

Public-Private Partnerships and Investment in Infrastructure

Douglas Sutherland

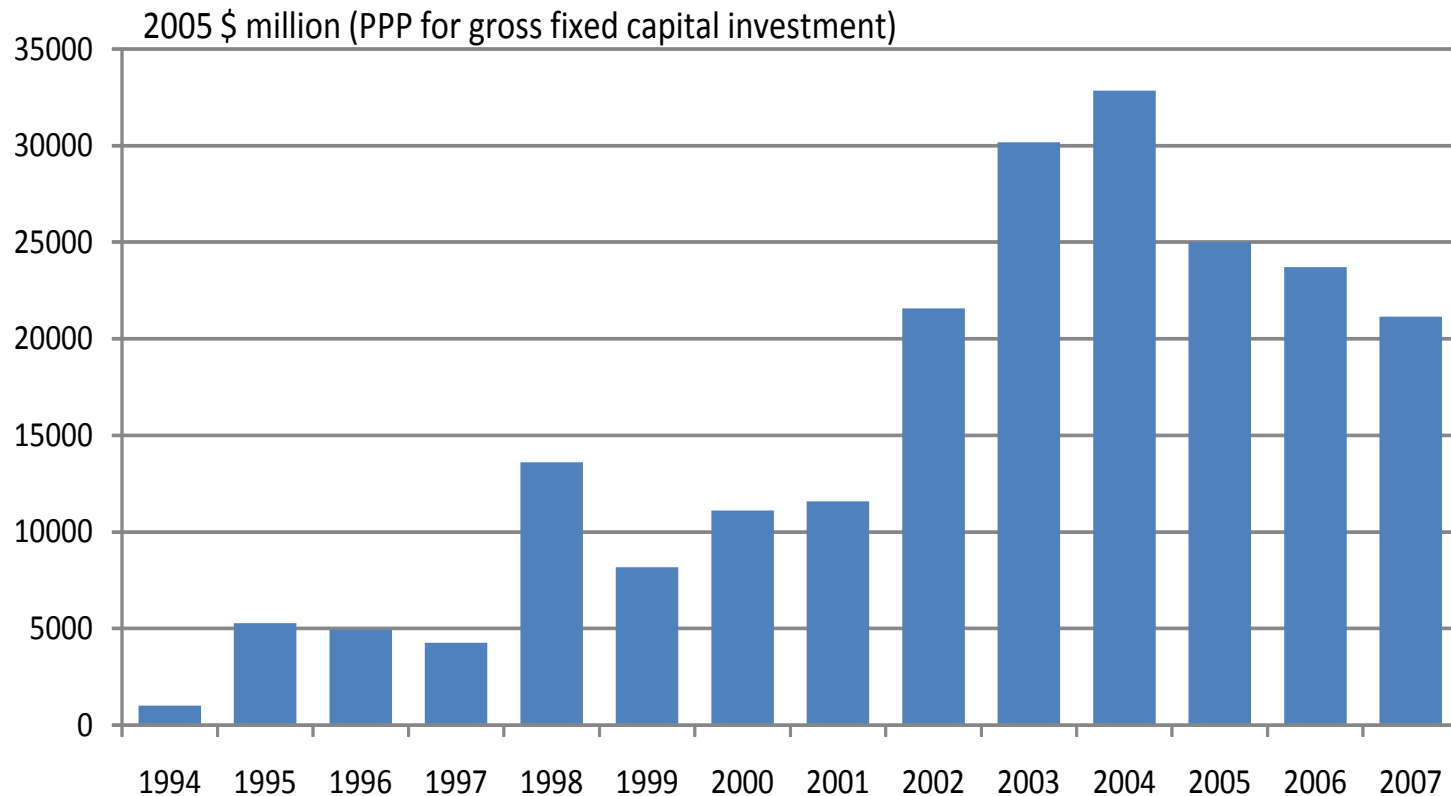
