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World Bank Group Risk Mitigation Solutions for Myanmar's Infrastructure Projects

Workshop Program

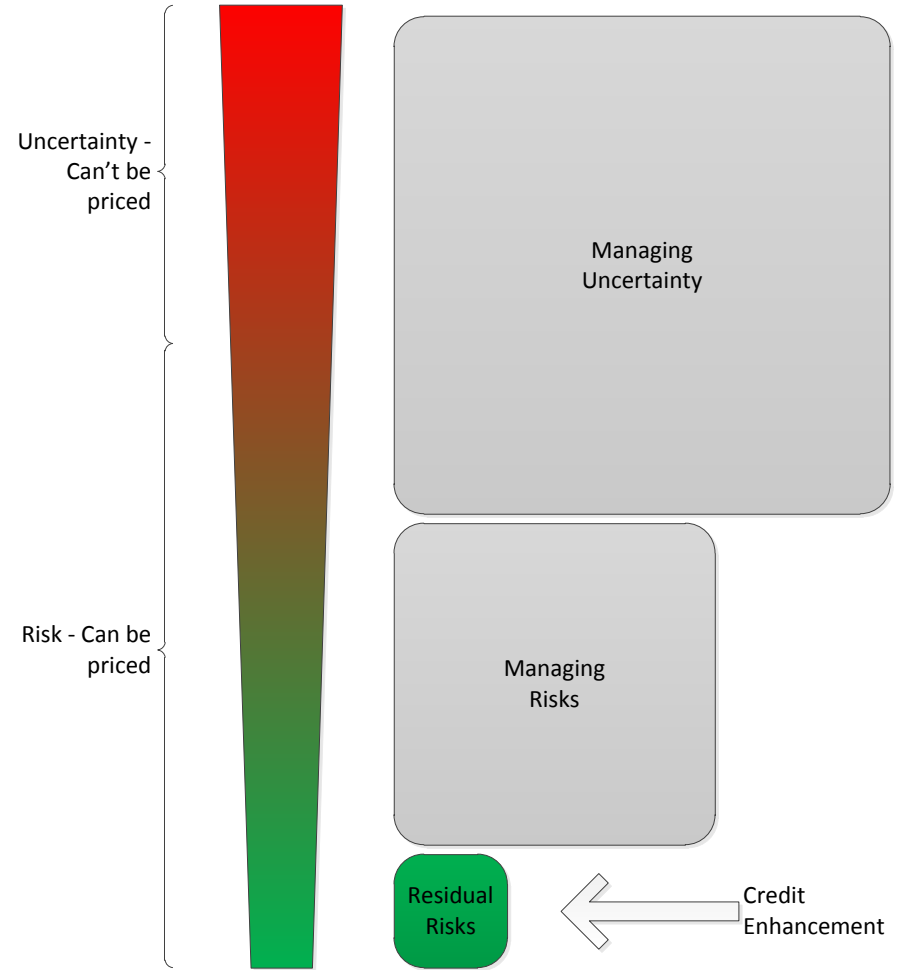
3 June, 2015

A faint, light blue globe graphic is positioned on the left side of the slide, partially overlapping the dark blue background. It features a grid of latitude and longitude lines.

Richard MacGeorge

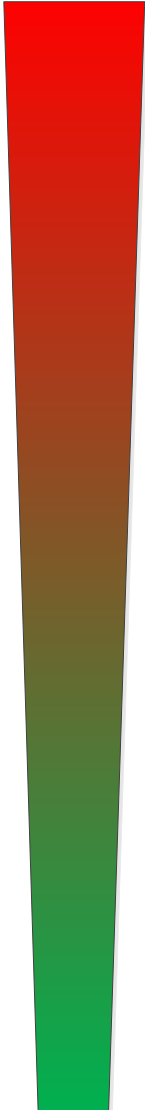
Successful preparation of bankable projects

Getting Projects From Fairway to Green: A Risk Reduction Process...

