

PPPs in the transport sector



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Agenda

- Who is doing PPPs?
- Why do PPPs?
- How to do PPPs



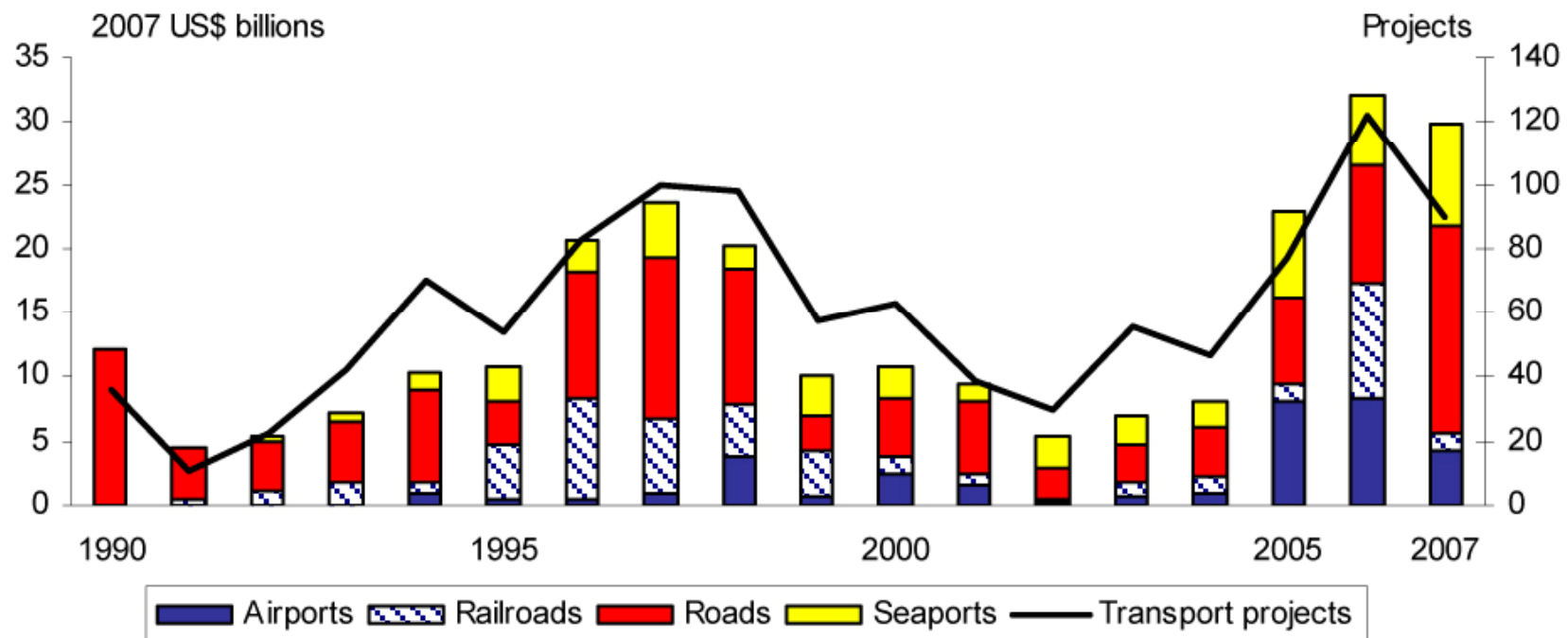
2007 transport projects

- 90 projects, involving investment commitments of US\$25.4 billion, reached financial or contractual closure in 26 low- and middle-income countries.
- In addition, transport projects implemented in previous years had additional commitments of US\$4.3 billion, bringing total investment to US \$29.8 billion.



