

Ensuring Political Commitment and Appropriate Regulatory Arrangements

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Political Commitment

- Expressed in actions as well as words
- Reflected by creation of an appropriate PPP enabling environment
- Commitment not just to attracting FDI in infrastructure but to a transparent and equitable process
- Transparent and predictable policies attract investors and reduce the need for sovereign guarantees



Political Commitment

- **Policy Statement.** A clearly articulated statement as to why PPPs are needed, the government's objectives, where they will be used, and the government's commitment to this process.
- **PPP Unit.** Creation of a central PPP Unit, most frequently in the Ministry of Finance or as an independent infrastructure agency, helps develop a centralized source of PPP expertise, and builds institutional knowledge and process consistency. A PPP Unit, appropriately empowered, with clearly delineated roles vis a vis sector ministries, demonstrates a government's commitment to its PPP programs.





Political Commitment

- Presence of a “Champion.” PPP Unit located in the MOF (an executive ministry) and a senior government official who will help to make the case for PPPs, acting as a public spokesperson, can build public and governmental support.
- Development of a PPP Program. Development and publication of a multi-year PPP program, i.e., a “project pipeline,” attracts investors and demonstrates long-term commitment to PPPs.
- Integrate with Budget. Establish a line or lines for PPP projects in the budget, thus integrating the project pipeline with the planning/budgeting process.





Political Commitment

- Legal/Statutory Reform. The law must clearly recognize PPPs, establish eligible parties, and establish transparent, accountable processes throughout the PPP life cycle.
- PPP legislation must also be integrated with other, existing statutes to avoid inconsistencies and ambiguities in areas such as property rights, step-in rights, etc. This applies to regional and local laws as well.
- Care should be taken not to overlegislate. Experience shows that PPP laws which are too complex or onerous can be a disincentive for project development.



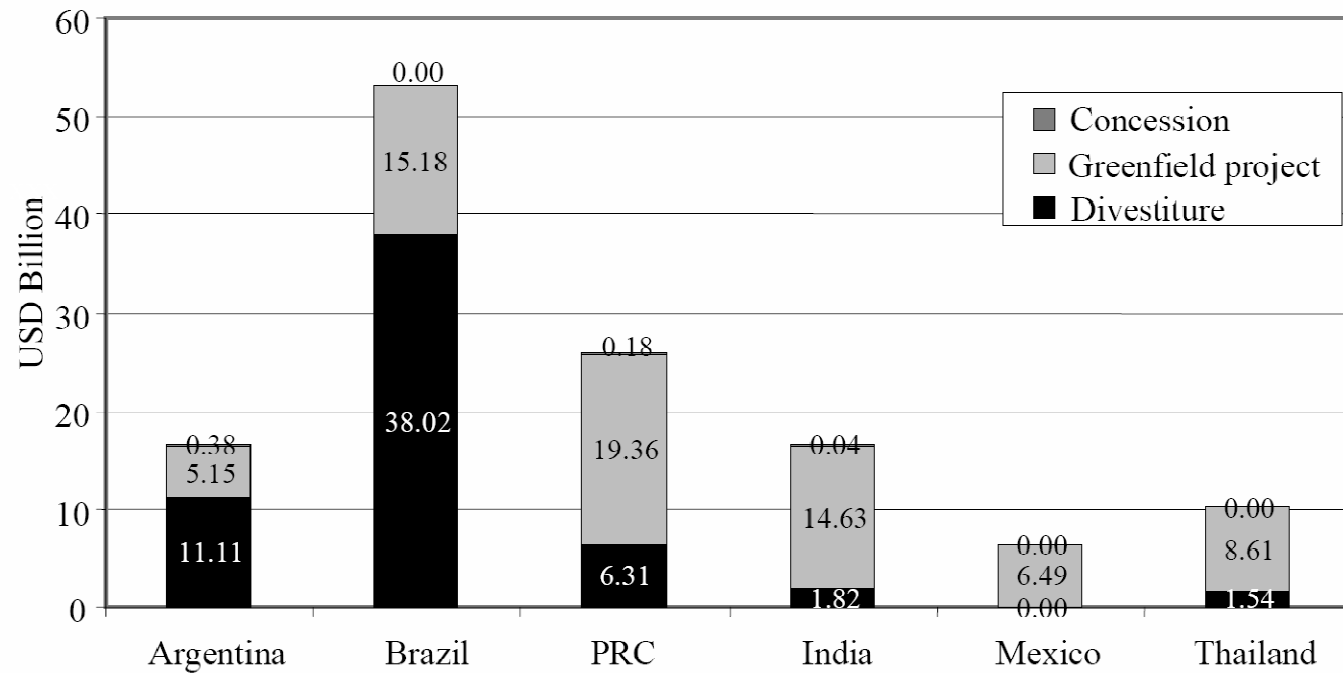
Regulatory Reform

- Policy Environment for Private Participation
- Autonomous Regulatory Institutions with clearly defined roles and responsibilities, and effective capacity to regulate service delivery





Private Investment in the Power Sector (1991-2004) A Cross-Country Comparison



Source: World Bank PPI Database



- Government ministries which provide infrastructure services are typically vertically integrated monopolies, i.e., they make policy, regulate, and provide services. This structure must be unbundled to facilitate private sector investment.
- Governments should develop a roadmap to regulatory reform. A clear path to reform and policy certainty reduces investor perceptions of risk.



- The recommended model is to have separate entities responsible for:
 - Sectoral policy (public agency)
 - Sectoral regulation including tariffs and service performance monitoring (independent regulatory body)
 - Service provider(s) (public and/or private)
- Independence and fairness of regulatory bodies, improves confidence in the regulatory process. Regulators should strive to strike a balance between the investor and consumer interests, and to objectively monitor and assess contract and service delivery performance.