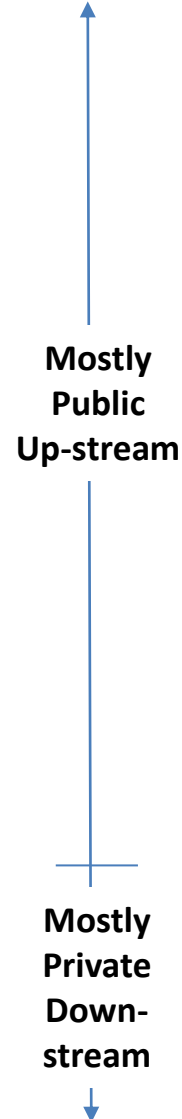




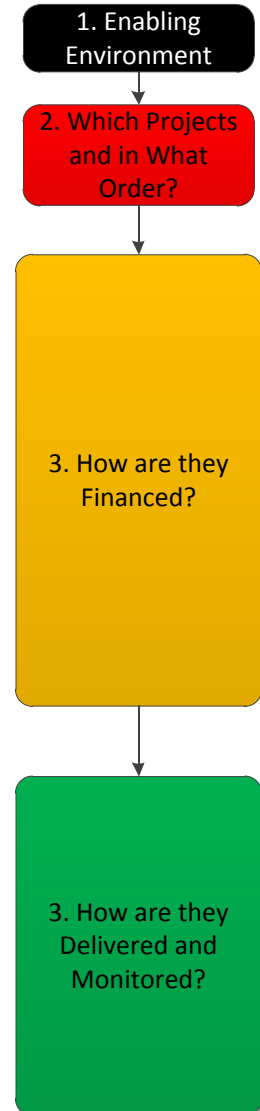
Risk Reduction



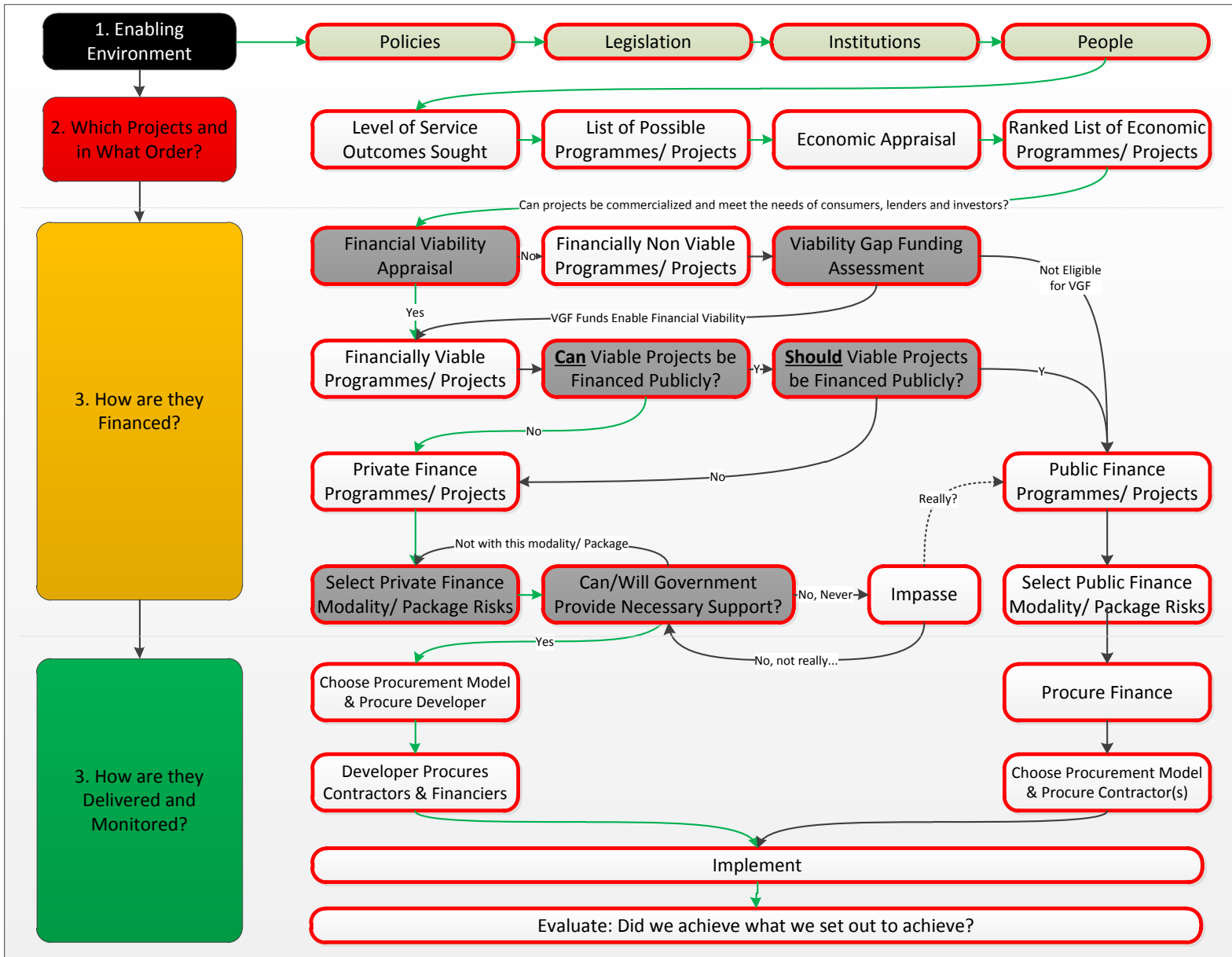