Private activity in transport projects

Figure 1 Private activity in transport projects with private participation in developing countries, 1990–2007



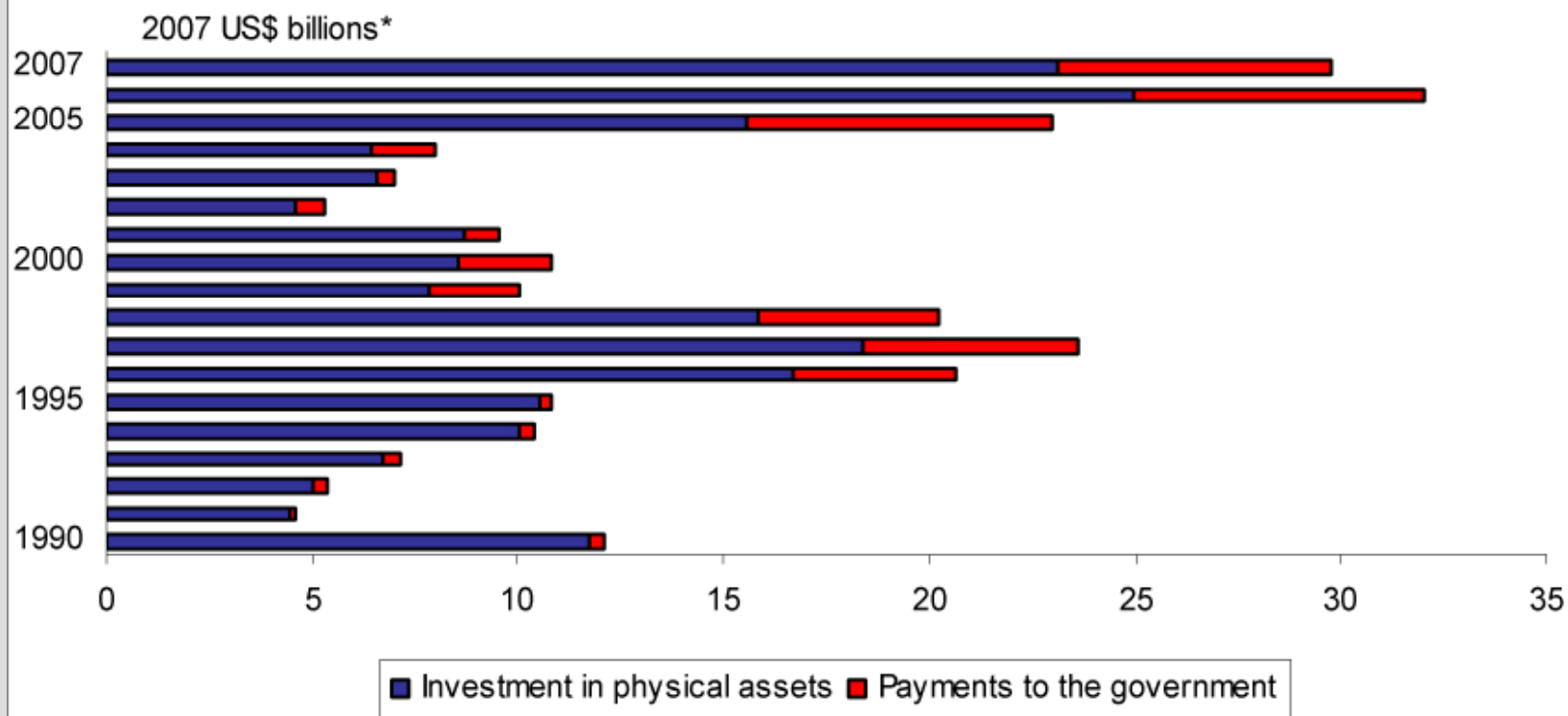
Source: World Bank and PPIAF, PPI Project Database.

* Adjusted by the 2007 US CPI.



Investment commitments

Figure 2 Investment commitments to transport projects with private participation in developing countries by form of investment, 1990–2007



Source: World Bank and PPIAF, PPI Project Database.

* Adjusted by the 2007 US CPI.

