

BUILDING STRONGER INSTITUTIONS TO DELIVER BETTER PPPs

The role of contract management

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There is unprecedented interest among developing countries to attract private investment into infrastructure and basic services to meet growing national demand. Today, nearly all developing countries have successfully brought an infrastructure PPP to market. Following a substantial drop in private participation in infrastructure due to the COVID-19 pandemic, private participation rebounded in 2021¹ and many governments are looking to the private sector to help finance and deliver infrastructure investment—seen as a key driver of post-pandemic recovery.

Establishing strong PPP frameworks and institutions communicates a government's commitment to PPPs and is expected to foster efficiency and accountability in their governance and lead to higher quality transactions. PPPs can be implemented on a one-off basis without any specific supporting legal and institutional framework. However, to fulfill countries' ongoing infrastructure investment requirements and to generate "value-for-money" transactions, they will need to go beyond first-mover projects to establishing PPP programs that encourage an active bidder and financing market.

To better understand the drivers of success for PPP programs and how development partners can best provide support to national government to establish and build their PPP program, the World Bank

¹ Global private participation in infrastructure (PPI) in 2020 was at \$45 billion in 252 projects—a 52 percent drop from 2019. PPI investment in 2021 accounted for \$76.2 billion across 240 projects – [PPI Database](#).

Group's Infrastructure, PPPs & Guarantees (IPG) group and the Public-Private Infrastructure Advisory Facility (PPIAF) established the PPP Institutions Building Program.

The PPP Institutions Building Program aimed to distill collective experience of delivering PPP support across the World Bank Group and learn from other institutions and global experience. The program undertook: i) analysis and research to identify critical factors for success and failure of PPP programs and ii) a review of tools, resources, and technical assistance provided to develop PPP institutions. The program is also providing comprehensive institutional building support to selected countries funded by PPIAF.

While there is no one-size-fits-all solution that will guarantee success and the drivers of success for PPP programs are complex and multifaceted, findings around how to support PPP program success have been identified. These findings have been grouped into five key themes: capacity building, legal and institutional frameworks, project preparation, funding and financing, and contract management. This practice note, together with notes on the other four key topics, aims at disseminating the findings of the program on these specific themes. These notes are complemented with a note that maps the tools and products utilized to provide PPP institutional support that were reviewed as part of the research.

This practice note describes findings and lessons learned relating to the role of contract management in the success of PPP programs.

1. What role does contract management play in driving PPP program success?

Delivering PPP projects and obtaining private investment is only one aspect of PPP program success. Equally important is whether the projects that are delivered ultimately meet government objectives over their operational lives. Although a contract governs the implementation of PPP projects, future events, whether anticipated or not, and the behavior of the parties managing the contract, can result in differences in the value governments realize from PPP projects as compared to that expected at the time the contract is awarded.

As a result, effective contract management is often seen to be as important as the PPP contract itself, particularly given the frequency with which contract management teams have to consider (and sometimes renegotiate) issues that may materially alter the risk allocation of PPP projects. Research on the topic in Latin America has highlighted that renegotiations in the transport sector have occurred for over 70 percent of projects.²

A study in Mexico noted that renegotiations frequently resulted in changes to project scope, including contract duration and timing of investments, with increases in tariffs and additional payments being common outcomes.

Although contract management is considered central to ensuring PPP projects provide quality and value and deliver against their objectives, there is very limited data available on actual contract management practices in developing countries. As a result, the findings identified under the PPP Institutions Building Program focus on lessons that can be drawn from studies that have already been developed in this area, which are often focused on developed country experience and more general information on typical roles and responsibilities of institutions. The most comprehensive review of experience is the Global Infrastructure Hub's PPP Contract Management Tool, which includes lessons learned from 250 case studies globally.

A key finding of most work focusing on contract management is that the capacity required to effectively manage, and renegotiate, PPP contracts is high. The challenges cited in obtaining this capacity in developed countries likely indicate that developing countries are at considerable risk of not having the requisite capacity to ensure that PPPs successfully deliver against government objectives over their lives. A key contributor to the lack of capacity for contract management is the loss of project knowledge following financial close, when many government project teams are downsized and external advisors, who are often essential in project development and contract drafting, are no longer available.

Tackling these issues is typically the responsibility of contracting authorities, who generally have primary responsibility for contract management. Although central PPP institutions have supported contract management through the provision of technical expertise to contracting authorities and the preparation of guidance material on specific issues, it is unclear how effective these approaches have been in terms of protecting the value governments realize from PPP projects.

