

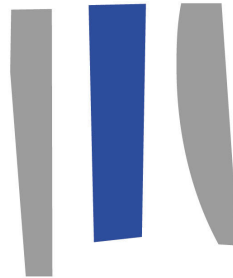
International Seminar on  
Strengthening Public Investment and Managing  
Fiscal Risks from Public-Private Partnerships

Budapest, Hungary  
March 7–8, 2007

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# **Public Private Partnerships: Institutional Capacity Requirements**

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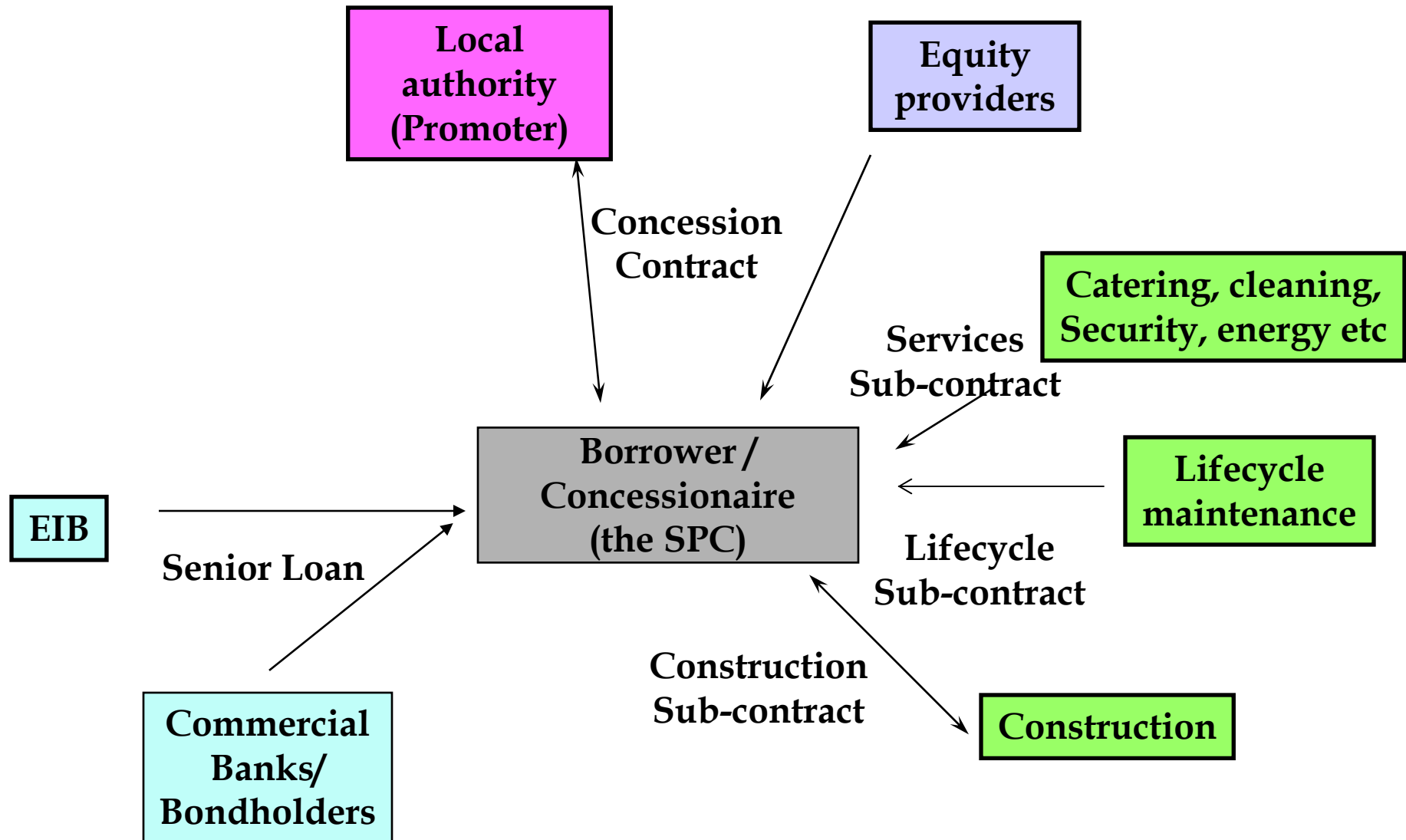
**Strengthening Public Investment &  
Managing Fiscal Risks in PPP  
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# New challenges for the public sector in PPPs

