



4.4

Establishing effective governance structures

4.4 ESTABLISHING EFFECTIVE GOVERNANCE STRUCTURES

A cross-border infrastructure project requires an effective governance structure to carry it through the design, construction and operational stages. Following the choice made on the most appropriate collaboration framework, a cross-border project governance body should be established. This body should reflect the project specificities in terms of geographical location, legal jurisdictions, development context and broader aims to be accomplished with the built infrastructure.

This subsection describes global practice in governance structures for cross-border investments, including:

- selecting an appropriate collaboration format, considering the unique context of each project (Section 4.4.1)
- establishing a project governance body to set the project development agenda and beyond (Section 4.4.2)
- ensuring adequate management capacities and competencies within governance structures (Section 4.4.3).

Summary of key learnings for establishing effective governance structures

The key learnings suggest that governments should consider the following:

- The project collaboration format needs to correspond to the stakeholder community, and governance decisions should be made in agreement among all stakeholders, irrespective of size, power and interests.
- The governance structure and contractual model chosen should be appropriate to the context of the project and its evolving requirements throughout the project lifecycle. At government level, the multilateral governance body should have equal representation from governments involved to ensure that the decisions made are mutually agreeable.
- Competent staff and resources must be assigned by all countries involved to plan, deliver and operate a cross-border project, assisted by external help where required and augmented by capacity building and training programs.

4.4.1 Assessing the project landscape to choose an appropriate collaboration format

Practice shows that a formalised governance mechanism may be appropriate in some projects, particularly complex projects where multiple stakeholders or the private sector are involved. In other cases that are simpler and more time-bound, a temporary configuration with minimal governance and administrative requirements may be preferable as a more expeditious and affordable approach.

| Complexity of governance structure | Decisionmaking powers | Collaboration scheme | Financing |
|---|---|--|---|
| <p>How complex is the project by the number of stakeholder organisations, business markets and policies addressed?</p> <p>Are the individual interests mapped and assessed?</p> <p>What is the common interest and do the common interest areas prevail over the specific ones?</p> <p>How does it affect the competencies to be given to the project governance structure?</p> | <p>How much should the management structure be empowered to take decisions on its own, and what is the power of its decisions on governments?</p> | <p>What is the planned time and organisational perspective of the management structure?</p> <p>Should it be a temporary or a permanent one?</p> <p>Should collaboration occur in a single location where stakeholders gather in one spot, or should it be a networked scheme wherein each country provides its own premises where project management activities occur?</p> | <p>How will the management structure be financed?</p> <p>What options are feasible (e.g. support through fixed national contributions, international grants through higher-level cooperation frameworks or secondment of administration staff and technical experts)?</p> |

Figure 4: Guiding questions to determine the optimum stakeholder governance format (Source: Ramboll)

In either case, the mechanism should correspond to the unique stakeholder community in terms of the policymaking levels involved, the users and operators engaged, and the socioeconomic contexts of each country involved. For the purpose of the investment’s operational efficiency, the collaboration format is recommended to contain a single coordinating body, which often is associated with a secretariat.

The collaboration formats and governance structures may need to be revised as project stages progress. Figure 4 illustrates principal guiding questions to determine the optimum stakeholder governance format for a cross-border infrastructure project in the design, construction and operational stages.

4.4.2 Establishing a project governance body

Regardless of its format, the project governance body has an essential role in setting a joint development agenda for and beyond the direct project investment period. The governance body should not only enable delivery of the project on time and within budget, but also establish the asset as a safe, reliable and cost-effective connection of national grids or networks, and

ensure the asset contributes to sustainable economic growth and regional stability and integration.

Cross-border projects use a large variety of governance structures, as can be seen in Table 5. The involved governments may choose for the governance structure to contain just public-side arrangements or to involve the private sector.

The contractual model is a key component of the bilateral governance agreement that must be established prior to commencing a cross-border project. Examples of the contractual models for the Channel Tunnel and the project structure for the Rail Baltica Global Project are shown in Figures 5 and 6 respectively, demonstrating the relationships among internal stakeholders and the relevant political agreements, implementing bodies and external stakeholders. The Channel Tunnel example shows the establishment of an integrated project-wide delivery and operations authority and governance structure, whereas the Rail Baltica project structure provides an example of how to establish an overarching coordinating body, but with delivery performed by each respective country within its jurisdiction.

