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# Identifying Priority Public Investment Projects

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The starting point—or precursor—to identifying a potential PPP is identifying a priority public investment project. Many governments have well-defined processes and methodologies for public investment planning. These may extend from setting out sector or infrastructure strategies, assessing project options to meet objectives, conducting detailed feasibility and cost-benefit analyses, and prioritizing projects within an overall public investment plan or fiscal envelope.

Sound public investment planning and management are crucial components of the success of PPP projects. Like all public investment projects, a PPP needs to address clearly-identified socio-economic objectives that are central to sector needs—particularly since the long-term nature of PPP contracts effectively locks in asset and service specifications over a long-term period. Procurement skills are essential to deliver a well-structured PPP that meets public investment management standards. The **World Bank webpages on Public Investment Management** (PIM) (WB-PIM) provides a wealth of resources and examples on this topic. **Rajaram et al's book on PIM** (Rajaram et al. 2014) presents a step-by-step approach and specifically addresses PPPs.

An **IMF report on infrastructure efficiency** (IMF 2015a) concluded that countries with stronger PIM institutions have more predictable, credible, efficient, and productive investments. This IMF research, by focusing on the quality of investment results (output)—instead of its volume (input)—suggests that better public investment decisions lead to higher economic growth, implying that strengthening PIM institutions could be as effective, in terms of output, as increasing investment by two-thirds of the estimated additional needs.

In some cases, PPP project ideas may also emerge from other sources than the standard public investment planning process. These could include:

- **Sector reform processes**. Governments undertaking reform of an under-performing infrastructure sector may consider PPPs among a range of options for introducing private participation to improve service delivery in that sector, as described in What PPP is Not: Other Types of Private Involvement. The **ADB's PPP Handbook** chapter on sector diagnostic analysis (ADB 2008, Chapter 3) describes how potential PPPs may emerge in this context.
- **Unsolicited proposals from businesses**. Most governments provide a legal framework to encourage businesses and other non-government entities to originate PPP project ideas that may be considered by government—as described in Dealing with Unsolicited Proposals. This approach can be a way to harness on the ideas of the private sector on how to solve infrastructure challenges.

However, wherever a PPP is developed outside the typical public investment planning process, this raises the risk that such ideas may not be well-integrated with broader sector and infrastructure plans and priorities. Such project ideas must imperatively be subject to the same analysis and screening as any proposed public investment and PPP.

**Related Content**

- **INTRODUCTION**
- **PPP BASICS: WHAT AND WHY**
- **ESTABLISHING THE PPP FRAMEWORK**
- **PPP CYCLE**
- **Identifying PPP Projects**
- **Appraising Potential PPP Projects**
- **Structuring PPP Projects**
- **Designing PPP Contracts**
- **Managing PPP Transactions**
- **Managing PPP Contracts**
- **Dealing with Unsolicited Proposals**
- **Key References - PPP Cycle**


**Additional Resources**


- Procurement Processes and Bidding Documents
- Unsolicited Proposals

Find in pdf at PPP Reference Guide - PPP Cycle or visit the PPP Online Reference Guide section to find out more.

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