

# Sector Planning and Strategy

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## Planning and policy making

**The change of focus in transport policy toward a market-based approach implies a radical change in the role of government. The private sector can take on more responsibility for providing, operating, and financing transport services and transport infrastructure through PPP arrangements.**

Thus, the role of the government as supplier or quantitative regulator will decline, but its importance as the sector planner, as the enabler of competition and the custodian of environmental and social interests will increase. The political and institutional framework will remain crucial, and the general orientations of the transport policy should be emphasized in the process of transport planning and policy making.

Cost-benefit analysis remains the central pillar for allocating public resources. However, new skills are additionally required. The public sector also needs to set efficient charges for the use of publicly provided infrastructure, maintain the competitive environment in the sector and develop new capacities in Highway Authority in relation with the evolving roles that have become more important. Increasing community and user participation in decision making, and especially but not only, in regard to minimizing social and environmental impacts and through providing adequate social and environmental safeguards are also required.

For PPP projects, the socio-economic criteria are necessary but not sufficient. In addition to the socio-economic factors, selection of PPP projects will depend on 'bankability' i.e. whether the project's key characteristics are favorable enough that the private sector will provide equity funds and institutions provide loans, on reasonable and acceptable terms. Bankability covers a mix of financial viability and risk, factors which themselves relate to demand, tolls, construction costs, land acquisition, social and environmental safeguards and various other detailed risks and circumstances of a project, impacting both the public and private sectors.

The following gives information on India which is also the subject of a Case study within this Toolkit.

### Country Experience: India

Following many years of hesitation with PPPs, India has made great strides in its PPP program and especially in the highway sector. India is now the fourth largest economy in the world and one of the fastest growing. However it faces both a tremendous backlog and a growing demand for infrastructure. In the highway sector, 40% of villages do not have all weather road access and only 12% of the strategic national highway system has 4 lanes. In the cities, traffic congestion is worsening impacting both public and private transport.

Lack of infrastructure also undermines the competitiveness of the economy and poor infrastructure hinders FDI in non infrastructure businesses. Poor infrastructure also impedes inclusive growth and poverty reduction.

In the highway sector the GOI has established its National Highway Development Program (NHDP) and the Prime Ministers Rural Road program. However, available funding has been providing less than 50% of needs. India now sees PPPs as a necessity to mobilize sufficient resources for its infrastructure needs. (Module 6 -> Case studies -> India)



Facilitating PPP for Accelerated Infrastructure Development in India, Regional Workshops of Chief Secretaries on PPPs. ADB Report Dec.2006.