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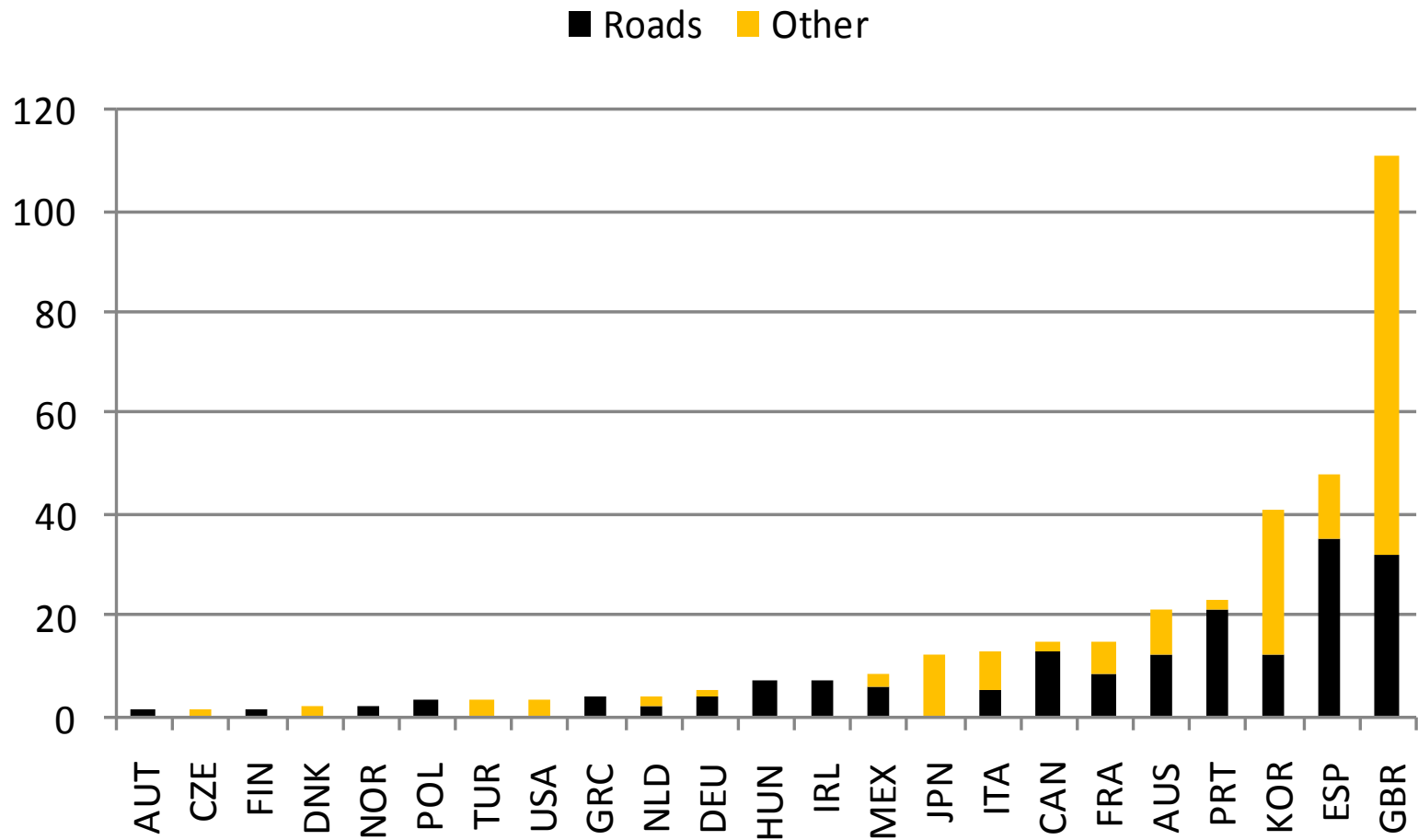
Context

