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

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment in physical assets</th>
<th>Payments to the government</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2007 US$ billions*</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
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<tr>
<td>2000</td>
<td></td>
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<tr>
<td>1995</td>
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<td>1990</td>
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</tbody>
</table>

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

36 countries

Mexico

China, PRC

India

Brazil

Argentina

Spain

Chile

Indonesia

Korea

Italy

Germany

Portugal

36 countries

International Road Federation, Geneva, Switzerland
Agenda

✓ Who is doing PPPs?
  • Why do PPPs?
  • How to do PPPs
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
Agenda

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

Note: The extremity of each axis represents an ideal score.
Source: EBRD Concessions Legislation Assessment Project, 2007/8

International Road Federation, Geneva, Switzerland
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
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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