

Types of Advisory Skills Required

Even with assistance from entities such as the World Bank, the ultimate decision on the hiring of a particular consultant or set of consultants will fall on the government. In this case, a few guidelines should be kept in mind with regard to consultants:

- The consultants will require at least four types of key skills which are described below: road engineering, feasibility studies, PPP/financial analysis/investment banking and legal experience in toll roads. These areas devolve into many more types of component skills e.g. highway engineering into design, structures, surveys etc; socio-economic into economic, social, environmental and so on. These are considered briefly below.
- Credibility of the consultant is essential and consulting firm should be generally preferred over individual consultants. However, the government authority must give emphasis to the individuals that are assigned to the project. These individuals must have had direct experience with procurement for PPP highway projects.
- In the case of complex transactions such as toll road concessions, there may be several consultants, each with a particular specialization. In this case, it is often advisable for the government authority to ensure that one particular firm or individual has overall responsibility for the project to avoid the advisers blaming each other if a problem arises or a mistake is made.
- In general, it is better for the government to negotiate consultancy contracts wherein payments are tied to particular milestones (or accomplishments) rather than paying on the basis of the time consumed by the consultants. Due to the high cost of feasibility studies and transactions, especially where the number of projects is increasing rapidly, a number of countries are trying the 'success fee' mechanism whereby the consultants may claim a fee (or the balance of their fees) if the procurement process is successful. This may be more appropriate for the transaction stage i.e. bidding as it is possible that fees may be reclaimed from the winning bidder. Success fees for the feasibility stage are more difficult to justify. This is both from a funding perspective and from potential conflicts of interest (see below). Advisors could be tempted to recommend a PPP project is viable when there may be a number of potential serious flaws in the project. It is also good practice that the feasibility stage consultants be different to transaction advisors.
- Particularly for larger PPP contracts, it is possible to mandate that the winning bidder(s) will pay the government a commencement fee, which will partly or totally compensate for its expenses during the preparation phase. Such an arrangement will however only be meaningful for projects not requiring subsidies.

Consultants who offer advice, or who manage PPP processes on behalf of contracting authority must be impartial, except as noted above in relation to success fees and even then they must follow the rules of their contract. It may be established therefore at the outset, that the consultants, either individually or their companies, have no vested interest in the outcome of any procurement that may follow market sounding.

Using consultants to help with market sounding can offer great benefits. Any gaps in in-house knowledge and skills might be filled by an external consultant.

However it is important to remember that responsibility for taking decisions and the risk of the project as a whole remains with the contracting authority.

- It should be noted that for most toll road studies at least 2 and possibly 3 or 4 companies may combine to provide the requisite skills, or the lead company hires in external advisors for some key elements. The consortium approach should be encouraged in general, as the number of consulting companies having all the necessary skills is limited.
- Knowledge of the specific country, local/socio-economic conditions and institutions involved in PPPs and possibly have a local office.
- In the highway sector PPP advisors will need to have ability and skills in the three areas that follow.

Feasibility studies and the transaction process

- Highway planning; engineering, design, surveys, project planning, programming, design mitigation of the socio environmental impact of major roads,
- Socio-economic analysis; traffic forecasts, economic studies, social and environmental impacts, poverty, economic impacts etc
- Financial analysis and Government support
- Risk Analysis and risk management
- Experience in consultation with the general public, government institutions and the private sector
- Extensive experience in PPP development and preparation of PPP tender documents, negotiations, renegotiations.
- Extensive experience in PPP transactions; financial, funding business schemes/ SPVs-JVs.
- An understanding of how PPPs work, the issues and how they add value.
- Public sector; experience of working with public sector institutions, capacity building, training etc.
- Have impartiality and objectivity in the preparation of bankable projects

Market knowledge

- Understanding how the market (private sector) is broken into various types of players including contractors, investors, finance and how these sub-sectors interact for PPPs
- Understanding how financial markets work

Communication skills

The advisors should have the ability to engage with all parties as equals and partners, imparting their experience and technical advice to the client's best advantage.