

Defining the partnership

Private sector involvement in highway development is firstly a political and policy issue. Governments need to understand the requirements of highway infrastructure and of their users in order to define the way in which private sector may assist in providing their response. The tailoring of this response needs to adopt an objective consideration of the genuine economic, political and strategic restrictions to private provision and the real concerns of road users and the public at large.

The transport business strategy of the World Bank feeds into this assessment; by assessing the areas of policy development in the transport sector and provides a realistic indication of the areas and methods by which private sector participation may be encouraged.

This section 'Defining the Partnership' supports this objective view of the contribution of PPP in highway development by presenting the issues to be understood and addressed by policy-makers.

Many countries are uncomfortable with fully private owned or free-market operation of transport infrastructure. The discomfort arises from the presence of natural monopolies, the existence of market power due to exclusive location, the practical or economic difficulty of fully recovering costs from user charges and the lumpy, long-term and risky nature of much transport investment (which limits private financing). In some countries, there is also a public perception that transport infrastructure is an inherent part of the public patrimony and should be run for the public good rather than for commercial gain.

Public ownership of transport infrastructure is a legitimate public policy choice. The public sector is the owner and usually the "manager" of nearly all the world's roads, inland waterways, navigable airspace and shipping channels, as well as most of the basic port, airport and navigation infrastructure, most metro and tram networks and most national railway infrastructure (including 95% of the rail network outside North and Latin America). The Bank will remain engaged with partner countries to improve the management capacity and operating efficiency of public-owned enterprises. But there are often ways for governments, as custodian of such assets, to seek the benefits of greater private sector participation in their financing, management and operation. The Bank will continue to encourage partner countries to consider these options for public-private partnership.



Safe, Clean and Affordable - Transport for Development, The World Bank Group's Transport Business Strategy for 2008-2012, World Bank, 2008.