

## Purpose and Objectives of a PPP program

**Faced with an increasing investment gap and a requirement for funds, many public authorities in low and middle-income countries do not have the luxury to choose between public and private funds options for the development of their infrastructure. In such circumstances, private finance may allow economically justified projects to be implemented which would otherwise have been delayed or cancelled through lack of funds.**

The real issue for PPP is not public infrastructure versus private infrastructure. It is more simple; the issue is less infrastructure versus more (Harris, 2003)

However, the potential application of PPP should not be overestimated; public funds will remain the principal source of funding in highway infrastructure for the foreseeable future.

### Application of PPP in the UK PFI program

The PFI program is no longer considering projects with a capital value of less than £20 million (USD 40 million), as other procurement routes are deemed more appropriate.



PFI: Strengthening long-term partnerships, HM Treasury, UK, 2006

Policy makers must thus assess in which sectors and for which projects PPP may bring benefits to the public sector and to the road user. The PPP strategy should then allow a controlled introduction and expansion of PPP to allow the progressive build-up of capacity and to benefit from experience drawn from implementation of initial projects.

In assessing objectives of a PPP program, policy makers may ask questions such as:

- Are public budgets for road investment and maintenance sufficient to maintain the network at an acceptable standard? Is there a backlog of investment and maintenance works?
- Is the road sector efficient? Does it embody commercial practices for the management road sector?
- In which sectors and for which projects may PPP provide benefits to the public sector and to the road user?
- Are contracts procured under conventional contracts being implemented on time and to budget?
- Would a type of PPP scheme that has been successful in a different country work in our region?
- Should we contract out maintenance of this road or have a global package for rehabilitation, maintenance and operation?
- Would road users accept a direct payment system (in the form of a toll)?

- Would a toll system generate sufficient revenue to pay back the investment?

Experience has shown that no ready-made solution exists and that the strict duplication of a project between countries has little chance of success. A PPP project can only produce efficiency gains and added value to the road sector if its characteristics are designed in accordance with the constraints and bottlenecks faced by the road agency, the country framework and the capacity of the private sector. In other words, a PPP project should be carefully tailored to its environment, but with regard to how the environment may need to change in order to maximize development gains.