

# Building Strong Institutions and Capacity Building



**FADIAH ACHMADI**  
*([fadiyah.achmadi@fimotions.com](mailto:fadiyah.achmadi@fimotions.com))*

# Importance of building strong institution (financiers' perspective)

- Many barriers to transport development are institutional in nature
- Institutional strength in transport development is vital to attract financiers
- Financiers examine:
  - Governance capacity
  - Organisational experience
  - Availability and implementation of transparent procurement rules and procedures
  - Coordination among ministries → collaborative effort to successfully implement a project
  - Human capital within institutions
    - ❖ Technical skills to develop/implement a project
    - ❖ Transport management skills

**A successful bankable project requires having people with the right skills, knowledge and ability to deliver the project and ensure its longer-term sustainability**

# Importance of building strong institution (LLDCs' perspective)

- Proper interpretation and implementation of transport related policies can be challenging
- Provision of multimodal transport system requires extensive, detailed and up-to-date knowledge
- Limited number of trained personnel available
- There is need for a system for coordinating development plans, projects and budgets → **investment prioritization**
- Enhance capacity to mobilize domestic resources for transport infrastructure development through taxation and an efficient use of these resources
- Reforms in transport sector governance institutions are needed in most developing countries, including LLDCs

# Stakeholders in transport sector



- Ministry of Transport/Infrastructure Development
  - *Sets transport policies, write legislation, regulate the sector, prepare strategic plans and monitoring implementation*
- Ministry of Finance/Economic Development
  - *Formulates economic policies, sets out proposals as to how the sectors are to be funded (PPP, user charges)*
- PPP Units
- Financial institutions
- Procurement Regulatory Authorities
- Project Sponsors/Developers
- Community Groups
- ...

# Stakeholders in transport sector

- Transport is often paired with Works, Energy and Infrastructure
- Single purposes ministries do not work so well in a multi-purpose world of mixed policy objectives → continued reinvention of ministry portfolios
- Their mandates can be often overlapping
- The laws may require the institutions to coordinate with each other but may not mention any mechanism for this purpose. If it does, it is maybe not effective to deal with complex multi-sectoral issues, such as transport.
- Governance of the transport sector is constantly in transition to take contemporary issues on board (climate change, demography, technology and trade)
- Transport planning agencies must be multidisciplinary and cross-sectoral to apply a holistic approach, to ensure integration between modes of transport and adequately cover cross cutting issues

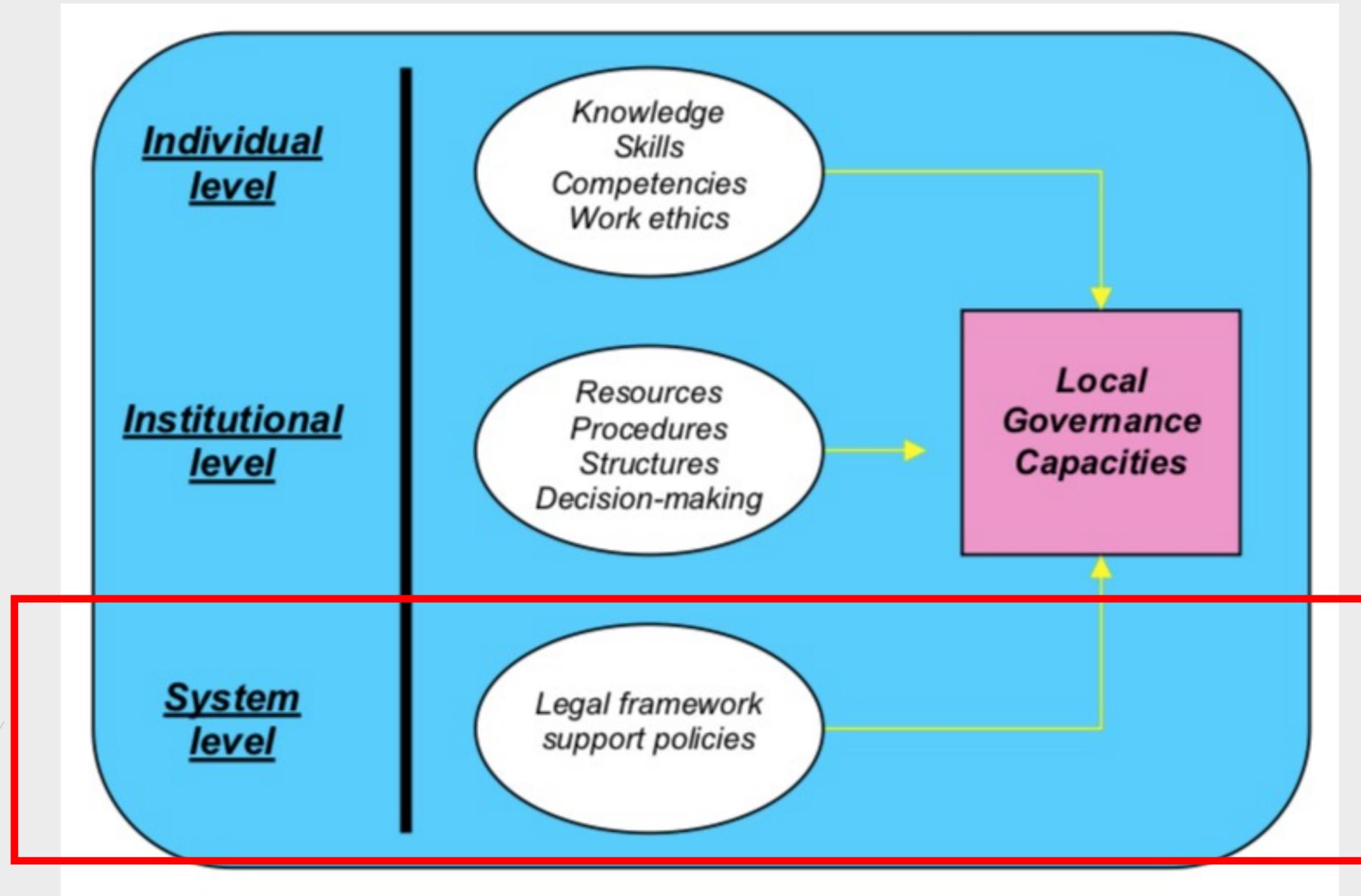
*Improve efficiency and effectiveness in transport infrastructure development through multimodal coordination and long-term project planning*

# Enabling environment to increase infrastructure funding

The following ground works need to be done to have sufficient capacity to develop a pipeline of bankable infrastructure projects to meet investors' requirements:

- Long-term holistic national transport infrastructure plan, to secure project pipelines
- Increase capacity to develop feasibility studies
- Ensure economic, political & social stability and extend fiscal & non-fiscal incentives
- If applicable, develop PPP laws involving
  - creation of a common regulatory framework to ensure that legal environment is attractive for investors
  - Government's commitments and risk transfer mechanisms**→ deliver confidence to government officials to adopt PPP**

# Capacity building dimensions



Soko (2006)

It is essential to set up a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities.



*Thank you for listening.*