² Gausch et al. 2014.

2. How has development partner support on contract management been provided to date?

Despite the perceived importance of contract management to successful PPP projects and programs, it has not been a focus of much development partner support to PPP institutions. The support that has been provided has been reviewed with the intent of identifying gaps and overlaps in guidance, tools, and products, and understanding how specific technical assistance may be most useful or face challenges in PPP institutions in the area of contract management. The key findings of this review are presented in this note in two broad categories: (i) the development of best practice guidance, tools, and other products aimed at supplementing capacity; and (ii) technical assistance provided to develop capacity, which may or may not leverage specific tools or products.

2.1 Guidance, Tools, and Products

Many general PPP guidebooks include a section on contract management. In many cases, this is somewhat brief and provides little in the way of detailed guidance that would support practitioners. More recent publications are capturing increasing content on contract management and there are a few resources devoted exclusively to contract management issues, as captured in the table below; however, there are far fewer resources at the disposal of PPP institutions on contract management as compared to other PPP issues.

Overview of Tools and Products

Tool/Product	Development Partner
Emerging Issues in Contract Management* : Web-based tool that will collect and consolidate PPP contract information to support portfolio monitoring.	World Bank Group
Managing PPPs During Their Contract Life : Guidance and lessons learned on strategies to manage key activities and processes throughout contract procurement and implementation.	European PPP Expertise Centre
PPP Contract Management Tool : Guidance material on managing PPPs after financing close, including lessons learned from 250 case studies globally.	Global Infrastructure Hub

* Refers to tools or products that are still under development/awaiting publication.

The general guidance documents that do exist provide coverage of many key issues at a high level, such as the skill sets required for contract management and the importance of information management and challenges associated with the loss of institutional memory. It captures good practices in developed countries, with case studies drawn from countries with significant PPP experience (e.g., the United Kingdom, France, and Australia) and is designed to highlight issues important for government consideration in planning for contract management processes. However, little guidance currently exists to support institutions in day-to-day aspects of contract management.

In addition to the relative absence of guidance on contract management issues, contract management practice or capability does not appear to be routinely captured in PPP assessment tools.

2.2 Technical Assistance Coverage of Contract Management Issues

Contract management is not a topic of frequent focus in technical assistance provided to PPP institutions and support is often provided on an ad-hoc basis when issues arise during contract implementation. Although technical assistance focused on capacity building generally mentions the issue, it is not often covered in significant depth. In addition, assessments of PPP experience tend to include an anecdotal review of specific projects but do not provide an overview, or assess the effectiveness, of the post-award project governance and contract management practices that are in place, either with respect to individual projects or the PPP program as a whole.

The technical assistance that has been provided in the area of contract management has often focused on the review of operational contracts, targeting either a specific risk or a specific project experiencing implementation challenges. Although a review of specific projects is likely to be highly relevant for individual contracting authorities, reviews of project portfolios are more relevant for supporting the development of central PPP institution and PPP program contract management capacity.

In Côte d'Ivoire, a number of existing contracts were reviewed with an emphasis on understanding fiscal risks.

Technical assistance in the area of contract management has been increasing per request from specific governments related to issues arising from the impact of COVID-19 on PPP projects. This represents an opportunity to bring together lessons learned that could inform future support to PPP institutions on contract management issues. For example, the World Bank COVID-19 PPP Rapid Response Program, which provides short-term support to governments relating to the impact of COVID-19 on their PPP program, ensured lessons learned were disseminated to a broader audience through [a series of practice notes](#).

3. How can approaches to contract management be strengthened?

Contract management practice should be routinely reviewed when assessing PPP programs.

An understanding of how contracts are managed within a PPP program, including any inter-institutional challenges, should underpin most technical assistance provided to PPP institutions, and in particular technical assistance focused on tackling specific contract management constraints.

Specific steps that can be taken include:

- Routinely include information on post-award project governance and contract management practice in assessments of a country's PPP experience.
- Ensure PPP framework development is informed by an understanding of actual post-award project governance and contract management practice to help support clarity around institutional roles at all stages of the PPP project life cycle.
- Ensure capacity building activities address contract management issues and that knowledge is transferred to the contracting authority appropriately given current country practice and institutional roles and responsibilities.
- Consider a greater focus on assessment of contract management capacity in pipeline exercises to inform associated PPP program resourcing requirements.

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