



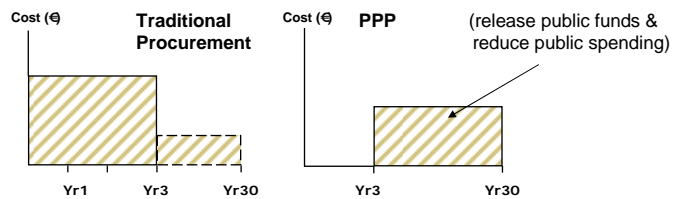
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PPP DEFINITION & FUNDAMENTALS

- ✓ Projects traditionally provided by the public sector
- ✓ Leveraging private sector financing and skills
- ✓ Risks transfer from public to private sector:



- ✓ Cash flow effects for public sector:



RATIONALE PPP MODEL

Effects:

- ↓ Public Control
- ↑ Transparency
- ↑ Efficiency

Public Sector Ownership, faced some problems:

- ▶ Inefficiencies and lack of transparency
- ▶ Budget constraints
- ▶ Loss of private sector incentives and expertise

PPP, offers a broader range of solutions:

- ▶ Advantages of privatization
- ▶ PPP is proved successful where Privatization was not suitable
- ▶ Sharing responsibilities and risks between private and public sectors
- ▶ Excellent track record in achieving completion to time and budget

Privatizations, provided a solution enabling:

- ▶ New Investment funded from Private Capital Markets
- ▶ Capital receipts generated by sale of businesses
- ▶ Market and price mechanism defines the service provided
- ▶ Value for money improvement (savings due to Private sector management)
- ▶ But... not appropriate in certain situations (public infrastructures, health, education ...)

PPPs APPLICATION



Government Services



Defence



Transport



Public Services



Health



Penitentiaries



Education

KEY FACTORS FOR SUCCESS

- ✓ Legal, Policy & Institutional Frameworks
- ✓ Political Commitment & Consensus
- ✓ Access to Financing
- ✓ Risk Sharing

LEGAL, POLICY & INSTITUTIONAL FRAMEWORKS

- Stable, transparent and reliable frameworks
- Flexible institutions, able to react quickly
- Suitable agencies & regulators (and their personnel and officers)
- Incentives to ensure an attractive risk-return ratio of projects
- Mechanisms for conflicts resolution
- Communication within institutions and to the Public
- Learning curve
- Performance indicators
- Innovative approaches

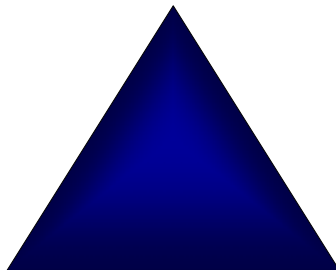
POLITICAL COMMITMENT & CONSENSUS

- Infrastructure works have long economic lives...
... compared to the electoral cycles
- Need of stable policies regarding PPPs
- Infrastructure as income redistribution tool (political tool)
- Not only Government commitment ...
... but also political consensus

ACCESS TO FINANCING

Country

- ✓ Economic stability, legal framework & regulatory environment
- ✓ Development of the local capital markets
- ✓ Easiness to substitute contractor and to allow lenders to takeover



Project

- ✓ Project economics
- ✓ Suitable incentives for the private sector

Sponsor

- ✓ Excellent reputation
- ✓ Commitment from the private sector

RISK SHARING

- Public / Private Sector Balance
- Clear, transparent and contracted transfer of risk
- Reasonable distribution of benefits
- Suitable risks allocation, based on incentives and expertise:

	Public Sector	Private Sector
Construction		✓
Commercial		✓
Financial		✓
Political	✓	
Regulatory	✓	

LESSONS LEARNED

IMPORTANCE OF:

- ✓ Legal framework
- ✓ Payer (Public Body, special purpose entity...)
- ✓ Project economics
- ✓ Sponsor reputation