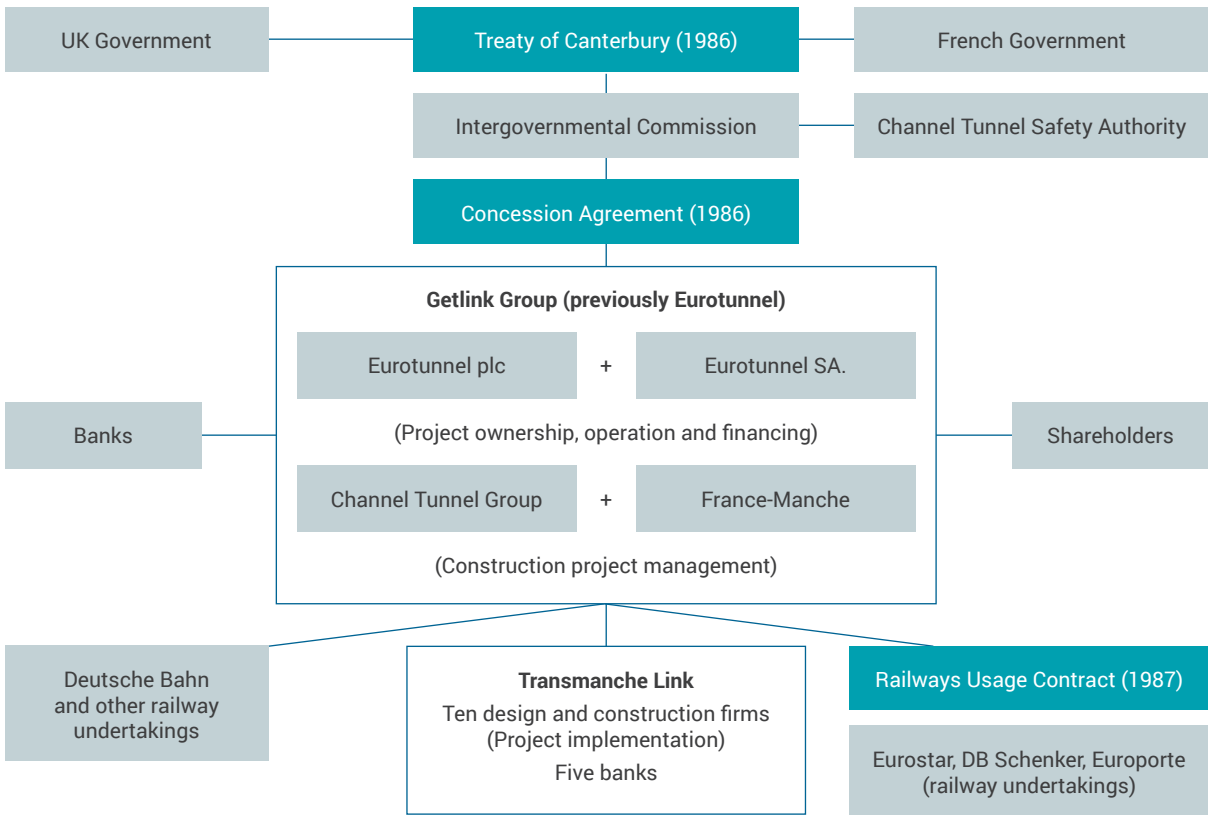


Figure 5: An ownership model and contractual scheme for the Channel Tunnel (Source: Ramboll)²²