- Background
 - Project on infrastructure investment
- Questionnaire on infrastructure investment
- Assessing policy settings
 - Composite indicator

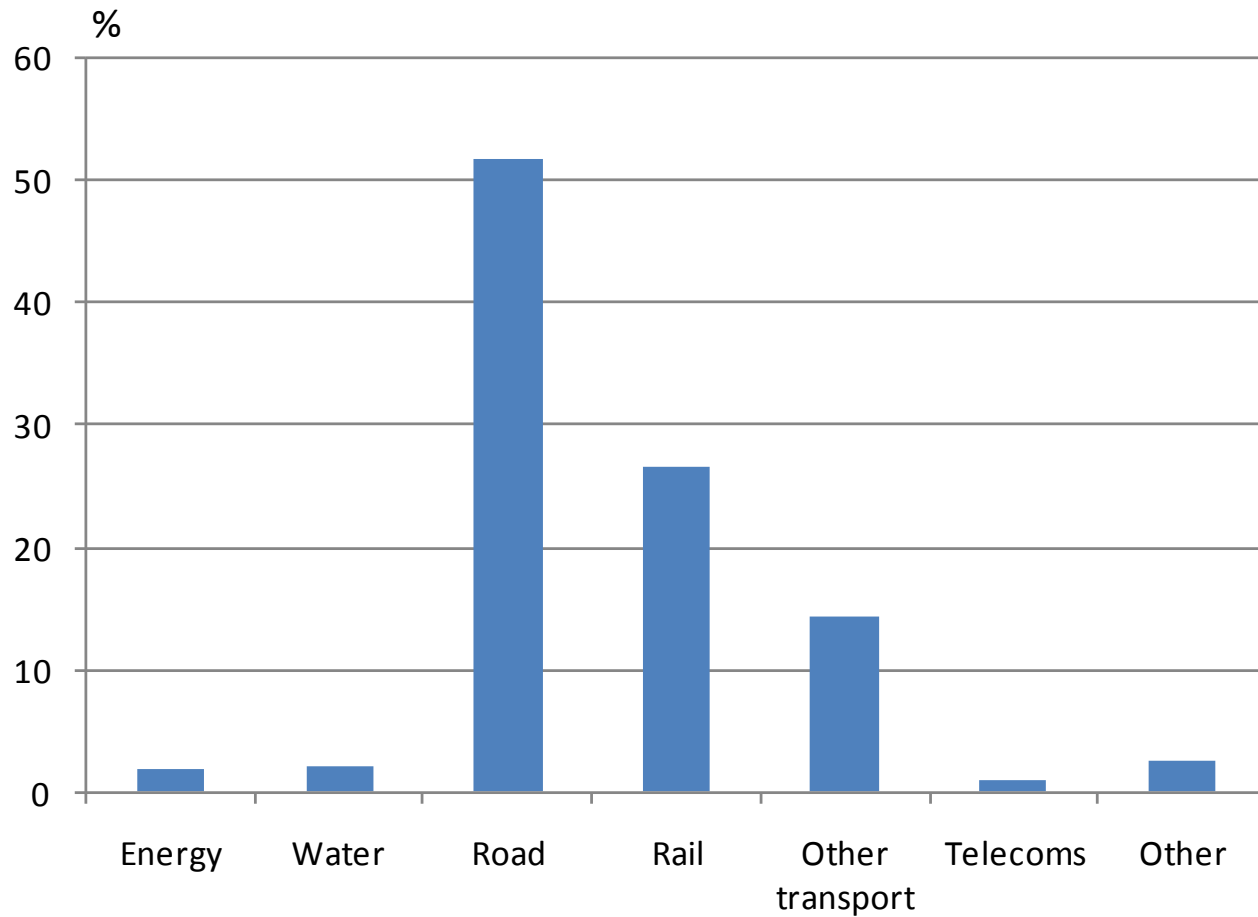
The rise of project finance