Responsibility



Process

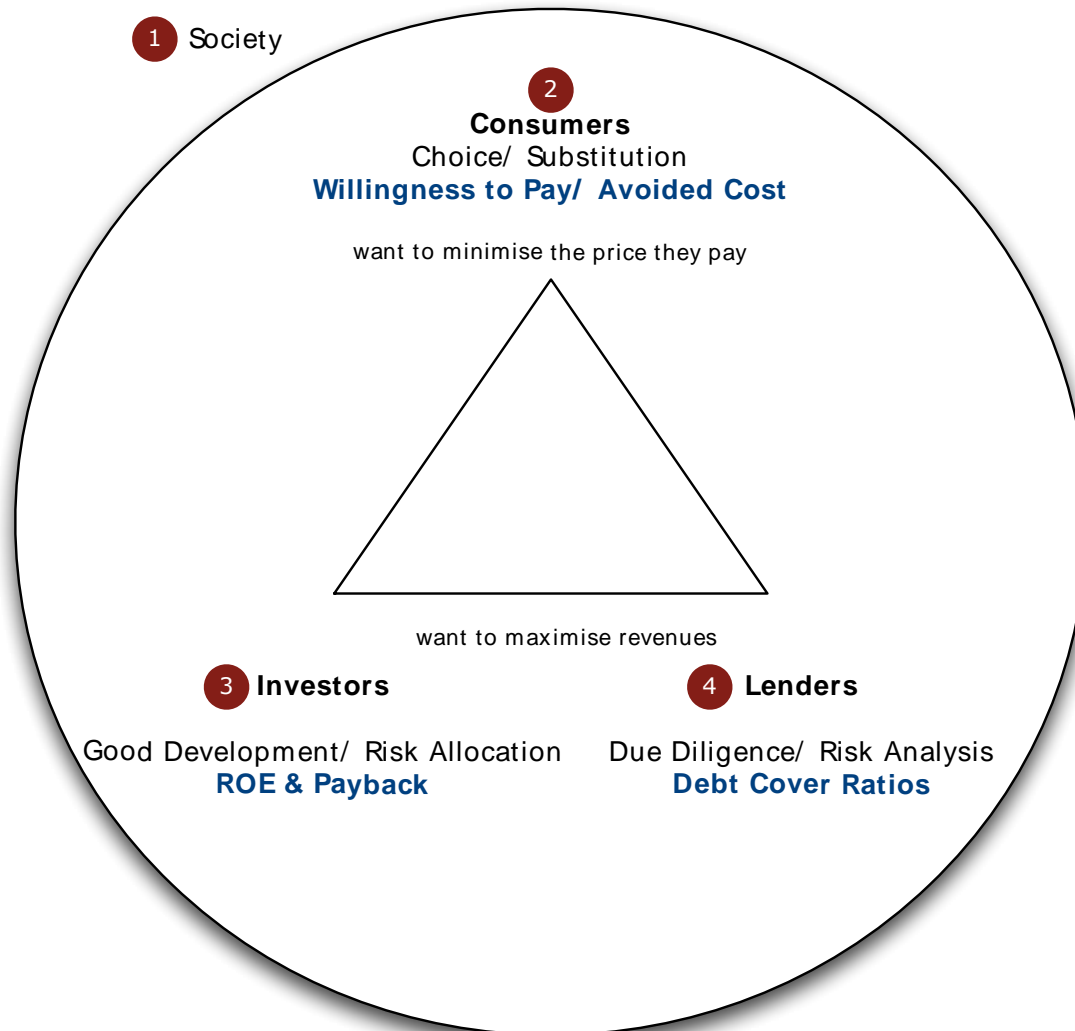


...Clear Processes with Good Tools at Key Stages...