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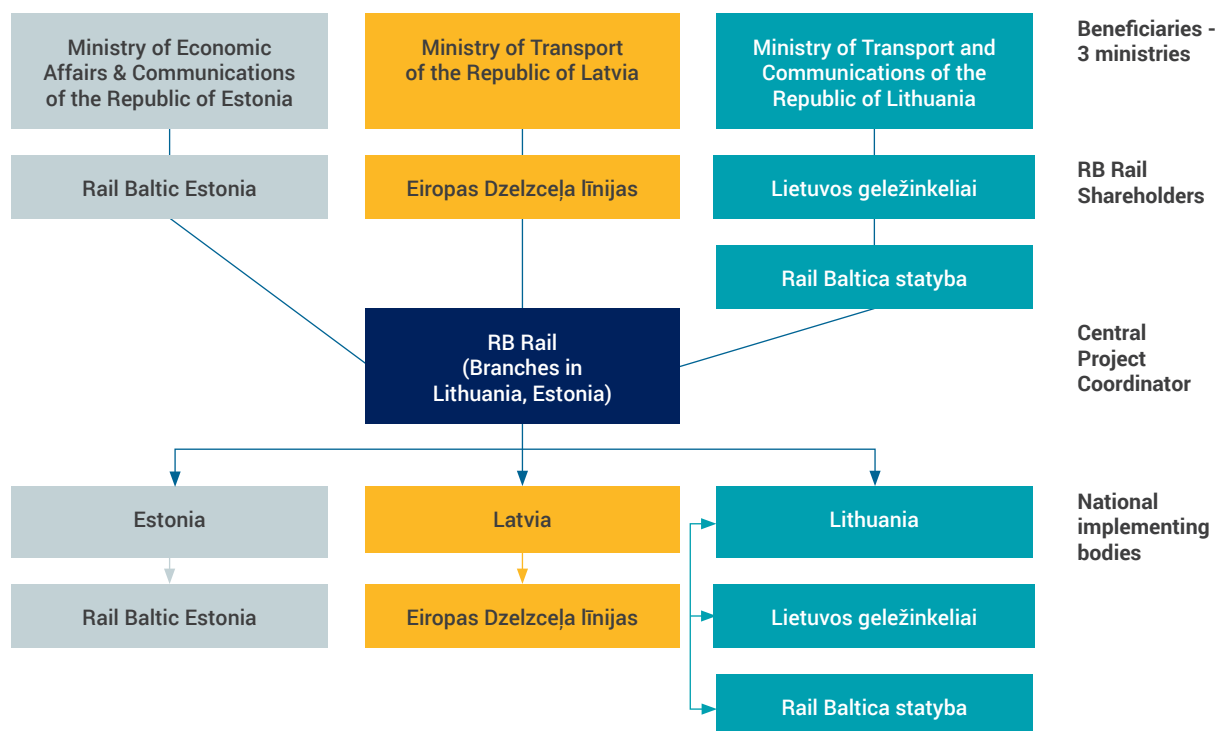


Figure 6: The Rail Baltica project structure (Adapted from: <https://www.railbaltica.org>)

Table 5 details the intergovernmental governance bodies of the projects selected as case studies for this guide (refer to Part B). The table includes an overview of the functions and responsibilities of each body during the project stages. It should be noted that some governance bodies may only exist for the design and construction phase, as a different body may take over for the operational phase, for example. Alternatively, a single body may cover the whole lifetime of the project.

Table 5: Functions and responsibilities of intergovernmental governance bodies in the implementation of cross-border projects

| Cross-border project and countries involved | Function | PHASE | | |
|---|-------------------------|---|--------------|-----------|
| | | Design | Construction | Operation |
| Channel Tunnel United Kingdom and France | Supervision and control | IGC, the dedicated binational authority acting on behalf of the two governments. Responsible for adopting and implementing rules for the Channel Tunnel, safety (under the remit of the CTSA) and economic regulation (including tariffs of the line access). | | |
| | Coordination | | | |
| | Delivery | PRIVATE COMPANY Getlink (formerly Groupe Eurotunnel) acting on concession by the IGC to carry out the development, financing, construction and operation during the concession period. Responsible for the maintenance of the line and the management of the rolling stock. | | |

continued...

