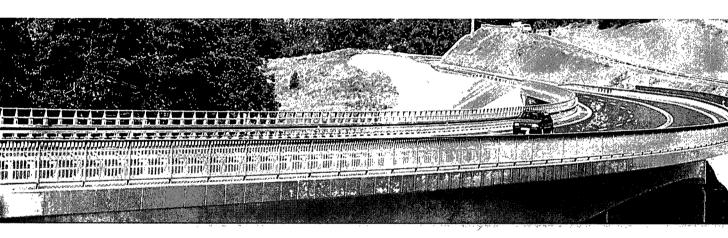
Public-Private Partnerships in Europe and Central Asia

Designing Crisis-Resilient Strategies and Bankable Projects



by Vickram Cuttaree and Cledan Mandri-Perrott



CONTENTS

ACKNOWLEDGMENTS ABBREVIATIONS EXECUTIVE SUMMARY	VIII VII
PART I - BACKGROUND, APPROACH, AND SECTOR TRENDS	1
1.INTRODUCTION	2
Context of the Study	2
Approach to the Study	3
Report Structure	3
2. BENEFITS AND RISKS OF PPP	5
Policy: What Are Public-Private Partnerships?	5
Strategy: Designing Support Frameworks and Building Capacity	6
3.OVERVIEW OF RECENT TRENDS IN PPP INVESTMENT	8
Global Trends in PPP Investment in Infrastructure	. 8
PPP Situation in Europe and Central Asia	11
Global Improvement in PPP Activity in 2009	15
Recent Developments in ECA Countries	17
Developments in Western Europe and Rest of the World	23
PART II - HOW THE CRISIS HAS CHANGED THE PPP MARKET	25
4.IMPACT OF THE CRISIS ON GOVERNMENT FINANCING	26
Economic and Fiscal Impact of the Crisis in ECA	26
5.IMPACT OF THE CRISIS ON PPP PROJECTS	32
Policy: Impact on Public Investment	34
Strategy: Impact on Project Scope and Finance	38
Implementation: Impact on Commercial Structure and Procurement	42
PART III - RECOMMENDATIONS FOR GOVERNMENTS	43
6.RECOMMENDATIONS FOR POST-CRISIS PPP ENVIRONMENT	44
Policy	44
Strategy	47
Improving the PPP Framework	49
Implementation	51
Project Preparation .	53
Procurement and Financial Close	55
7.MECHANISMS AVAILABLE TO GOVERNMENT TO SUPPORT PPP PROJECTS	57
Cluster A: Project Financing	58
Cluster B: Risk Management	62
Cluster C: Procurement	64
Cluster D: Project Design	67
8.CONCLUSION: SHORT- AND MEDIUM-TERM RESPONSES	68
REFERENCES	71
ANNEX I: LIST OF INTERVIEWS CONDUCTED ANNEX II: PPP INFRASTRUCTURE FINANCE	75

AND PRE-CRISIS EXPERIENCE ANNEX III: PRINCIPLES IN INFRASTRUCTURE	77
AND PROJECT FINANCE	89
ANNEX IV: IMPACT OF THE FINANCIAL CRISIS ON FISCAL	
SPACE AND INFRASTRUCTURE SPENDING IN ECA	97
ANNEX V: INSTRUMENT	111
BOXES	
	10
Box 3-1: Romania's Comarnic-Brasov Highway Project	18
Box 3-2: Slovak Republic — Flexibility in Financing Terms and Government Payments	10
•	19 20
Box 3-3: St. Petersburg – Pulkovo Expansion Project	20
Box 3-4: Armenia Water Sector — A Successful Progressive	21
Approach to Use of PPP	21
Box 3-5: Recent PPP Experience in Brazil, India, and Mexico	24
Box 5-1: Latvia's Fiscal Restrictions and Impact on PPP	35
Box 5-2: Russia's Privatization Plans in the Transport Sector	37
Box 5-3: Spain and Portugal – A Record of Rapid Financial Closure	40
Box 5-4: Investment Funds and Other Government-funded Solutions	41
Box 7-1: Evolution in Contract Design: CREMA – Phases I and II	61
Box 7-2: Refinancing Gain — HM Treasury Guidance	63
Box 7-3: Hedging and Concessionaire's Capital Grant	64
Box 7-4: Indexation and Compensation to Canada Line	68
Box II-1: Eurostat Accounting of PPP Projects	80
Box II-2: South Africa — Assessing PPP Transactions	82
Box II-3: Chile Management of Contingent Liabilities	· 83
Box III-1: Environmental and Social impacts of PPPs and the	
Equator Principles	95
Box III-2: Examples of Financial Instruments to Support PPP	96
FIGURES	
Figure 1-1. Chapter Outline	4
Figure 2-1: Decision Matrix for PPP Projects	6
Figure 2-2: Traditional PPP Framework	6
Figure 3-1: Global PPP Investment	8
Figure 3-2: Global PPP Investment in Transport	9
Figure 3-3: PPP Sector Investments and Projects by Sector in ECA	11
Figure 3-4: PPP Investment and Number of Projects in Other Regions	12
Figure 3-5: PPP Investment in Transport in ECA	13
Figure 3-6: PPP Investment in Energy in ECA	13
Figure 3-7: PPP Investment in Water and Sanitation in ECA	14
Figure 3-8: Recent Global Trends in PPP Investment	15
Figure 3-9: Recent Regional Trends in PPP Investment	15
Figure 3-10: Number of PPP Projects in Tender (Fall 2009)	23
Figure 4-1: Fiscal Balance, Percentage of GDP (2005–2013)	27
Figure 4-2: Real GDP Growth, Annual Percentage Rate (2005–2013)	27
Figure 4-3: Contributions of Changes in Deficits, 2008–2009, % of GDP	
(median values)	28