal with issues associated with private involvement in infrastructure. These include the country and sector departments of the Bank and IFC, the IFC's Corporate Financial Services Group, the Foreign Investment Advisory Service, and the Investment Marketing Services Unit of the Multilateral Investment Guarantee Agency. In addition, the World Bank Institute supports capacity-building across a broad range of subjects.

13. PPIAF is a funding, coordination and program management mechanism, rather than an advisory services unit. The Program Management Unit will not itself deliver PPIAF assignments, but will instead arrange for delivery of PPIAF-funded activities by others. Accordingly, no issue of duplication of staff or resources between PPIAF and the World Bank Group should arise. PPIAF may draw on the expertise of any of the above groups, and other groups, to assist in identifying, supervising and, in limited cases, delivering PPIAF assignments. This avoids the need to develop new delivery capacity in an area where technical skills are scarce, and should also further PPIAF's objective of promoting coordination between participating donors.

E. Other Multi-Donor Facilities Managed by The World Bank

14. PPIAF builds on experience with a number of other multi-donor facilities managed by the World Bank. These include the Information for Development Program (InfoDev), the Energy Sector Management Assistance Program (ESMAP) and the Consultative Group to Assist the Poorest (CGAP).

15. PPIAF will complement other multi-donor facilities of potential relevance to its mission and work program. In particular PPIAF funding will only be available if funding for the activity in question is not more conveniently available from another source, including grants from other programs. In areas of common interest or concern, co-financing with other programs will be considered.

Annex II: Indicative PPIAF Products

1. PPIAF may fund a range of activities within its sphere of operation. A brief description of possible products is provided below. These and other activities may be funded from PPIAF's Core or Non-Core Funds, depending on approved work programs and the availability of resources.

A. Activities In Key Action Areas

Infrastructure Development Strategies

2. These are analytical studies intended to guide governments on options for expanding private sector involvement in infrastructure.

3. A key product in this area will be the Country Framework Reports developed under the Infrastructure Action Program. These reports, prepared at a country's invitation, involve a comprehensive review of the environment for private involvement in infrastructure. They include a detailed survey of the country's current infrastructure endowment, performance and investment plans and a review of the policy, regulatory and institutional environment relevant to private involvement. The reports identify barriers to private involvement and possible actions to reduce them. On the basis of the reports, the government would develop an action program for private involvement in infrastructure. Reports are prepared in close consultation with the government, the private sector, donor, international institutions and other key stakeholders, and are published. The reports can provide a key strategic framework for governments and donors to determine reform and investment priorities within and across infrastructure sectors, and assist investors in evaluating opportunities.

4. Similar strategic studies may be undertaken at regional or sub-national levels, as well as for individual infrastructure sectors.

Consensus Building

5. Sustainable progress in private involvement in infrastructure depends on the understanding and cooperation of a range of stakeholders. Groups that may need to be engaged include: politicians (both members of the government and opposition members), trade unions, the general public, and the local and foreign private sector. Consensus building activities may take many forms, ranging from seminars and workshops to study tours and public awareness campaigns.

Design and Implementation of Specific Policy, Regulatory and Institutional Reforms

6. Private involvement often requires policies, laws and institutions to be deeply transformed. Governments may require assistance in determining the detailed strategy for involving the private sector, the restructuring of industries to facilitate competition, and the design and establishment of regulatory and institutional frameworks. Advice may involve seminars on best practices in particular issues, evaluation of alternative

reform options, and assistance in preparing and implementing new regulatory and institutional arrangements.

Support to Design and Implementation of Pioneering Projects and Transactions

7. The design and implementation of private infrastructure transactions may call for a range of technical inputs on policy, engineering, financial, legal and environmental issues. PPIAF may assist in supporting the design and implementation of projects that are pioneering in some important respect, and thus reflect some measure of innovation and offer potential demonstration effects.

