OECD countries agree Principles for private sector role in infrastructure projects

OECD countries have approved new principles to help governments in working with private sector partners to finance and bring to fruition major infrastructure projects in areas of vital economic importance such as transport, water and power supply and telecommunications.

The OECD Principles for Private Sector Participation in Infrastructure give governments a checklist of policy issues that they should consider in ensuring that citizens get the services they need at a fair cost and with acceptable returns to private sector partners.

"Helping countries find new ways of financing investment in areas like water supply and sanitation is one of the OECD’s priorities," OECD Secretary-General Angel Gurría commented. "These Principles will help both developed and developing countries move forward with infrastructure projects to boost economic growth and improve the lives of their citizens."

Governments sometimes cannot finance such projects alone. According to the World Bank, between 2001 and 2005, more than 850 infrastructure projects in developing economies were partly financed by private money at an estimated cost of USD 175 billion.

The Principles are designed to help governments address a range of issues that may arise in working with private sector partners. They cover five main areas:

1. Deciding on the utility and nature of potential private sector involvement
2. Providing a sound institutional and regulatory environment for infrastructure investment
3. Ensuring public and institutional support for the project and choice of financing
4. Providing disclosure and complaints procedures for an effective working partnership
5. Ensuring responsible business conduct on the part of the private sector partner

Before embarking on a project, the Principles state, governments should make sure that it is affordable, taking account of all potential sources of financing including loans and grants and anticipated payments by end users. An appropriate business model should share risks and responsibilities in an acceptable manner, while safeguarding the integrity of public finances.
Governments must ensure a clean and competitive business environment, free of corruption and with appropriate access to financial markets. In cases where infrastructure projects have major environmental and social implications, the Principles call for independent assessments of its sustainability in prior cost-benefit analysis.

They also recommend consultations with all stakeholders throughout the project’s implementation and the development of dispute-handling procedures to address any problems that may arise between the public and private partners during the project’s life.

The Principles were developed in consultation with a broad group of public and private sector experts from OECD and non-OECD countries, as well as from non-governmental organisations. They are intended to be used in conjunction with other OECD policy guidance and tools, such as the Policy Framework for Investment and the OECD Guidelines for Multinational Enterprises.

The full text of the Principles and additional information are available on the OECD web site at: http://www.oecd.org/daf/investment/instruments.

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