

PPP strategy

The implementation of a PPP strategy is not easy. PPPs are long-term and complex arrangements which require a thorough understanding of duties and responsibilities and sharing of risk between the parties. PPP also incorporates a progressive change in role of the public sector from one of provider to one of facilitator.

Experience from country and project case studies tells us that, despite their significant potential, initial expectations for the size and pace of PPP development have not been met and development of PPPs is being constrained in many countries.

The development of PPP programs is concentrated in relatively few lower and middle-income countries. Indeed, the record may even be worse if the figures also made a distinction between the well designed and well functioning projects and those that have substantial weaknesses and may store up contingent liabilities and problems for governments in the future.

Unrealized expectations can be partly related to countries trying to apply, or being deterred by, sophisticated approaches of PPP. Implementing agencies in developing countries have to grapple with a range of unfamiliar issues being helped by agencies and advisors generally not from their country. The complexities of PPPs, the initial time consuming stages and the cost of studies has undoubtedly caused difficulties for authorities, who have to deal with issues of low pay and a predominantly engineering-based workforce.

The World Bank and other multilateral agencies have all realized and mention in recent documents, that mantras (blindly following strict rules which may not apply or be relevant to every country) is often counter productive. Two examples of this are the independent regulator and the Public Sector Comparator (PSC).

In the early 2000s, the accepted approach was to have an independent regulator outside the Ministry/Highway Authority. For many countries this was too large a step from where the functions of a regulator e.g. tariffs, were often undertaken by a small, tightly controlled, under funded and under-skilled unit or team within a ministry (Module 3 -> PPP Policy Framework -> Legal and Regulatory)

Similarly, the PSC was developed in the UK partly for good technical reasons but also for political reasons when the PPP program (PFI) was first introduced. It requires considerable data and as described in the Toolkit its application may be very impracticable (Module 5 -> Identification, Priorization and Selection -> Value for Money and the PSC)

Through experience with the expansion of PPP programs, the knowledge of what PPPs involve and how they work and the new technical expertise needed (largely not engineering but finance, social and legal) has also been better recognized. However, some of this experience has also shown the possible political pitfalls of PPP which can only raise the fear of failure from taking such bold steps in introducing PPPs.