

Presentation to the UN (OHRLS) – 6-8th April 2021

Developing Bankable Transport
Infrastructure Projects: Case
Studies, Experiences and Learning
Materials for LLDCs and Transit
Countries

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PPP Overview and Case Studies (Air & Roads)

PPP Overview

Introduction:

- The PPP Knowledge Lab defines a PPP as a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance. This means that it is a contractual relationship between a government and a private business venture. The business venture delivers and funds public services using a capital asset thereby sharing the associated risks.
- The rationale for PPPs is based on the claim that PPPs have the potential to close the infrastructure gap by leveraging scarce public funding and introducing private sector technology and innovation to provide better quality public services through improved operational efficiency

Types of PPP

- **Build-Own-Operate (BOO):** BOO projects can be likened to the actual privatisation of a facility because often there is no provision of transfer of ownership to the host government. At the end of a BOO concession agreement, the original agreement may be renegotiated for a further concession period.
- **Build-Operate-Transfer (BOT):** The facility is paid for by the investor but is owned by the host. The investor maintains the facility and operates during the concession period.
- **Build-Own-Operate-Transfer (BOOT):** Ownership of the facility rests with the constructor until the end of the concession period, at which point ownership and operating rights are transferred free of charge to the host government.

Types of PPP

- **Build-Transfer-Operate (BTO)**: The private sector finances a facility and, upon completion, transfers legal ownership to the public sector. The agency then leases the facility back to the private sector under a long-term lease. During the lease, the private sector operates the facility.
- **Design-Build-Finance-Operate (DBFO)**: The private sector partner finances the project and is granted a long-term right of access of about 30 years. The DBFO partner is given specified service payments during the life

Case Study: Roads Maintenance Programme for Paraguay (World Bank)

- Paraguay is a land-locked country reliant on increasing external trade for future economic development. Good road infrastructure is a vital ingredient of economic growth.

Case Study: Roads Maintenance Programme for Paraguay (World Bank)

World Bank funded the project's three components:

- 1. Strengthening Strategic Planning and Road Management (US\$7.42 million) (IEG, 2017). This component aimed at developing the institutional capacities of the Ministry of Public Works and Communication (MOPC) for managing the road network.
- 2. Improvement and Maintenance of the Paved Road Network (US\$73.47 million) (IEG, 2017). This component aimed at stopping the deterioration of the priority road network composed of international and regional corridors through increased use of private sector firms.

Case Study: Roads Maintenance Programme for Paraguay (World Bank)

- The World Bank, through the International Bank for Reconstruction and Development, provided a loan in the amount of US\$74 million toward the US\$107 million total project cost. An amount of US\$930,000 was provided through a Policy and Human Resource Development grant to assist in the preparation of the project (The World Bank, 2018).

- The project closed over four years behind schedule. This was due to a combination of factors including, delays in project effectiveness with the project declared effective only in January 2008 although targeted for January 2007 due to the length of time taken to secure the necessary approvals and legal authority for the government to commit to the loan, cost overruns associated with Performance-based Roads Maintenance contracts (GMANS) as well as implementation delays due to the weak capacity of the implementing agency exacerbated by impact of changes in government administration (IEG, 2017)

Case Study: Roads Maintenance Programme for Paraguay (World Bank)

Successes:

- Successful completion of 623 kilometres of road maintenance contracts based on level of service.
- A 93% compliance rate for all level-of-service indicators for the maintenance contracts.
- A new integrated road toll system covering the most trafficked roads.
- Creation of a road strategic planning unit, including a five-year investment plan.
- Implementation of a new communication strategy, including a governance and accountability improvement program.
- Introduction of an enhanced road monitoring system, including regular road inventories and traffic counts.
- Traffic increased by 7% annually on average during the life of the project, well beyond the expected 2.5% increase. As a result of improved roads and regular road maintenance, however, road users experienced the benefits of lower operating costs (per kilometer costs decreased by about 40% in the project areas, according to reports) and reduced travel times. Public transport service in the three project departments is more frequent, and residents enjoy better access to

Case Study: Roads Maintenance Programme for Paraguay (World Bank)

Key Lessons:

- Close coordination between funding partners. The World Bank worked closely with the Inter-American Development Bank (IDB) to introduce output-based maintenance through level-of-service contracts, which enhanced the impact of the road maintenance reform and supported sustainability efforts. The IDB financed an additional 629 kilometers of improvements, and the International Labor Organization provided technical assistance in developing the microenterprise program that helped establish road maintenance capacity in San Pedro, Caaguazú, and Caazapá.
- Performance Based Contracting (PBC) can improve and sustain road maintenance. The experience of this project, which introduced PBC for the first time in Paraguay demonstrated that such contracting can be successfully introduced in low-capacity environments with proper planning and addressing of constraints (IEG, 2017).

Case Study: Roads Maintenance Programme for Paraguay (World Bank)

Key Lessons:

- Efficiency of the local main road agency and local partners. The Ministry of Public Works and Communication played a vital role in all aspects of project implementation. imp

Case Study: New Bugesera International Airport, Rwanda

- The newly proposed Bugesera International Airport (BUI) is located 25km southeast of Kigali and has a connecting rail line proposed. It is designed and will be implemented with an aim of generating socio-economic development in Kigali, and other parts of the Eastern Province.
- The airport is further aimed at sustaining the development of Rwanda's aviation sector by backstopping the growth of RwandAir with new facilities and training opportunities (The East African, 2016).
- The development of the new airport is necessary because the pre-existing airport Kigali International Airport (KGL) is unable to support the air travel needs of Rwanda due to rapid development within Rwanda and the country's ongoing economic growth.
- In 2004, the airport served 135,189 passengers but this had increased to 710,000 in 2016 (The East African, 2016).
- KGL was designed to handle only 400,000 passengers per year and it does not have space for expansion.

