

The Economic Benefits of Infrastructure Projects Procured with Private Finance

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ABSTRACT

The world's need of efficient infrastructure is universally acknowledged.

In the emerging economies of the world the need is for new infrastructure: water treatment, power, transport, etc; facilities to aid economic growth and achieve continued social improvement: schools, hospitals, etc. Infrastructure in the mature economies is often ageing with relatively high maintenance and repair costs.

There is need for continual investment into renewal and new construction to give all communities equal opportunity to prosper in the global economy. The amount of investment required varies from country to country but it is massive.

The private sector can provide that finance and use its expertise to manage the risks during the construction of projects. Its management skills can be similarly applied to achieve cost effective operation and maintenance of the constructed facilities.

The benefits of using private finance include:

- fully developed business case for the project
- appropriate allocation of the risks
- proper consideration of all procurement options
- competitive bidding for contractor selection
- innovation in project design and construction.

The economic benefits of private finance begin at the feasibility stage of a project because the owner/promoter is obliged to focus on the performance requirements rather than the processes of finance and construction. Performance can be measured throughout the operational life and sanction applied for failure.

Projects with clearly defined objectives and carefully specified performance requirements contribute to the economic and social benefit of all.

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