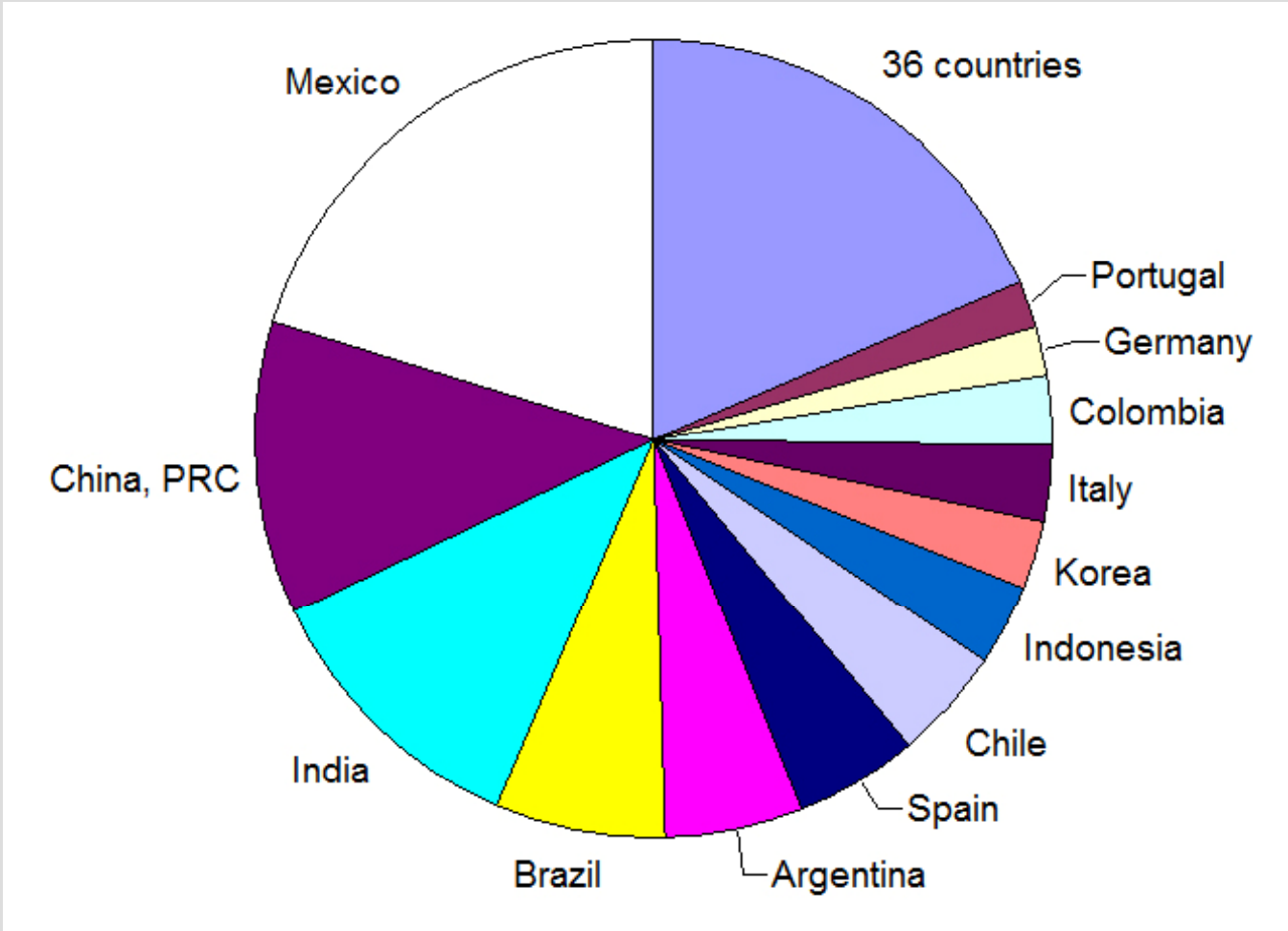


By sub-sector

- **Road:** 59 projects (6,400 kilometers of road) - investment of US\$15.3 billion in 11 countries (Mexico, India, China, and Indonesia accounted for 83% of projects).
- **Seaports:** 16 projects - investment of US\$5.4 billion in 12 countries.
- **Airports:** 12 projects - investment of US\$3.6 billion in 11 countries .
- **Railway:** 3 projects - investment of US\$1.1 billion in 3 countries.