| Cross-border project and countries involved | Function | PHASE | | |
|---|-------------------------|--|--------------|---|
| | | Design | Construction | Operation |
| Coral Sea Cable System Australia, Papua New Guinea and Solomon Islands | Supervision and control | Australian Government | | Governments of Australia, Papua New Guinea and Solomon Islands |
| | Coordination | PRIVATE COMPANY Vocus, contracted by the Australian Government to scope out the design, construction and procurement of the project. | | PUBLIC COMPANY Coral Sea Cable Company Pty Ltd (an SPV jointly owned by Papua New Guinea, Solomon Islands and Australia) |
| | Delivery | PRIVATE COMPANY Alcatel Submarine Networks (France) contracted by Vocus to design, construct and install the cable system. | | |
| Øresund Fixed Link Denmark and Sweden | Supervision and control | Governments of Denmark and Sweden through two state-owned companies, which are also responsible for the ownership and operation of the land works on their respective sides of the Fixed Link. | | |
| | Coordination | PUBLIC COMPANY The Øresundsbro Konsortiet, a Danish-Swedish consortium to own and operate the Fixed Link Consortium responsible for traffic control, power management, maintenance and railway safety coordination, but works performed by external parties. | | |
| | Delivery | | | |
| Gordie Howe International Bridge US and Canada | Supervision and control | Governments of Canada and Michigan through an International Authority. | | |
| | Coordination | PUBLIC COMPANY Windsor–Detroit Bridge Authority (WDBA), a not-for-profit Crown corporation owned by the Government of Canada. WDBA responsible for directing and administering all aspects of the crossing's implementation, from financing to procurement and eventually maintenance and operation. WDBA to set and collect all tolls. | | |
| | Delivery | PRIVATE COMPANY A consortium branded Bridging North America to design, build, finance, operate, and maintain the Gordie Howe International Bridge and the ports of entry and to design, build and finance the Michigan Interchange. The State of Michigan to be responsible for the operation and maintenance of the Michigan Interchange. | | |
| Itaipu Hydroelectric Dam Brazil and Paraguay | Supervision and control | Governments of Brazil and Paraguay through their two national administrations in charge of electricity, Eletrobras and Ande. | | |
| | Coordination | PUBLIC COMPANY Itaipu Binacional, a binational entity co-owned by Eletrobras and Ande. | | |
| | Delivery | | | |

continued...

| Cross-border project and countries involved | Function | PHASE | | |
|---|-------------------------|---|--|-----------|
| | | Design | Construction | Operation |
| N4 Toll Route South Africa and Mozambique | Supervision and control | Governments of Mozambique and South Africa (as part of the Maputo Corridor Development initiative). | | |
| | Coordination | Two governmental agencies for national roads in South Africa (SANRAL) and Mozambique (ANE). | | |
| | Delivery | PRIVATE COMPANY A consortium, TRAC, on a 30-year BOT concession contract to develop and maintain the asset through user tolls. | | |
| Addis Ababa–Djibouti Railway Ethiopia and Djibouti | Supervision and control | Governments of Ethiopia and Djibouti through a Joint Railway Commission of two state-owned companies: Ethiopian Railway Corporation (ERC) and Société Djiboutienne de Chemin de Fer (SDCF). | | |
| | Coordination | PUBLIC COMPANY Ethio-Djibouti Standard Gauge Railway Share Company (EDR), (an SPV), Ethiopia (75%) and Djibouti (25%). | | |
| | Delivery | FOREIGN PUBLIC COMPANIES Two Chinese state-owned companies: China Railway Group (CREC) and China Civil Engineering Construction Corporation (CRCC). | FOREIGN PUBLIC COMPANIES CREC and CRCC until 2023 DOMESTIC PUBLIC COMPANY EDR from 2024 | |

4.4.3 Ensuring adequate leadership and capability within governance structures

Competent staff are essential to the delivery of a cross-border project. First and foremost, efficient project management relies on a motivated and enthusiastic leader, often referred to as a champion (refer to Sections 4.1 and 4.2 on policy, planning and prioritisation and enabling frameworks respectively). Through an open, collaborative approach, the champion organises stakeholder dialogue, moderates individual and sometimes conflicting interests and viewpoints, and mobilises the participating bodies to pursue the work direction set in the project's strategic framework.

The champion is key to sustaining project continuity in the complex cross-border environment. Keeping so many stakeholders aligned requires continuous and transparent information exchange to enable knowledge sharing across borders, levels and thematic sectors. Even though the dialogue principles may be codified in a cooperation agreement, informal contacts are essential to build trust and detect early any changing priorities and expectations among the members.

The foundations of the project owner's and proponents' broader capability to deliver a cross-border project are laid during the project initiation phase through establishment of a specific cross-border team or utilisation of external resources such as MDBs and IOs (refer to Section 4.1.3 Ensuring appropriate institutional capacity). With the project governance structure identified, key gaps in capability can be identified and filled with external or independent specialists from the MDBs or IOs, or specialist consultants.

The opportunity to develop internal capabilities to deliver cross-border infrastructure should not be wasted by the governments and entities involved. While external and independent support can be beneficial, it is particularly important for governments to build their internal capability to govern cross-border projects to ensure the projects deliver on the mutual development goals defined at the initiation of the project. More guidance on the governance of infrastructure can be found in the OECD Recommendation on the Governance of Infrastructure.²³

²³ <http://www.oecd.org/gov/infrastructure-governance/recommendation/>