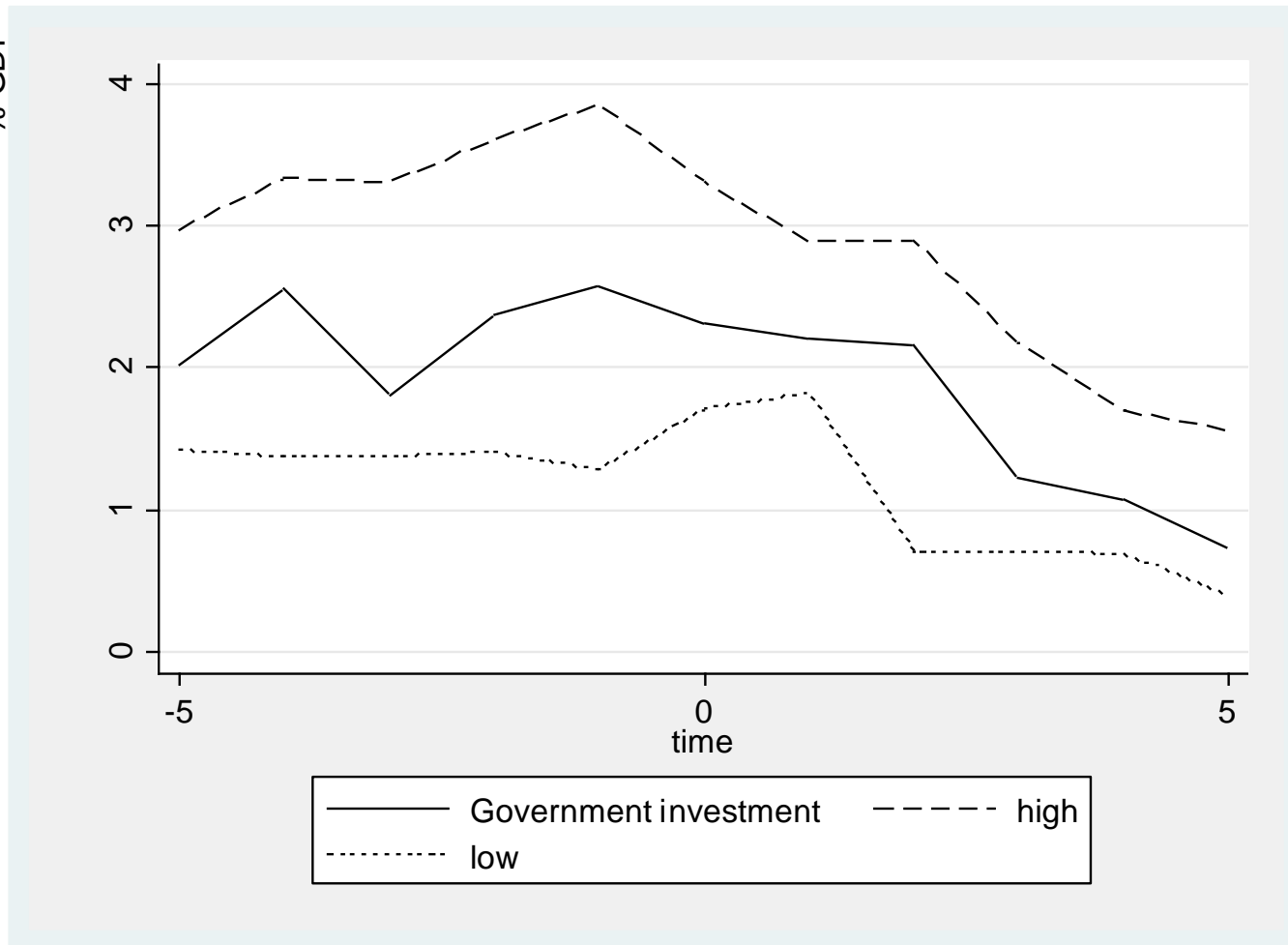
Country experience



Sectoral shares



Fiscal consolidation



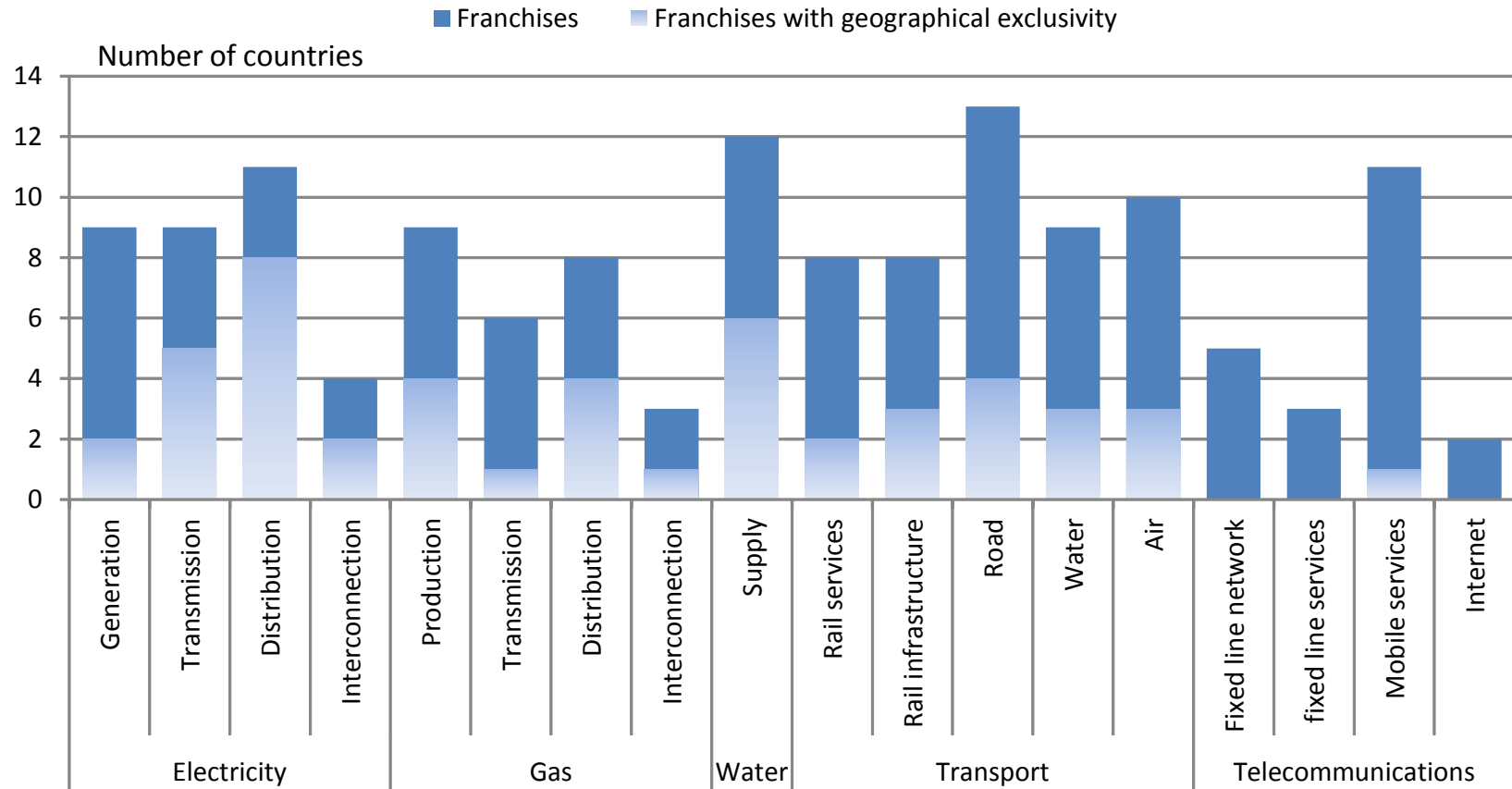
Questionnaire

- Ad hoc questionnaire – December 2007
 - What was the state of play then
 - Mainly binary responses
- Network industries
 - Regulation (regulator, pricing policies)
 - Concessions and franchises
 - Infrastructure planning and financing