PPP road concessions



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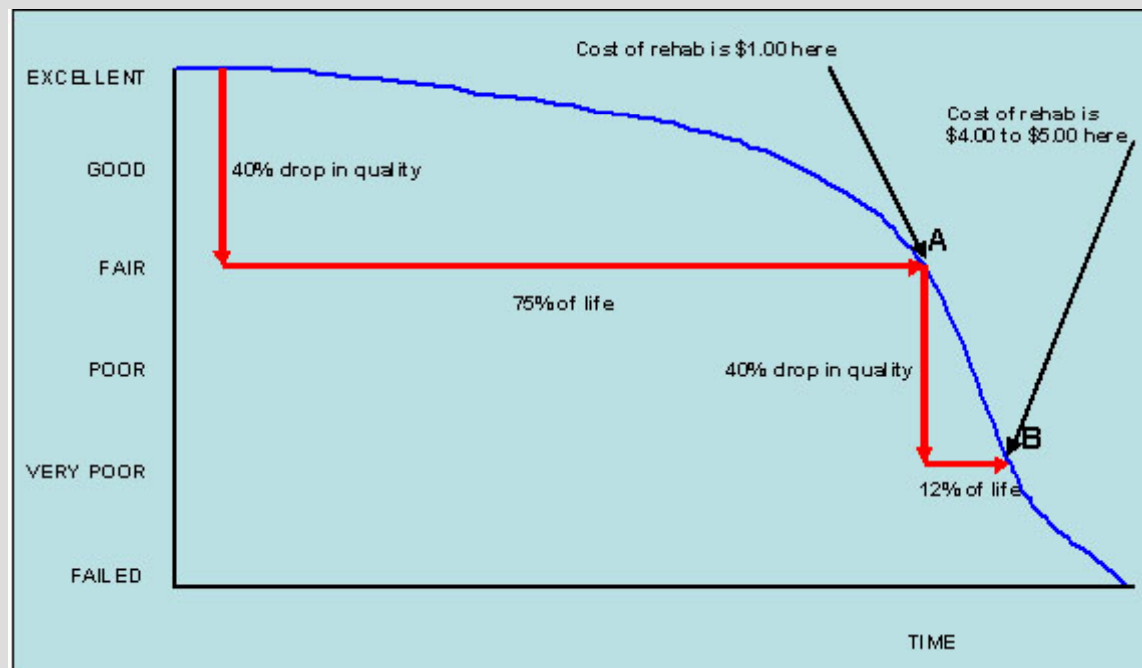
Why do PPPs?

- PPPs are an option for public authorities that want to change focus from provision of infrastructure to provision of service
- PPPs are not just about finance
- Private sector commitment to maintenance and quality



Road PPPs

- Road sector performance can be improved by PPPs:
 - by adopting a life cycle approach,



