

Post- Conflict Countries Series: Public-Private Partnerships as a Model for Post-Conflict Reconstruction

This note is the first in a series of notes assessing the role of public-private partnerships and private sector participation in post-conflict reconstruction and infrastructure development. This series is extracted from a PPIAF-funded review of policy and institutional capacity to facilitate private participation in infrastructure for Sudan, which was prepared by Castalia Limited in November 2006. The full report is available from the [PPIAF website](#).

Populations in countries that have experienced “total war”, where an entire area has been engulfed and comprehensive destruction has occurred, generally have systematically lower access to infrastructure services than people in similar countries without conflict.

Table 1 Access to infrastructure in Sub-Saharan Africa¹

Type of Infrastructure	Sub-Saharan Africa Conflict Affected	Sub-Saharan Africa Non-Conflict Affected
Electricity (<i>kWh used per capita</i>)	96	384
Telecoms (<i>fixed and mobile lines per '000 population</i>)	19	67
Roads (<i>percentage paved</i>)	13%	27%
Water (<i>percentage of population with access to improved water</i>)	52%	67%

Post-conflict countries consequently lack some of the most important drivers of growth and poverty-reduction. From newly unemployed soldiers to refugees returning at the prospect of peace, populations tend to have high expectations after war. **Rebuilding infrastructure quickly creates jobs, improves access to welfare-raising goods and services, and attracts capital into areas otherwise unlikely to do so.**

If post-conflict expectations for welfare improvements are not met, the country is more likely to slide back into war. Infrastructure investment is therefore doubly important in improving growth and welfare prospects, and in preventing further conflict.

Institutional capacity is also most likely to be severely limited in post-conflict countries. It is one aspect of government that is very difficult to change quickly and the country may remain a fragile state several years after the conflict. Conditions may worsen when the initial surge of aid and accompanying expertise fades. Public-private partnerships (PPPs) must therefore be designed with this in mind.

Underlying risk conditions are also likely to be severe. However, policy-makers have a great deal of influence on exactly what risks private operators will face. Governments essentially have full control over regulatory risk. Budgetary concerns will limit the extent to which payment risk can be mitigated, but if costs are explicitly recognized and assigned, the lack of ambiguity will contribute to significantly reducing this risk. Country risk takes time to deal with but even so can be reduced with consistent and transparent action and by immediately implementing legislation that ensures private property rights are respected.

By making the appropriate policy decisions and correctly assessing its institutional and supervisory capacity, governments can find the right degree of private sector involvement for each area of infrastructure that needs to be rebuilt.

¹ Schwartz, Jordan et al, “The Private Sector’s Role in the Provision of Infrastructure in Post-Conflict Countries: Patterns and Policy Options” 2004, page 4

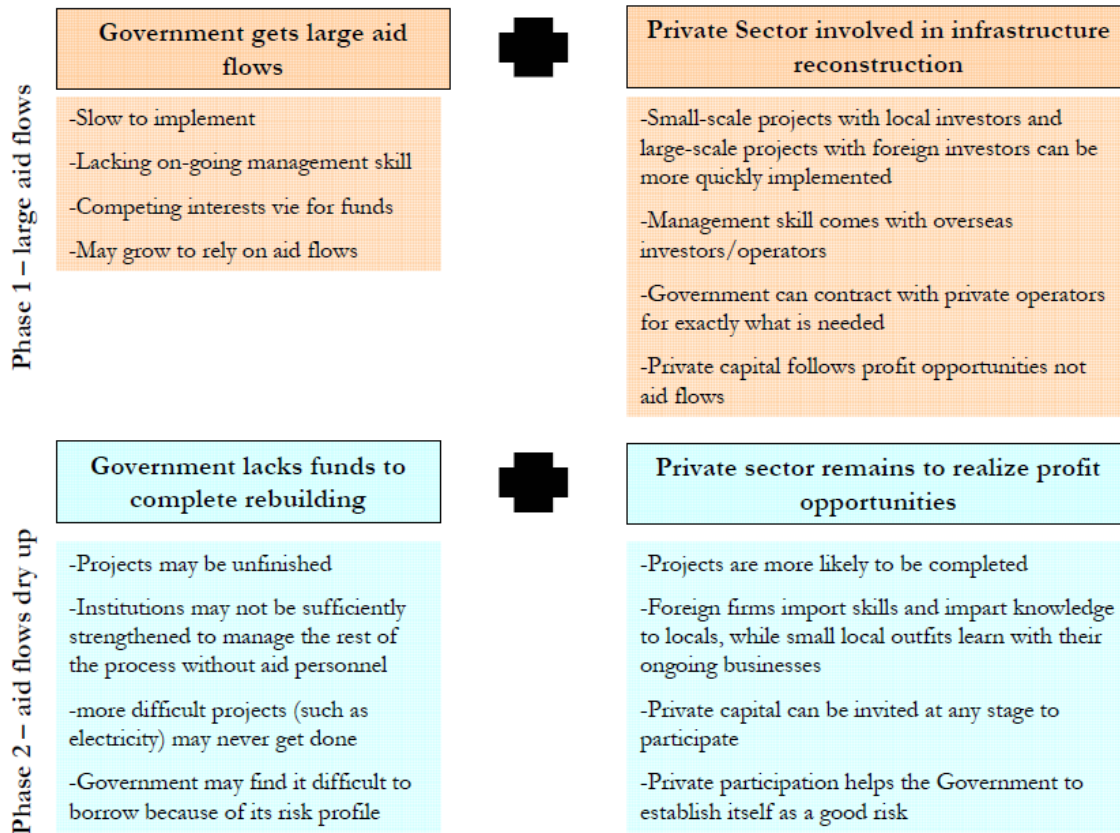
While institutional capacity will most likely be limited in the short term, governments may decide to create a supervisory capability in certain discrete areas. They may do so in an area where it is unable to comprehensively eliminate a particular kind of risk and is not therefore able to attract large scale capital. Land mines in Southern Sudan, for example, are inimical to large private investments in transportation. Even a demining program may not completely eliminate mines, making foreign companies in particular wary of liability issues. In this example, the government may have no choice but to limit itself to build/maintenance contracts while investing in the supervisory capability to make this type of PPP successful.

The private sector can also be instrumental in improving the size and efficacy of capital flows in a post-conflict environment. Post-conflict countries often face **two related investment problems**. First, most countries have an institutional inability to properly absorb large aid flows immediately following the cessation of hostilities. Second, a shortage of funds often occurs in the period following the initial spike of aid flows. Involving the private sector can help with both these potential problems.

As illustrated in Figure 1 below, **involving the private sector in the initial stages of the rebuilding process can mitigate many of the immediate and later problems that are commonly associated with post-conflict environments**. Private sector participation adds capital, expertise and focus in a situation where this knowledge is often lacking. There are also usually many competing interests targeting the same funds and governments may find it difficult to decide between these interests, much less making sure that the decisions are implemented. Once they are contracted to build and/or operate a particular piece of infrastructure, private participants can be given proper incentives to significantly decrease these problems.

Despite the difficult conditions faced in post-conflict situations, it is possible for governments under these circumstances to define workable and desirable PPP arrangements that will help to achieve service goals and attract local and foreign capital and expertise.

Figure 1 Private participation is necessary to successfully rebuild infrastructure²



² Castalia