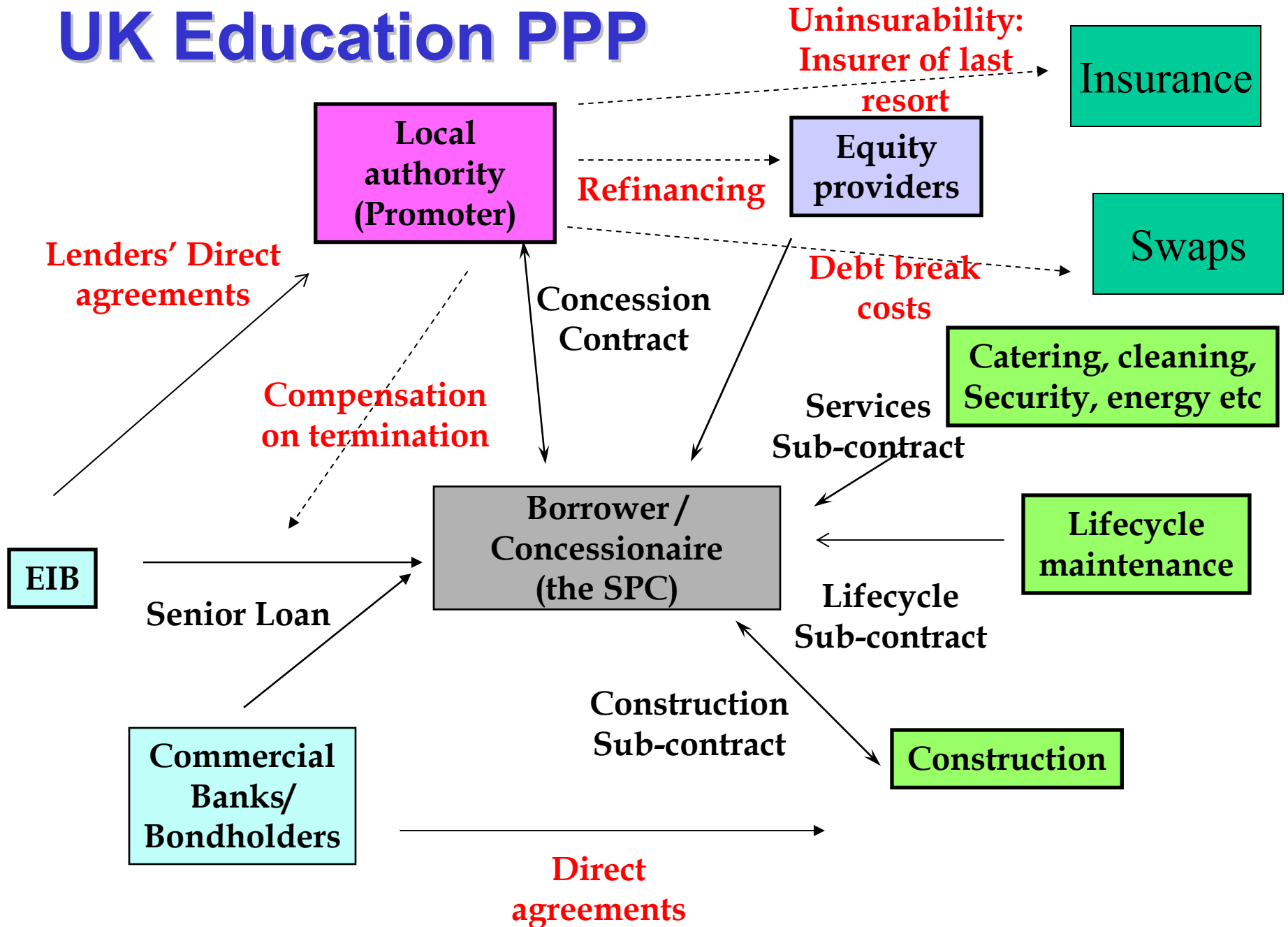


- At the macro level
  - Prioritising investment
  - Understanding bankability
  - Reporting and accounting
- At the project level
  - Procurement
    - Procurement procedures
    - Tender specifications
  - Project management
  - Understanding deal structure

# UK Education PPP



# UK Education PPP



# Financial aspects of deal structure for the public sector

- Bank or bond (‘capital markets’) finance?
- Indexation of payment mechanism?
- Refinancing arrangements?
- Compensation on termination:
  - Public sector default
  - Concessionaire default
  - Force Majeure?
- Insurance arrangements?

*In all of these areas, important issues of potential contingent liabilities for the public sector*



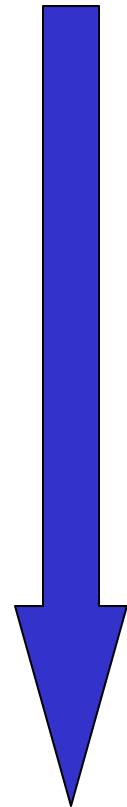
# Sources of support for the public sector

- JASPERS for specific countries of operation
- Private sector advisors
  - Technical
  - Financial
  - Legal
- Selection of advisors can be a challenge
  - Getting the right firm - getting the right individuals
  - ‘Experience’ : legal advisors may have worked for public sector or sponsors, senior lenders, sub contractors, guarantors etc
- Public sector PPP task forces

# The role of PPP Taskforces

- Generating political commitment
- Supporting prioritisation
- Standardisation of documentation
- Liaison with contracting industry
- Liaison with banking sector
- Assessment of advisors
- Training and mentoring
- Gateway reviews
- Hands on project support

*From  
strategic  
to project  
based  
support*





# European PPP Expertise Centre



- An initiative of EIB, the Commission and regional and national PPP task forces
- EPEC aims to improve knowledge transfer between public sector organisations resulting in:
  - Better deals for the public sector;
  - Enhanced deal flow
- EPEC services to include:
  - Facilitated network activities : information exchange and analysis of issues of common interest
  - Policy support services
- EPEC concept welcomed widely. Demand and funding feasibility study currently underway



## Conclusions: at project level

- Budget appropriately for advisors
  - Your private counterpart will certainly do so
- Don't leave negotiations to the lawyers
  - A good lawyer needs a good client
- Be close enough of the deal to understand your risks
  - Make sure you know what you don't know
- Understand the private sector's risks in other deals
  - If a risk is unbankable elsewhere, it will usually be unbankable in your project too
- Establish clearly who can take decisions
  - The private sector will expect to deal with counterparts with the authority to negotiate
- Never lose sight of value for money
  - This is the reason you are doing the project



## Conclusions: at strategy level

- Demonstrate political commitment
  - Unless bidders believe, your plans will not be credible
- Establish a programme; manage the procurements
  - Bidders invest significant sums in the competitive phase; they must see the prospect of success
- Market the programme
  - You are in competition for bidders' interest
- Consider a PPP Taskforce to better balance expertise
  - Individual authorities may procure one PPP in lifetime; for bidders, it's their life
- Consider framework procurements for legal, technical and financial advisors
  - Appropriate advisors are a key factor for success