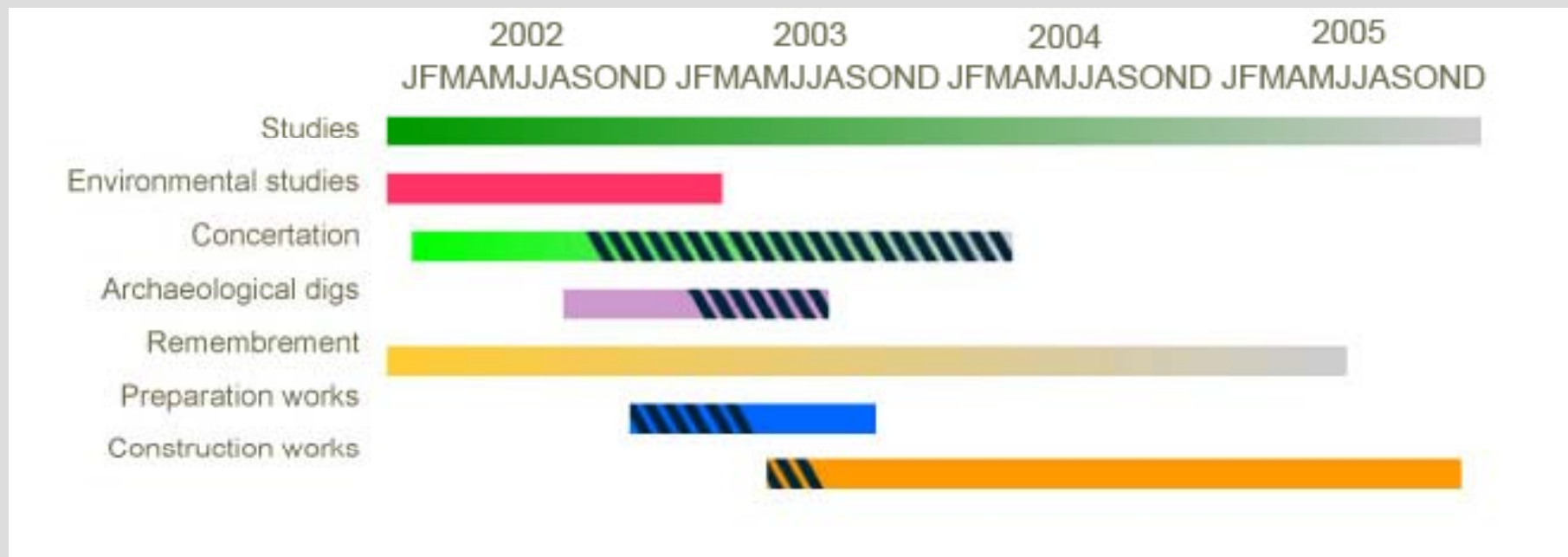
Road PPPs

- Road sector performance can be improved by PPPs:
 - by adopting a life cycle approach,
 - by introducing a service oriented approach; and
 - by introducing a watch-dog (e.g. the bank lending money on the project) with a long term interest.
- PPPs are not just about concessions and tolls:
 - Concessions with shadow tolling
 - Long term maintenance contracts



