



Public Private Partnerships (PPPs) and The World Bank

Riga (Latvia) – March 6-8, 2007

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PPPs: General Overview



PPP Defined

- **A Public-Private Partnership is a contractual agreement between a public agency (federal, state or local) and a private sector entity**
- **Through PPP agreements, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public**
- **In addition to the sharing of resources, each party shares the risks and rewards potential in the delivery of the service and/or facility**

Source: US National Council for PPP



Benefits of Private Sector engagement

- **To mobilize private funds, to address budget limitations**
- **To benefit from private sector expertise and know-how**
- **To respond in time to increasing public demand for public services**
- **To meet expectations for access to more and better services**
- **To address backlogs in infrastructure maintenance**

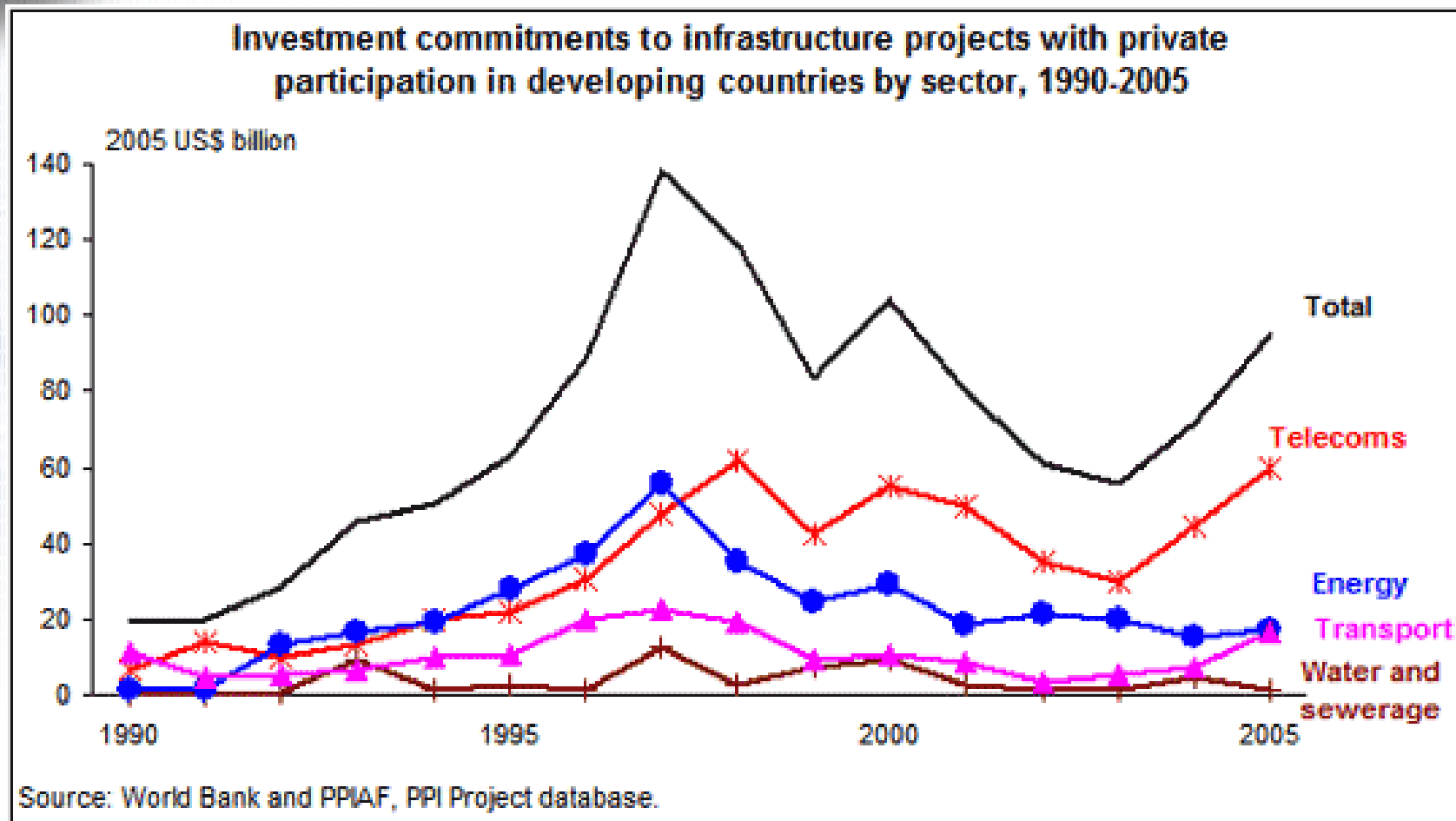


Observed Trends Worldwide 1990 - 2005

- **PPI projects plummeted after 1997 Asian crisis and followed a declining trend for several years afterward**
- **However, in 2004 and 2005 investment in such projects increased sharply**
- **Meanwhile, the allocation of risks between public and private parties, were shifting**
- **Private sponsors started putting more emphasis on risk mitigation strategies**
- **To take advantage of private sponsors' renewed interest in infrastructure projects, governments need to create risk sharing arrangements that attract private**