Capacity Building

8. The scarcity of expertise within governments on how to design and execute private infrastructure arrangements and on how to regulate private service providers is a major impediment to broad and more effective private involvement in infrastructure. PPIAF can assist in many ways, ranging from ad hoc seminars to support for the development of regional capacity building centers and training programs.

B. Identifying And Disseminating Best Practices

9. Notions of best practice in private involvement in infrastructure are evolving rapidly with experience. Sound decision making requires timely access to reliable analysis of lessons from emerging experience. PPIAF can assist in many ways, including:

- Preparing “Toolkits” which draw together in a user-friendly way best practice on particular issues related to private involvement. Toolkits may be prepared on issues in a single sector, or on themes or issues that cut across several sectors.
- Preparing case studies and model documents.
- Supporting conferences or other gatherings to foster the sharing of best practice thinking on key issues.
- Developing websites for disseminating best practice knowledge.
- Maintaining a “Help Desk” service to assist recipient governments (and participating donors) identify key resources relevant to particular issues.

Annex III: Proposal Evaluation and Approval Process

1. The process for evaluating and approving proposals for PPIAF assistance has been designed to ensure conformity with the approval criteria and the annual work program.
2. Proposals for PPIAF assistance may be evaluated and approved through one of two processes:
 - (a) Proposals may be specifically identified in the annual work programs approved at annual meetings of the Program Council; or
 - (b) Proposals may be dealt with by the Program Management Unit between meetings of the Program Council in accordance with the agreed work program, criteria and processes.
3. The evaluation and approval processes for the second category of proposals aim to strike a balance between speed, cost, comprehensiveness of evaluation, transparency and other considerations. The nature and rigor of the evaluation and approval process generally increases with the size of the support requested from PPIAF. To facilitate this approach, proposals are classified according to the amount of support requested from PPIAF: small (\$75,000 or less), medium (over \$75,000, up to \$250,000) or large (over \$250,000).
4. The evaluation and approval processes for proposals that have not been approved through PPIAF's annual work program and for which funding is sought from the Core Fund is described below and summarized in the attached table. Proposals for which funding is sought from Non-Core Funds will generally follow the same process, with final approval required from the relevant donor rather than the Program Council as a whole.

A. Applications

5. Proposals for PPIAF assistance may originate from any source. Consistent with the approval criteria, however, proposals relating to country-specific activities will require the approval in writing of the relevant government.
6. Proposals for PPIAF assistance are initiated by the completion of an application form that seeks to capture all key information required to assess the proposal. Application forms – together with supporting information – will be available on the PPIAF website, as well as in paper form that is disseminated widely.

B. Initial Screening

7. The Program Management Unit will undertake an initial screening of all proposals to ensure that the application is complete and is consistent with the threshold eligibility criteria in relation to eligible countries, sectors, forms of private involvement, and nature of intervention. If required, the Program Management Unit may consult with the proponent to elicit additional information.

C. Technical Assessment

8. Proposals that meet the threshold eligibility requirements will be subject to more intensive scrutiny according to the approval criteria and annual work program.

9. For small proposals (\$75,000 or less), the Program Management Unit may undertake this evaluation from its own resources but may request an independent technical assessment from one or more specialists with relevant expertise. For this purpose, the Program Management Unit shall develop and maintain a roster of relevant specialists drawing on World Bank Group staff as well as other qualified professionals. The findings and recommendations of such assessors shall not be binding on the Program Management Unit, but shall in all cases be recorded in the activity file and will be available to PPIAF donors. To ensure a rapid response capability, applications for small activities shall be considered on a rolling basis, without the need for a relative assessment of proposals through the periodic batching of proposals.

10. For medium and large proposals (over \$75,000), the Program Management Unit is obliged to seek an independent technical assessment from one or more specialists with relevant expertise drawn from the roster. As with small proposals, the findings and recommendations of such assessors shall not be binding on the Program Management Unit, but shall in all cases be recorded in the activity file and will be available to PPIAF donors. Unlike small proposals, medium and large proposals will usually be batched for evaluation on a quarterly basis, so as to allow an assessment of the relative merits of each proposal. However, this batching requirement may be waived in the case of urgent requests with the agreement on a “no-objection” basis of the Program Council.

