

Enabling PPPs

Despite the opportunity offered by low- and middle-income countries for the development of PPPs in the highway sector, private investment often remains lacking.

The aim of the public authority is to target the projects suitable for PPP and to create an enabling environment suitable for their implementation.

Full transport concessions remain concentrated in middle-income countries, where the volumes of traffic are attractive and there is sufficient public sector capacity to engage with the private sector. IEG (Independent Evaluation Group; World Bank) recognizes, however, that the impact of even one or two concessions in a lower-income country can have a dramatic effect. Actual possibilities of attracting private capital into transport infrastructure vary greatly over time and among countries. But there are instances in ports and large bridges, where even poor countries with uncertain prospects have been able to attract foreign private sector interest at certain stages in the financial markets' cycle.

Improving the strength and efficiency of the private sector role in road maintenance is a matter that remains important in all countries, as different stages of development are achieved and new techniques are developed. Key components on the public side include serious commitment at the highest level within each concerned body to the elimination of corruption and achievement of high standards of governance; development and continuous updating of the management information systems; both central and decentralized capacities for planning and contract management; adoption and systematic enforcement of transparent competitive bidding practices; financial flows to the different levels of government involved; and gradually increasing use of performance-based contracting. Important contributions from the private side (with public support) are training, development of commercial equipment-supply enterprises, and an effective contractor/PPP association.



A Decade of Action in Transport, World Bank 2005 (pg 76)

This section introduces the process by which a PPP strategy may be developed. This comprises a diagnosis of the road sector and of the components to establish an enabling environment for PPP, the definition of a PPP policy framework and of a PPP strategy. The aim shall be to target the use of PPP both in its field of application (eg national road network) and in its level of application (eg performance-based maintenance contracts).

Policy makers (and their advisors) should conduct the various steps of the diagnosis, keeping in mind the benefits that can be expected from introducing or enhancing private sector participation and the considerations inherent in such development, as identified in the previous sections.

The results of the diagnosis should be assessed within the context of government policies for public investment and planning, notably in the highways sector, as detailed in Module 3 -> Sector Planning and Strategy. This assessment would then conclude with the

PPP strategy which shall define the role and extent of PPP in highway development and the process by which the PPP policy framework and development plan may be advanced.

The establishment of a PPP Policy Framework is described in Module 3 -> PPP Policy Framework.