Observed Trends Worldwide 1990 - 2005



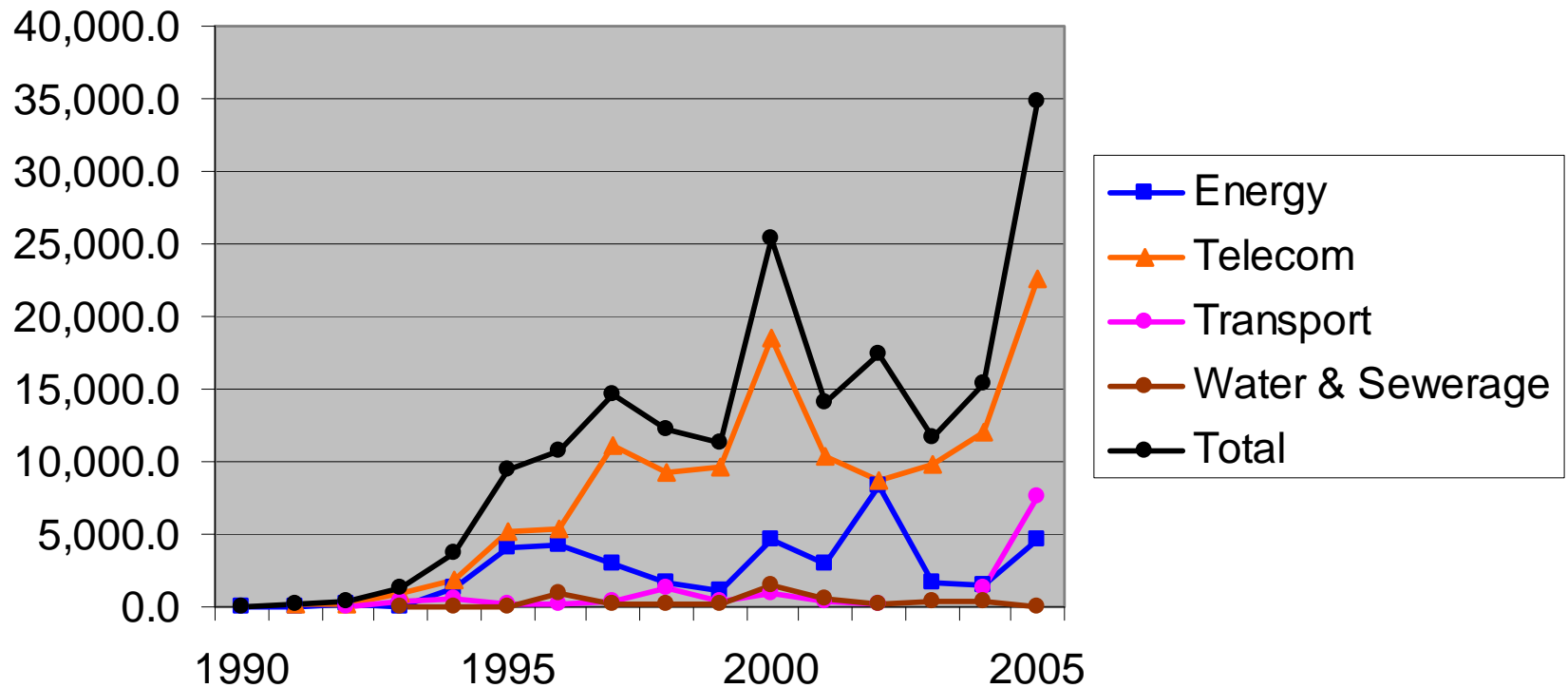
Nota: The WB PPI Project Database is accessible through www.worldbank.org