11. In all cases, if the Program Management Unit is of the opinion that the proposed activity is technically sound but raises significant social, political or other sensitivities not fully addressed in the approval criteria, the Program Management Unit shall refer the proposal to the Program Council for further guidance.

D. Donor Coordination

12. Proposals that are adjudged to meet the threshold eligibility requirements and to be consistent with other approval criteria will then be tested to ensure they are not in conflict with the programs or activities of donors.

13. For small proposals (\$75,000 or less), the Program Management Unit shall make this assessment by undertaking a review against information reasonably available on donor programs and activities.

14. For medium and large proposals (over \$75,000), the Program Management Unit will undertake a more active assessment. In the case of donors participating in PPIAF, this will involve consultation on a “no objection” basis. This consultation will usually be undertaken through electronic mail inviting nominated contact persons to register any concern within a maximum of ten working days.¹ To facilitate this process, participating donors are to advise the Program Management Unit of relevant contact details within

⁸ In the case of urgent matters, the Program Management Unit may expedite this process by seeking affirmative advice from Program Council members.

their organization. In the case of donors not participating in PPIAF, best endeavors will be made to obtain relevant information on these donors' programs.

15. If the above processes reveal any issue of donor coordination, the Program Management Unit shall endeavor to resolve such matters through appropriate consultation. Matters that cannot be resolved in this manner may be referred to the Program Council for further guidance.

E. Approval

16. Proposals that pass the above tests shall be subject to final approval according to the following process.

17. For small and medium proposals (\$250,000 or less), the Program Manager is authorized to approve the proposal without further reference to the Program Council. However, the Program Manager shall inform the Program Council of its approval activity through quarterly reports.

18. For large proposals (over \$250,000), the Program Management Unit is required to seek the endorsement of the Program Council on a "no objection" basis. This will normally be through a series of quarterly reports based on the quarterly batching of proposals, where donor would be asked to register any objection within 10 working days. For urgent requests, the Program Council may be invited to endorse the activity at the same time as it is asked to waive the batching requirement (see para 10) and to confirm that there is no conflict with donor programs or activities (see para 14).

F. Notification of Proponent

19. Proponents will be notified immediately following the acceptance of their proposal and all approved proposals will be posted on the PPIAF website. If a proposal is rejected, an explanation will be provided to the applicant.

G. Execution

20. Once an activity has been approved and PPIAF funds are allocated, the Program Management Unit shall designate a task manager for the activity on the basis of relevant expertise. The task manager will be responsible for ensuring that all appropriate procurement, supervision and reporting procedures are complied with.

**SUMMARY OF EVALUATION AND APPROVAL PROCESS FOR PROPOSALS
NOT SPECIFICALLY IDENTIFIED IN ANNUAL WORK PROGRAM**

Size of Proposal	Initial Screening (threshold eligibility)	Technical Assessment (conformity with approval criteria and work program priorities)	Donor Coordination ("no conflict" test)	Final Approval
Small \$75,000 or less	Program Management Unit	Program Management Unit – Use of independent technical assessors optional. Proposals considered on a rolling basis.	Reasonable endeavors	Program Manager
Medium over \$75,000, up to \$250,000	Program Management Unit	Program Management Unit – Use of independent technical assessors mandatory. Proposals batched for relative assessment on a quarterly basis. This requirement may be waived in the case of urgent proposals with the endorsement of the Program Council on a "no objection" basis.	Program Council members: Confirm no-conflict on a "no objection" basis. Non-members: Reasonable endeavors	Program Manager
Large over \$250,000	Program Management Unit	Program Management Unit – Use of independent technical assessors mandatory. Proposals batched for relative assessment on a quarterly basis. This requirement may be waived in the case of urgent proposals with the endorsement of the Program Council on a "no objection" basis.	Program Council members: Confirm no-conflict on a "no objection" basis. Non-members: Reasonable endeavors	Endorsement sought on a "no objection" basis from Program Council (if financed from Core Fund) or relevant donor (if financed from Non-Core Fund).