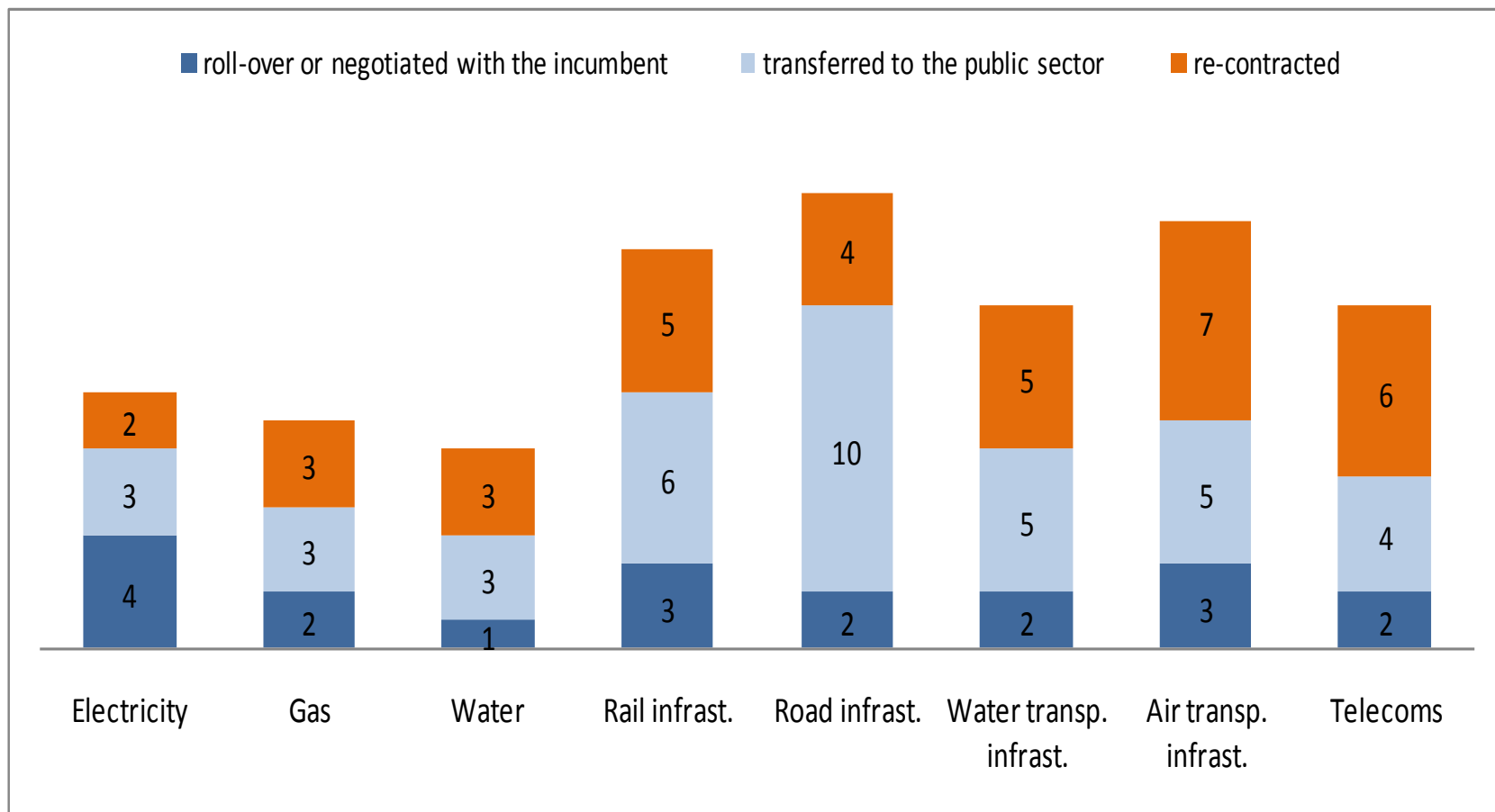
Questionnaire II

- 38 sets of questions (~1400 responses)
 - 25/30 responded
 - Regulators/pricing - 83% response rate
 - Concessions/franchises - 75% (some questions only 50%)
 - Planning and financing – 60% (less for PPPs, though some claimed no experience)
 - Hope to put questionnaire and responses on web

