

# Purpose of the Toolkit

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**The Toolkit for Public-Private Partnerships in Roads and Highways is to assist transport sector policy makers in low- and middle-income countries in implementing procedures to promote private sector participation and financing in the development of their road and highway sector.**

Except in a few totally state-controlled economies, private firms are already involved in road design, construction, maintenance or operation. Conventional procurement practices which are widely applied by public sector organizations throughout the world entail the outsourcing of works and services under individual contracts. Public-private partnerships (PPP) provide an alternative partnership model between the public and private sectors in which a private firm provides a global service with sufficient autonomy and incentives to produce efficiency gains for the benefit of all parties and in particular of road users.

PPP is not a panacea for public sector procurement. It cannot replace conventional procurement and public funding methods but instead should be viewed as complementing them in those cases where it can prove to be an efficient alternative. The public sector shall need to assess the role of PPP in a highway development program and determine the desired scale and pace for development of PPP projects. As the level of PPP develops, the role of the public sector will in turn transform from that of a service provider to a facilitator, requiring reform of its institutions and of the economic, financial and legal system.

It is thus important to define where PPP can be used effectively in highway development. Much of highway development and maintenance activity may not be considered suitable for PPP in the short to medium-term. A step-by-step approach is generally followed in order to allow sufficient time to consolidate political and public acceptance and to implement reform processes, building from the experience of initial projects. Initial implementation of projects with a lower level of private participation, such as performance-based contracts, may represent the best course of action and enable a PPP program to be initiated with little or no reform of structures and institutions. However, in some cases, the scale of required investments and the need for private funding may drive a more radical approach.

A public-private partnership should be seen as a genuine alliance, requiring a partnership approach from both the public and private sectors which must adapt and comply with clear, stable and neutral rules. This in itself represents a challenge for any public administration.

Finding the appropriate private partner requires market sounding and conducting a sound procurement process. Competitive bidding is the only way to safeguard community

interests by reducing the risk of corruption and abuse of its dominant position by the private party.

The contract between the parties ensures objectivity and fairness within the partnership. It requires precision to reflect a necessarily complex situation and clearly state the commitments of each party and how the risks are to be shared, as well as sufficient flexibility to take account of the inevitable changes occurring during the project life.

Ready-made solutions do not often work for PPP because each project is unique. Success depends precisely on the ability of the policy makers to take account in their choices of the specific nature of the local context.

**The Toolkit for Public-Private Partnerships in Roads and Highways** is intended to be a key reference guide for public authorities in developing countries for the development of their PPP programs in the highways sector. However, much information on the subject is readily available, notably through the internet, and the Toolkit has not vocation nor pretends to be a unique reference on the subject. It does aim, however, to be a complete and coherent guide for the PPP development to assist public authorities in PPP policy development and project preparation as well as in the sourcing and monitoring of external expertise.

The Toolkit provides guidance for public sector authorities in the definition of strategy and policy for PPP, the definition of the characteristics of PPP projects and the stages for their preparation as regards:

- the tasks (scope of work) entrusted to each party
- the level of autonomy left to the private actors and the way their performance is assessed
- the possibility and implications of including several road sections in a single contractual package
- the risk allocation principles and mechanisms
- the cost recovery system (general, specific taxes or direct road user charges)
- the financial scheme based on a government budget, private financing or a combination of both

The Toolkit presents concepts and methods for PPP which allow the required flexibility of approach for application in low- and middle-income countries, ranging from performance-based maintenance contracts to large-scale BOT highway concessions. Each public sector authority shall need to determine the degree to which such methods may be implemented, given the prevailing environment, and define the particular characteristics of its own PPP program.