Annex IV: Technical Advisory Panel, Program Management Unit and Regional Coordination Office

1. The key functions and attributes of the Program Council, Technical Advisory Panel, Program Management Unit and Regional Coordination Offices are outlined in the body of the PPIAF charter. Additional details on the appointment of the Technical Advisory Panel and Program Management Unit and Regional Coordination Office staff are provided below.

A. Technical Advisory Panel

Key Responsibilities

2. The Technical Advisory Panel will assist the Program Council to ensure the quality and relevance of PPIAF-financed activities. Specifically, the Technical Advisory Panel will be responsible for:

- At the request of the Program Council, providing advice on specific issues associated with private sector involvement in infrastructure in developing countries.
- Reviewing and commenting on the PPIAF strategy as reflected in draft annual work programs prepared by the Program Management Unit.
- Evaluating the impact of the PPIAF annual work program through *ex-post* evaluation of selected activities.

3. The Technical Advisory Panel will meet at a minimum of twice per year, and Technical Advisory Panel members will be available during the annual meeting of the Program Council.

4. The Technical Advisory Panel's findings and recommendations will be forwarded to the Program Council Chair and disseminated to all Program Council members at least four weeks prior to the Program Council's annual meeting.

Terms and Conditions of Appointment

5. Technical Advisory Panel membership will not require a full-time commitment of time and attention, and in most cases it is anticipated that Technical Advisory Panel members will pursue some primary occupation. Terms of appointment will be determined by the Program Council.

6. Technical Advisory Panel members shall be entitled to reasonable costs associated with discharging their responsibilities, including sitting fees and travel and related costs associated with participating in Technical Advisory Panel meetings.

7. The Technical Advisory Panel will receive secretariat support from the Program Management Unit. In addition, the Technical Advisory Panel will have access to adequate funding to commission consulting inputs to assist in discharging its responsibilities.

Appointment of Technical Advisory Panel Members

8. The Technical Advisory Panel shall comprise up to six members selected on the basis of their expertise in matters related to private involvement in infrastructure in developing countries. More detailed selection criteria will be determined by the Program Council. Technical Advisory Panel members are appointed by the Chair of the Program Council, after consultation with Program Council members.

B. Program Management Unit

9. The Program Management Unit is responsible for carrying out the PPIAF mandate and managing its day-to-day operations. The Program Management Unit will be kept small, and focus on administration of the PPIAF program rather than the delivery of PPIAF-funded activities. Key responsibilities will include:

- Reviewing proposals for PPIAF assistance in accordance with the criteria and process approved by the Program Council (in the case of activities funded from the Core Fund) or by relevant contributors (in the case of activities funded from Non-Core Funds).
- Arranging delivery of PPIAF programs and activities.
- Providing secretariat services to the Program Council and Technical Advisory Panel.
- Maintaining effective relationships with contributors, recipient governments, the private investor community, and other stakeholders.
- Proposing and administering the PPIAF work plan and budget, and managing the disbursement of funds.
- Overseeing field-based Regional Coordination Offices.

10. The Program Management Unit shall be led by a Program Manager and comprise a small team of professional and administrative staff.

Program Manager

Responsibilities

11. The Program Manager will be responsible for leading the Program Management Unit in accordance with the PPIAF charter and the strategies, policies and work programs approved by the Program Council. The Program Manager will be responsible for ensuring the Program Management Unit discharges the responsibilities outlined above in an efficient, effective and responsive manner.

12. The Program Manager will report to the Program Council through its Chair.

Terms and Conditions of Appointment

13. The Program Manager will be employed subject to the terms and conditions of appointment approved by the Program Council.

