

Public-private partnership Just another financing tool

Financing Communal Infrastructure
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Today's discussion

Introduction

Infrastructure Financing

Why use Public-private partnership (PPP)

The Cost

Who pays?

Will your project fly?

Summary

Introduction



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Infrastructure financing

Options

**Municipal
budget**

**Municipal
borrowings**

PPP

**Privatise the
service**

Do nothing

Why use PPP?

Another Source of Finance

1

There is a need for “some asset”

2

Budgetary restriction on capital expenditure

3

Benefits of the Life time approach

4

Private sector may be able to do it cheaper / better

Better Cheaper

Life time approach

Project	Revenue Sources
Street lighting (UK)	Municipality Involve significant long term saving
Waste to energy (Ireland)	User Municipal savings Electricity / heat sales Private sector
Airports Tirana Bacau	Users

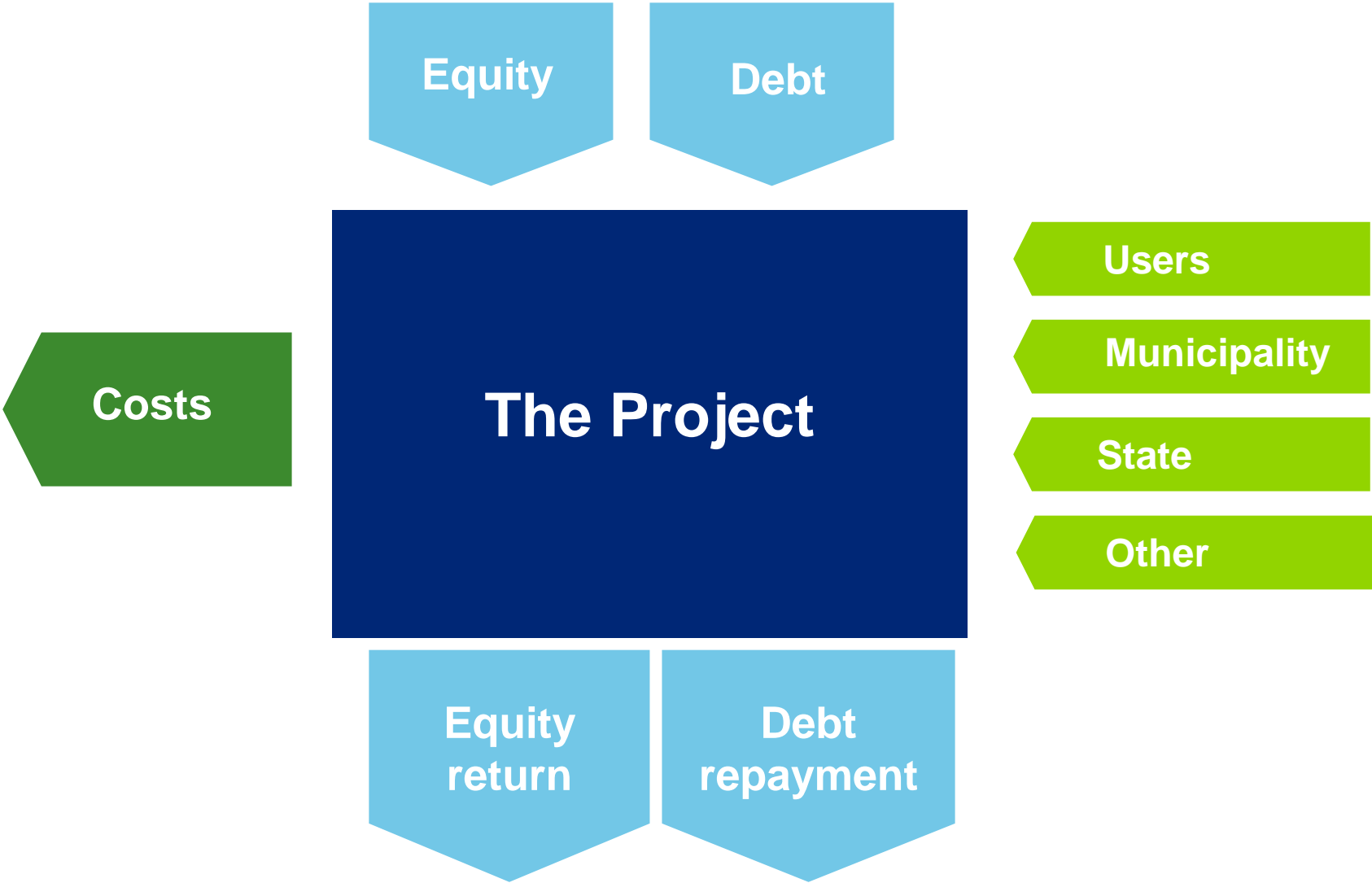
Applications: Municipal Infrastructure

Almost Everything

- 1 Road network maintenance
- 2 Street lighting
- 3 Transport networks: buses, trams etc
- 4 Distribution networks: water, gas, electricity
- 5 Collection systems: waste
- 6 Buildings: schools, municipal building, stadia