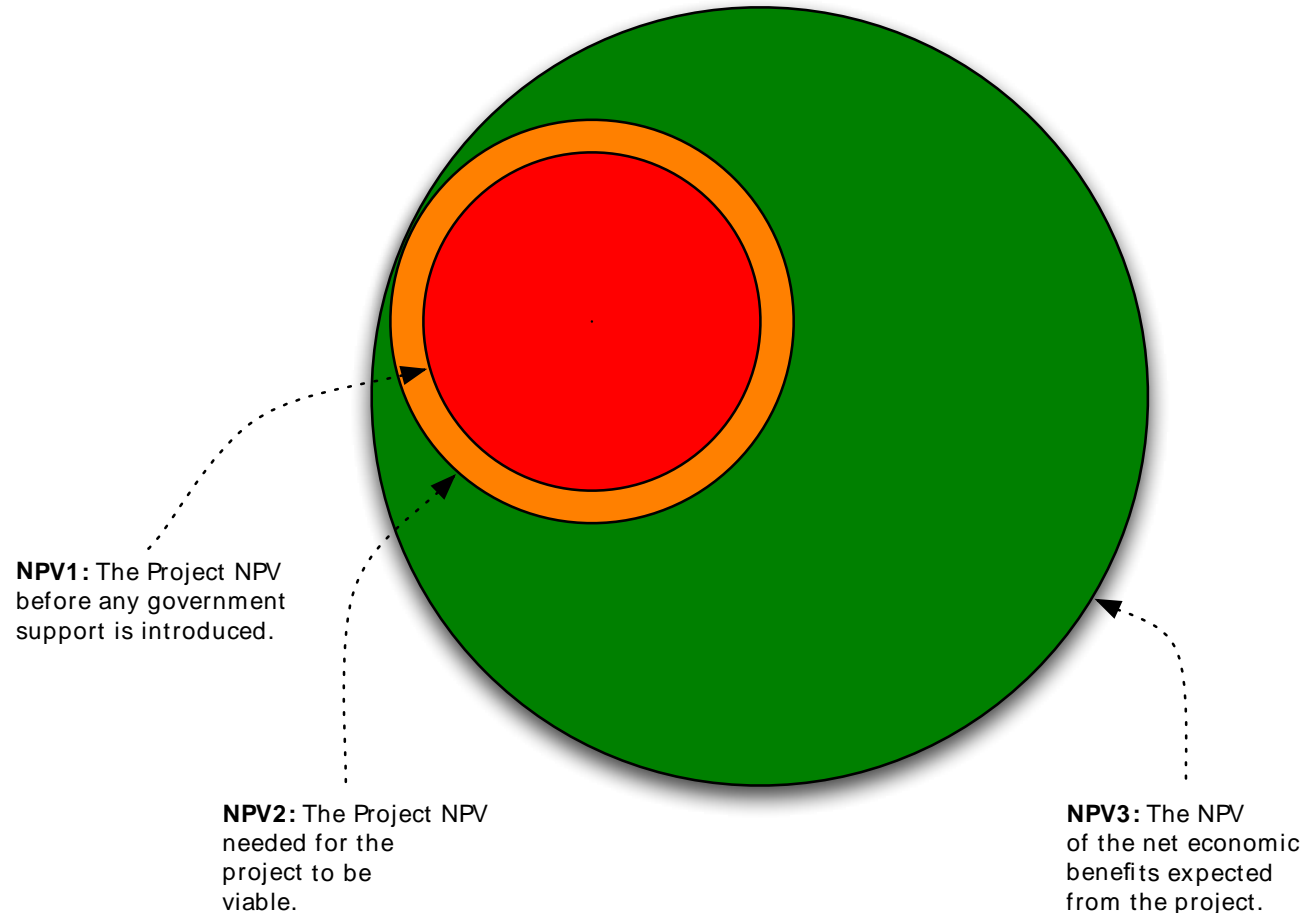
Meeting Needs of Four Groups





Calculating Minimum Support for Viability

- Sometimes a project is economically attractive but is not financially viable
- Public Sector can either develop the project itself or entice the private sector through subsidies and guarantees
- Measuring the 'viability gap' is needed so government can determine the support it needs to provide.