Concurrent engineering = significant time savings

Example: A28 Rouen-Alençon motorway – 128 km in 4 years



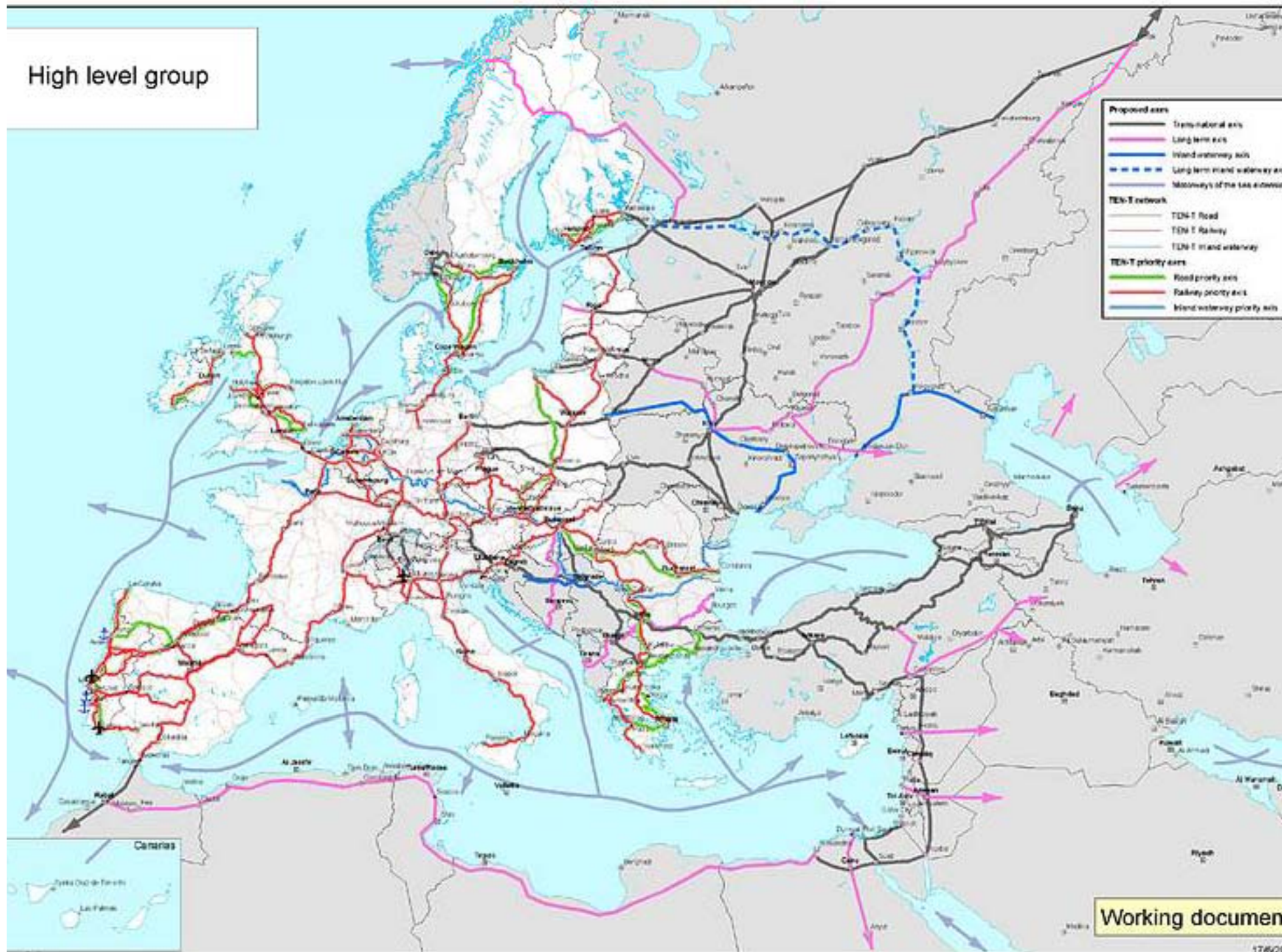
Improved quality of service



International Road Federation, Geneva, Switzerland



High level group



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Before



After



How to do PPPs

- PPPs demand a relationship of trust & risk sharing.
- A strong need for major preparations and reforms of the public sector to create an “enabling environment”
- Stable political environment and good governance principles
- Healthy economic and financial environment
- General policy framework for private sector participation and commitment to policy stability



PPPs - the basics

- A clear policy statement needed to denote high political commitment (binding statement) for the need to attract private funds in the transport sector.
- General legal framework
 - The legal framework needs to be clear, consistent and not conflicting, stable and fair
 - Usually it consists of:
 - o the concession law
 - o complementary decrees and
 - o other associated laws