When to use PPPs

The Money – Go - Round

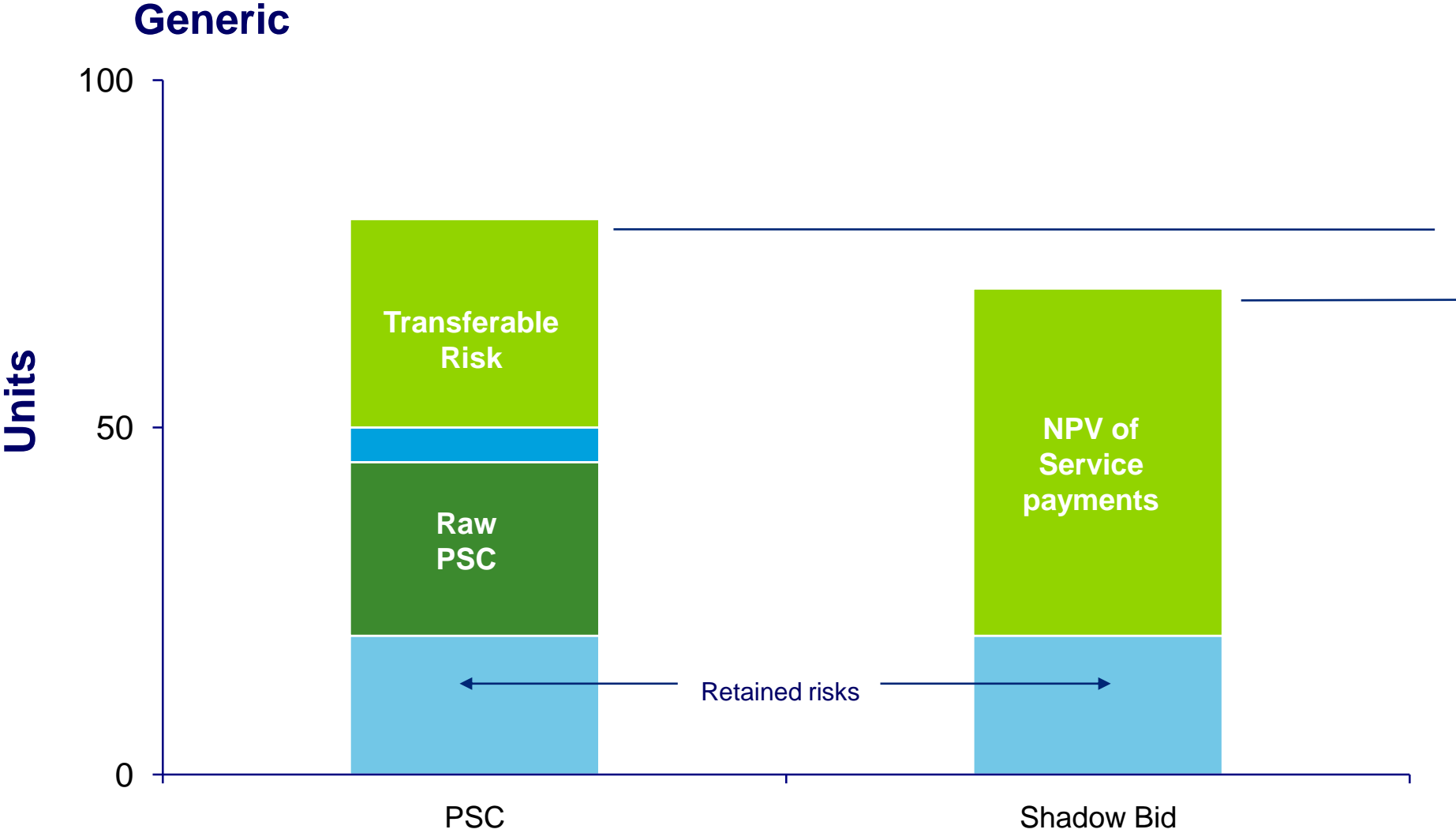


Different revenue sources

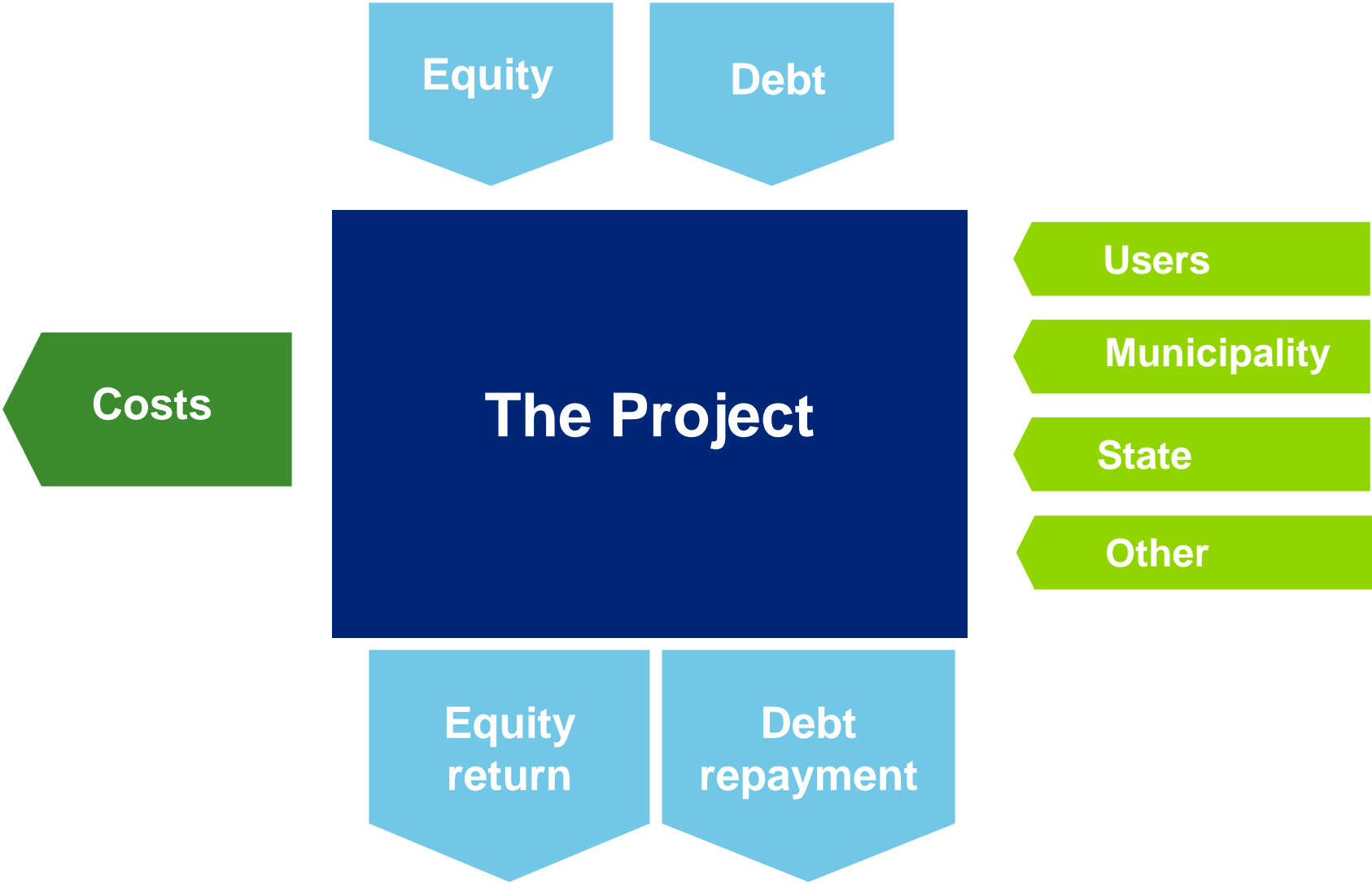
Type	Location	Revenue Sources
Student accommodation	Australia	Users Min of Education Retails services
Schools	UK	Min of Education
Hospital accommodation	Czech	Min of Defense Users Tourists
Urban redevelopment Amsterdam Telc	Netherlands Czech	Private sector

When to use PPP

PSC v Shadow Bid



Will your Project Fly?



Bankability

The Final test

Revenue	-	Costs	=	“Expected Returns”
Users				Debt repayments
Municipality				Expected Equity Return
State				
Other				

If;

- this equation holds true and
- the banks can be convinced of that and
- the investor is happy with the return

The Project may be doable

Affordability

The Final test

Revenue Sources
Users
Municipality
State
Other

If;

- each party is willing to pay the required price and
- each party can pay the required price and
- the risks to the cash flows is acceptable

The Project may be affordable

Selected Deloitte Projects

Type	Location	Revenue Sources
Hotel Tourism	Croatia	Private sector
PPP Training For Civil Servants National: PPP Toolkit PPP Manual	Romania	EU
Waste Water Treatment	Netherlands	Users Municipality EU

Benefits of PPP

Assets / Services now

Guaranteed level of quality

Bench mark for other public sector services

Life time approach

Frees public sector resources

Summary

PPP

A useful tool in the right place

Not a free Lunch

Need to assess the options and decide

You need to understand what can and cannot be done

Need long-term commitment

Deloitte.