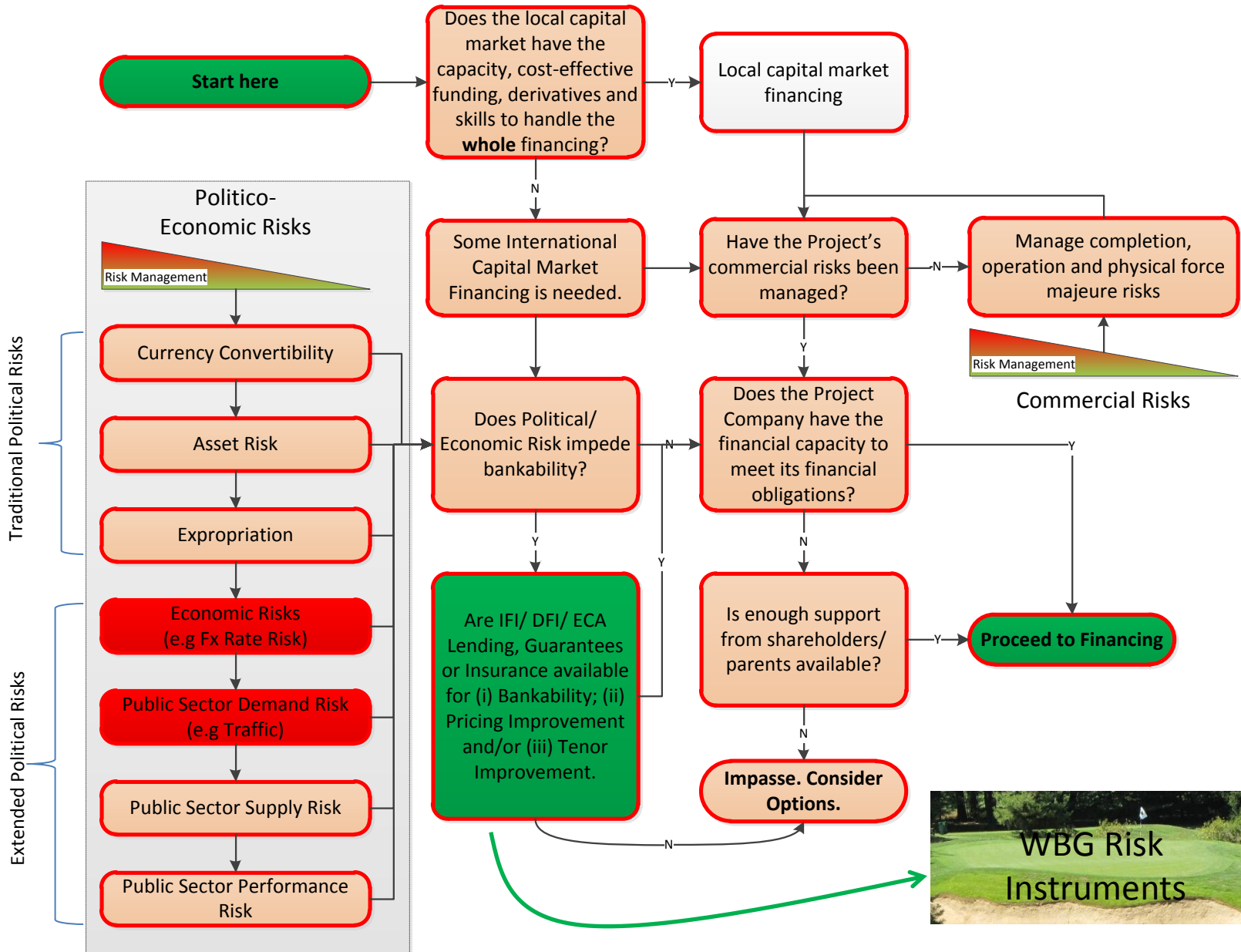
...and making good choices from the PPP “Menu”...