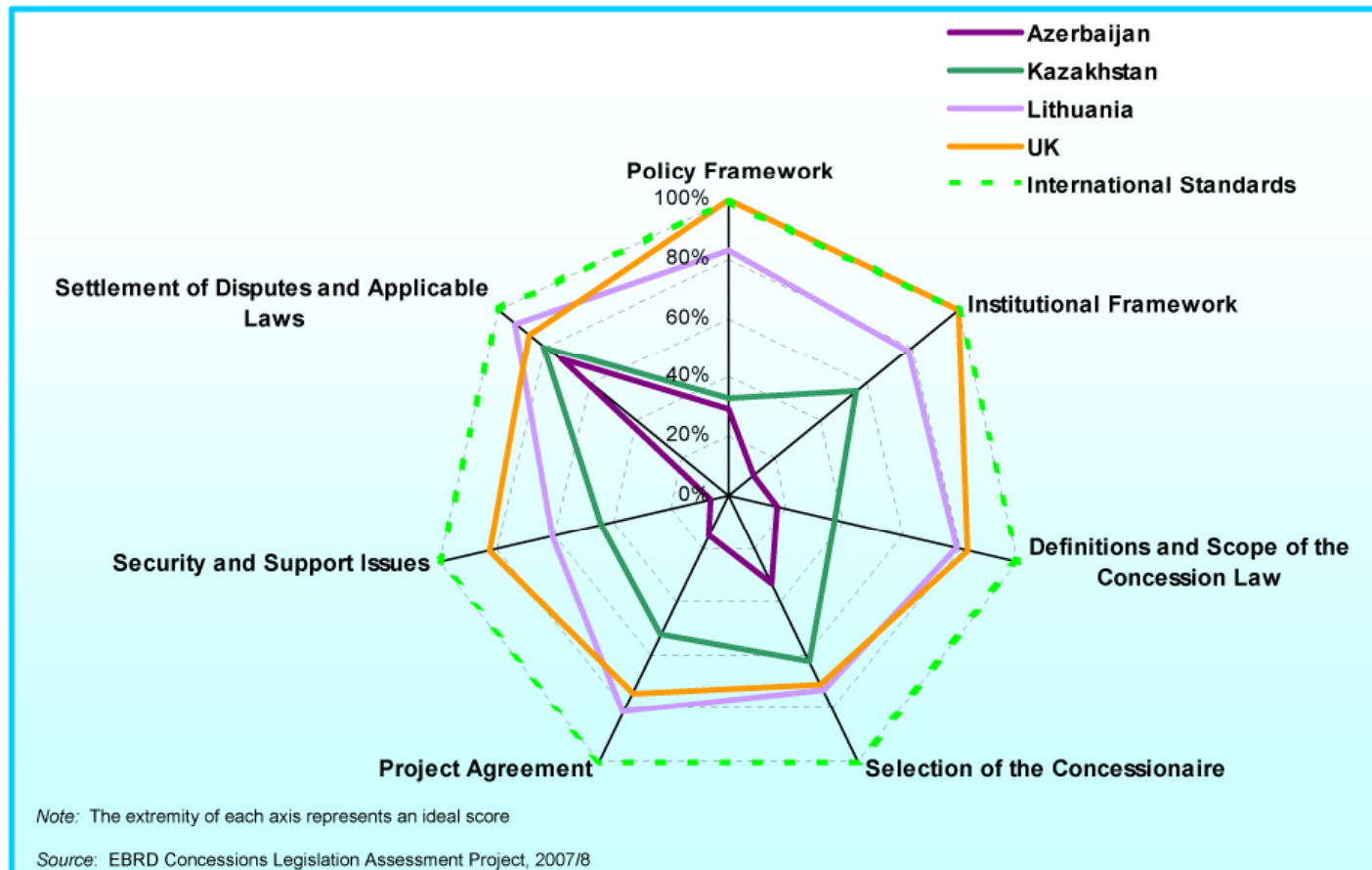
Concession law

- Key importance to establish an enabling environment
- Simple and general with guidelines in decrees
- Some main aspects:
 - Definition of concepts and terms
 - Transparent and competitive bidding
 - Allowing for bid evaluation on a net present value (NPV) basis
 - Provision for international arbitration
 - Concept of contract renegotiation and amendments
 - Allowing public disclosure of concession agreements
 - No differentiation in treatment for national and foreign investors
 - Exceptions to competitive bidding



Concession law

Level of compliance in core areas of concession legislation



Other laws

- A concession law needs to be compatible with other legal texts:
 - Procurement law(s) - allow for competitive bidding
 - Dispute resolution law – international arbitration?
 - Expropriation law – provisions for compensation?
 - Foreign ownership legislation - foreign ownership restrictions on land or land rights, foreign equity limitations to domestic companies?
 - Labour law
 - Foreign exchange law
 - Tax system
- Additionally consistent and objective judicial enforcement



Know-how needed

- PPP implementation requires highly specialised, multi-disciplinary knowhow (legal, technical, financial, economic) in the public sector, mainly focusing on:
 - PPP policy development and PPP concept promotion
 - facilitating government coordination
 - environmental assessment
 - contract negotiations, management and supervision (specialised legal knowhow)



PPP Unit

- Must set up and operate a PPP unit
- Focused, dedicated and experienced team helping to organise pre-tender stage:
 - From concept to PPP management
 - Expertise and oversight
 - Professional and politically independent
 - Trained specifically in PPP procurement procedures
 - Use consultants to fill in missing skills and capabilities
 - Good governance - ensures open and fair
 - Ensures competition and clear enforcement