Observed Trends ECA 1990 - 2005

Private Participation Infrastructure in ECA 1990 - 2005

2005 US\$ million

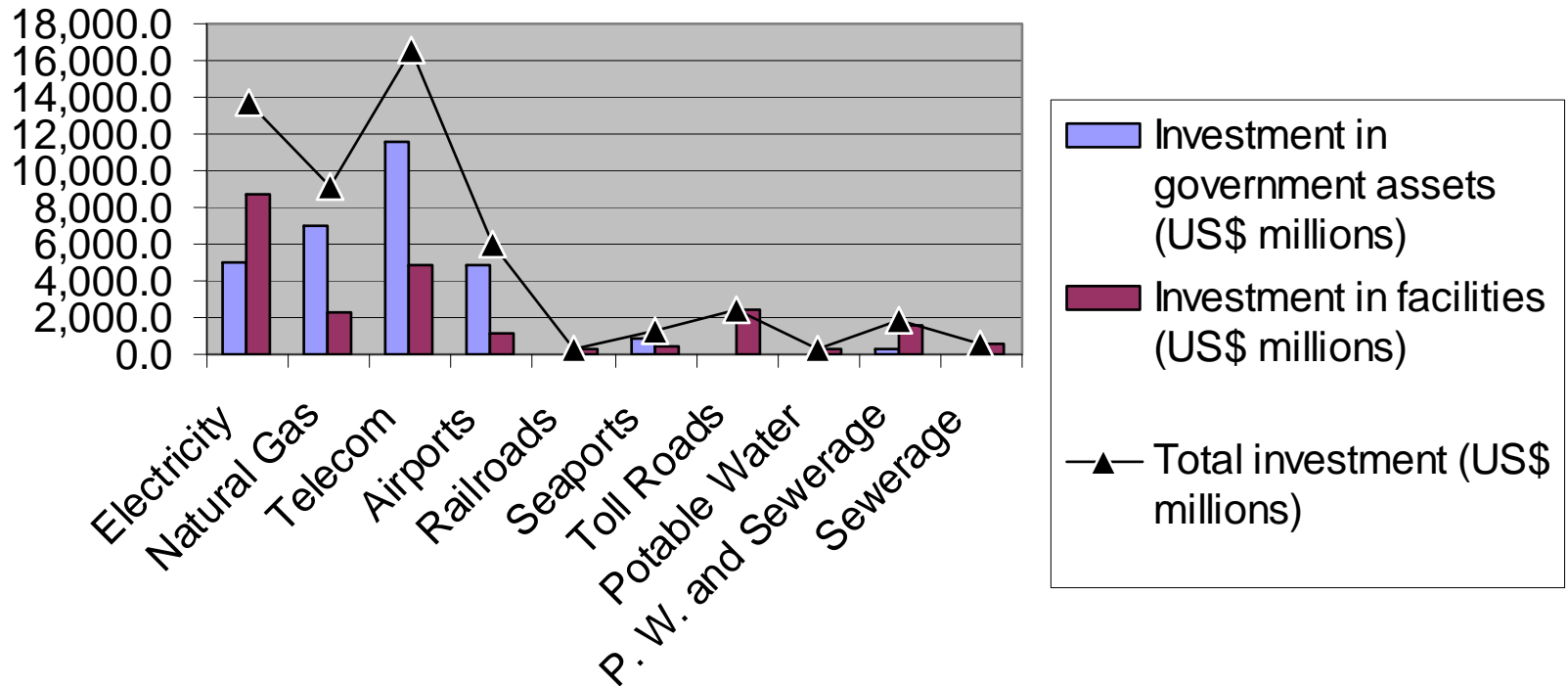




Eastern Europe and Central Asia

Cumulative Investment in PPP by Sub sector

(Eastern Europe and central Asia 2000-2005)





Eastern Europe and Central Asia

PPI in Transport 2000 - 2005

Country	Subsector	Investment in government assets (US\$ millions)	Investment in facilities (US\$ millions)	Total investment (US\$ millions)
Albania	Airports	0.0	308.0	308.0
Armenia	Airports	0.0	50.0	50.0
Croatia	Toll Roads	0.0	451.0	451.0
Czech Republic	Airports	0.0	106.7	106.7
Estonia	Railroads	57.4	241.0	298.4
Hungary	Airports	2,320.0	310.0	2,630.0
Hungary	Toll Roads	0.0	667.5	667.5
Poland	Seaports	41.0	280.0	321.0
Poland	Toll Roads	0.0	1,351.0	1,351.0
Turkey	Airports	2,543.0	407.2	2,950.2
Turkey	Seaports	779.3	214.1	993.4
	Total:	5,740.7	4,386.5	10,127.2



PPPs: The Role of Governments



PPPs: Government support

The Government's role in promoting private sector involvement implies:

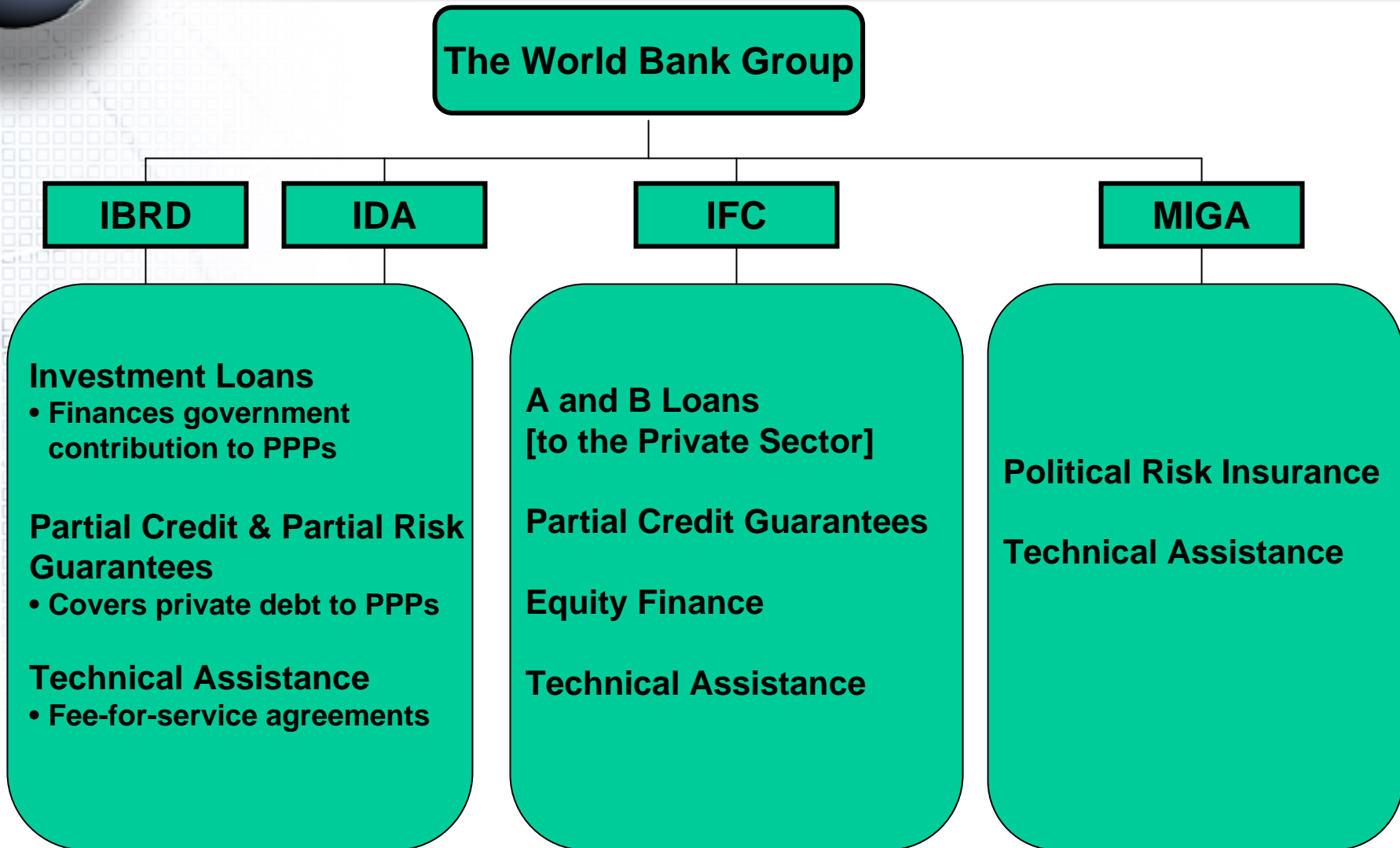
- **Strong, political will and leadership**
- **Clear and supportive legal framework**
- **Possible coordinating entity within the Government, to provide support for PPP**
- **Setting priorities among most promising projects, in terms of economic efficiency**



World Bank Group support for PPP Development



The WBG Instruments for PPP Support





World Bank Instrument: Partial Credit Guarantees

- **Cover private lenders against all risks** in a privately funded public project
- Flexible instruments that encourage the extension of maturity, and lowering of cost of capital by covering part of the financing during specified periods
- Used for public sector investment projects where sovereigns do not have access to medium and long term capital and commercial loan markets
- Risk sharing between the Bank and private investors
- Substantially improve financial viability and usually result in more affordable tariffs



World Bank Instrument: Partial Risk Guarantees

- **Cover specific government obligations to private project**
- Guarantee payment against default on private debt due to non-performance of government contractual obligations
- Relevant when there is a high perceived risk of policy reversal
- Coverage examples:
 - performance of government or state owned entities
 - government contractual purchase and supply obligations
 - political events
 - changes in law, expropriation, nationalization; contract frustration; obstruction in arbitration process; non-payment of termination amount or arbitral award
 - certain force majeure events
 - foreign exchange convertibility/transferability



Technical Assistance - Developing Local Capital Markets

- Developing **long-term institutional investment markets** for providing **local currency financing for infrastructure**
- Training banks and capital market intermediaries on infrastructure project risk identification and mitigation techniques
- Training project sponsors on effective debt management techniques
- Institution building – Creating adequate regulatory and oversight mechanisms for monitoring institutional investor markets
- Advising Government on specific pilot PPP transactions



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Thank you!

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