Existing Infrastructure Assets						
Model	Design	Build	Operate	Finance	Ownership	
Total Public Sector						Public
Contracting Out						Mixed
Corporatisation						Private
Partial Privatisation						Not Applicable
Full Privatisation						

New Infrastructure Assets						
Model	Design	Build	Operate	Finance	Ownership	
Total Public Sector						Public
Contracting Out						Mixed
Build- Operate- Transfer (BOT)						Private
Build- Own- Operate- Transfer (BOOT)						
Build- Own- Operate (BOO)						

...and Understanding the Needs of the Private Sector.



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Shobana Venkataraman

OBSERVATIONS FROM MYINGYAN POWER GENERATION PROJECT



General Requirements	Myingyan IPP
<p>Legal and regulatory framework</p> <ul style="list-style-type: none"> - Sector regulation - Tender procedure - Arbitration framework 	<ul style="list-style-type: none"> - New EL but no inconsistencies expected - No tender regulations: adopt international best practice - Permitting regime: established (FIL / MIC) - Arbitration Bill pending in Parliament: Myanmar has signed the NY Convention <u>but domestic legislation is pending</u>
<p>Technical feasibility</p> <ul style="list-style-type: none"> - Site suitability - Fuel supply - Plant sizing 	<ul style="list-style-type: none"> - MEPE identified a suitable site in Myingyan township close to gas pipeline, t-line and river; land acquisition completed - Gas supply contract in place - Minimum capacity established based on gas available and plant efficiency: actual capacity offered by bidders - System stability study conducted by advisers



General Requirements	Myingyan IPP
Financial viability	<ul style="list-style-type: none"> - Benchmark tariffs (ex-gas) have been established through competitive tenders in Vietnam, Thailand, Bangladesh, Middle East, etc. - Cost of capital expected to be higher than in Thailand & Middle East - Efficiency (heat rate) guarantee is part of financial bid evaluation - PPA contains penalty for failure to meet efficiency threshold
Demand - masterplan	<ul style="list-style-type: none"> - Detailed long-term masterplan / load forecast for Myanmar in process - Short-term supply short-fall evident from load shedding and about 500 MW of immediate need identified - Typically baseload IPPs are take or pay contracts



General Requirements	Myingyan IPP
Market interest	<ul style="list-style-type: none">- Significant international investor interest in Myanmar at present- Technically and financially qualified investors look for properly structured projects which must be bankable
Environmental & Social	<ul style="list-style-type: none">- Scoping study and 6 months of data collection conducted by advisers



General Requirements	Myingyan IPP
Bankable risk allocation and contractual documentation	<ul style="list-style-type: none"> - Model PPA developed by ADB and IFC with Allen & Overy as legal adviser - Based on Thai PPA with elements of Middle East and regional – model that has been banked several times - Risk allocation is balanced with allocation to parties best able to manage the risk
Government support / guarantee	<ul style="list-style-type: none"> - MoF or central bank guarantee of PPA payment obligation provided in most emerging markets - MoF guarantee framework still under development in Myanmar - MOEP undertaking to guarantee PPA payment obligations of MEPE as MOEP is part of Government under law - Confirmation through UAGO legal opinion - MoF Acknowledgement (not a guarantee contract but an acknowledgement that provides comfort to lenders)



General Requirements	Myingyan IPP
Competitive & transparent procurement	<ul style="list-style-type: none"> - Constitution provides for economy and efficiency but no specific procurement legislation - MEPE had issued invitation to tender in Sep 2013 to which 19 bidders responded - Upon appointment of TA, this was used as a pre-qualification screening based on objective criteria - Detailed RfP with objective evaluation criteria (both for technical and financial envelopes) issued - Financial bids of only technically qualified bidders opened - Financial evaluation based on capacity price and guaranteed plant efficiency of each bidder
Bidder consultations	<ul style="list-style-type: none"> - Bidder feedback obtained during bidding process through project data room, pre-bid conference and structured one to one meetings