Private sector capacity building

- Local private transport actors should be assessed since some of them might be potential investors and they facilitate the PPP process
- In particular, the following should be assessed:
 - Consulting firms for technical design, demand analysis, supervision
 - Contractors for construction and maintenance
 - Financial markets (banking system, capital markets)
 - Potential operators (eg for toll roads as well as "free" roads)
 - Insurance companies
 - Potential investors



Key steps at national level

- Consistency of objectives & policies
- Transparency & predictability of policies
- Coordination of IFI activities
- Appropriate legislation
- Clear role for state authorities
- Identification and prioritisation of projects
- Must involve users and private sector



Key steps at project level

- Appropriate project preparation (feasibility study & environmental impact assessment)
- Proper procurement procedures
- Properly evaluated financing plan
- Suitable implementation procedures & proper monitoring
- Provisions for the future project operation & maintenance



“Musts” for successful PPPs

- Public sector political commitment
- Focused, dedicated and experienced public sector team - PPP task force
- Clear legal and institutional framework
- Transparent & competitive procurement
- Realistic risk sharing



UNECE capacity building

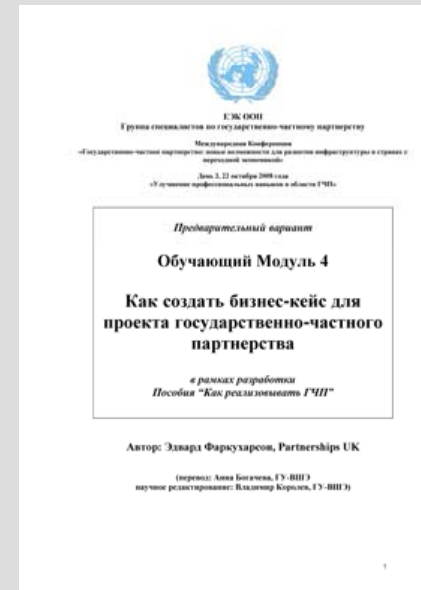
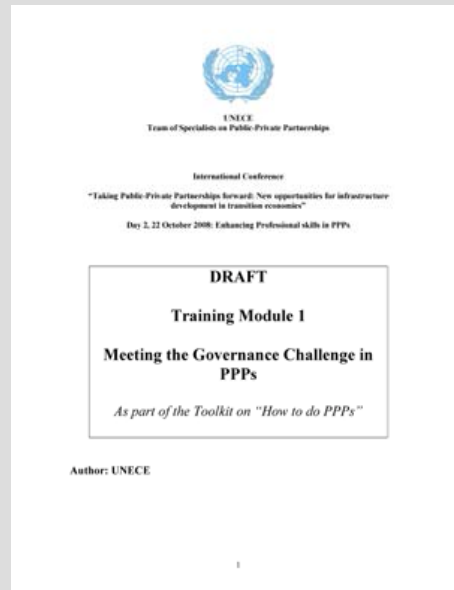
Three functions:

- Communication of best practice
- Training of public and private sectors:
 - prepare training modules and toolkits;
 - elaborate national PPP capacity-building programmes;
 - organise training workshops and seminars; and
 - encourage knowledge sharing.
- Policy and project support



UNECE capacity building

- Developing toolkit on how to do PPPs.
- “Train the trainer toolkit” presented in Moscow 22 October 2008



Training Modules

A. Introduction

- Meeting the governance challenge in PPPs
- Launching a PPP programme for countries getting started with PPPs

B. Policy and critical issues

- Organizing an effective PPP programme within a government
- Creating the right legal and regulatory framework
- Mobilizing public support
- Equipping the Project Manager with the tools to do successful PPPs
- Selecting best consultants

- Regional and municipal governance of PPPs
- Sustainable development issues in implementing PPPs

C. Delivery and PPP Project life cycle

- Writing a PPP business case
- PPP project financing
- Risks evaluation and allocation
- PPP procurement
- Contract compliance, performance monitoring, and dispute resolution for PPP projects

D. Sectoral modules



Thank you for your attention

Спасибо за внимание!

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