Recruitment

14. The Program Manager will be recruited internationally based on relevant expertise. The Program Council or some designated sub-committee thereof shall be responsible for overseeing the recruitment process, including the definition of specific terms of reference and the evaluation of candidates.

Professional Staff

Responsibilities

15. The Program Manager will be supported by a small team of professional staff. The specific skills profiles and staffing strategy will be determined by the Program Manager in consultation with the Program Council.

Terms and Conditions of Appointment

16. Professional staff will be employed subject to the terms and conditions of appointment approved by the Program Council.

Recruitment

17. Professional staff will be recruited internationally based on relevant expertise. The recruitment process shall be approved by the Program Council.

Administrative Staff

Responsibilities

18. The Program Manager and professional staff will be supported by a small team of administrative staff. The specific skills profiles and staffing strategy will be determined by the Program Manager.

Terms and Conditions of Appointment

19. Administrative staff will be employed subject to the general terms and conditions of appointment approved by the Program Council.

Recruitment

20. Administrative will be recruited on the basis of relevant skills and experience. The Program Manager shall be responsible for managing the recruitment process, including the definition of specific terms of reference and the evaluation of candidates.

C. Regional Coordination Offices

Responsibilities

21. Regional Coordination Offices are field-based emanations of the Program Management Unit responsible for assisting in the execution of the PPIAF work program. Regional Coordination Offices shall comprise a Regional Coordinator supported by a small professional and administrative staff as necessary. Reporting to the Program Manager, key responsibilities will include:

- Identifying opportunities for PPIAF assistance, supporting local requests for PPIAF interventions, and tailoring assistance strategies to local priorities and conditions.
- Working with recipient governments and representatives of contributors, international financial institutions and other official agencies to promote effective coordination of advisory activities.
- Liaising with private sector representatives to ensure their perspectives are reflected in PPIAF advice and activities.
- Assisting in the supervision of PPIAF activities.
- Fostering contacts and good working relationships with key government officials and representatives of donor, multilateral and private investor communities.

22. The number, size and specific location of Regional Coordination Offices shall be determined by the Program Council.

Terms and Conditions of Appointment

23. Regional Coordination Office staff will be employed subject to the general terms and conditions of appointment approved by the Program Council.

Recruitment

24. Professional staff of Regional Coordination Offices will be recruited internationally based on relevant expertise. The recruitment process shall be in accordance with the same principles as proposed for headquarters-based professional staff of the Program Management Unit.

25. Administrative staff of Regional Coordination Offices shall be recruited on the basis of relevant skills and experience. The Regional Coordinator shall be responsible for managing the recruitment process, including the definition of specific terms of reference and the evaluation of candidates.

Annex V: Reporting and Auditing Arrangements

Specific reporting and auditing requirements will be defined in the trust fund agreements entered into between participating donors and the World Bank. The general structure of the proposed reporting and auditing arrangements are outlined below.

For Core Fund *(to be provided to all Program Council members)*:

- Quarterly financial statements¹ (unaudited)
- Quarterly progress reports on the status of approved activities.

For Non-Core Funds *(to be provided separately to relevant donor)*:

- Quarterly financial statements (unaudited)
- Quarterly progress reports on the status of activities.

For all PPIAF activities *(to be disseminated broadly)*:

- An annual report on all PPIAF activities and summary financial statements, no later than six months following the end of the fiscal year.

The World Bank, as trust fund administrator, will provide to donors on an annual basis a management assertion, together with an attestation from the World Bank's external auditors, of the satisfactory performance of the procedures and controls used by the World Bank in administering PPIAF funds.

External reviews and financial audits of PPIAF activities may be performed at the request of the Program Council, individual donors with respect to their contributions to Non-Core Funds, and World Bank management.

⁹ Financial statements are prepared in US dollars and on a cash basis. Contributions are recorded when received, and disbursements are recognized when paid rather than when obligations are incurred.