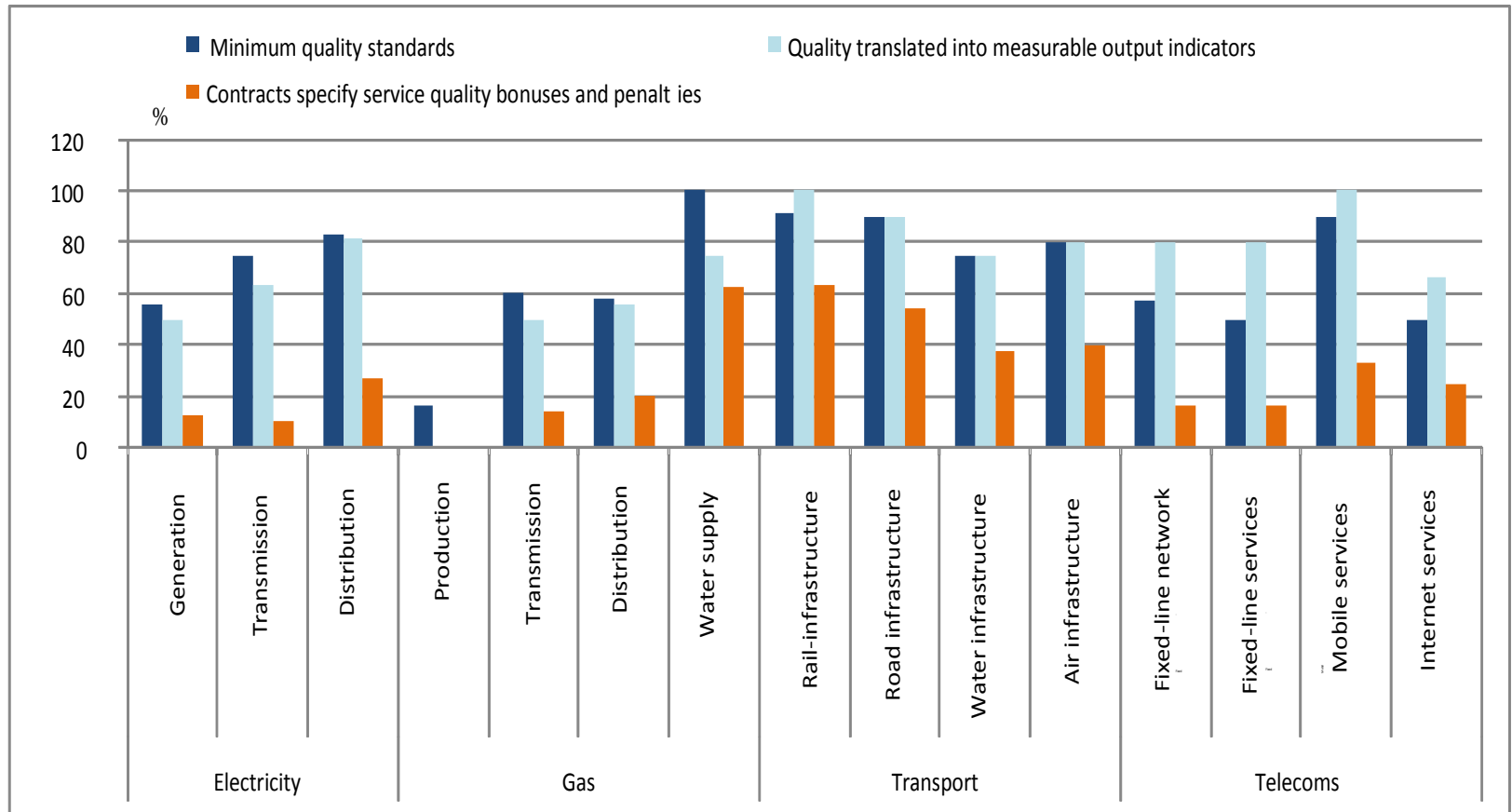
Example: franchises



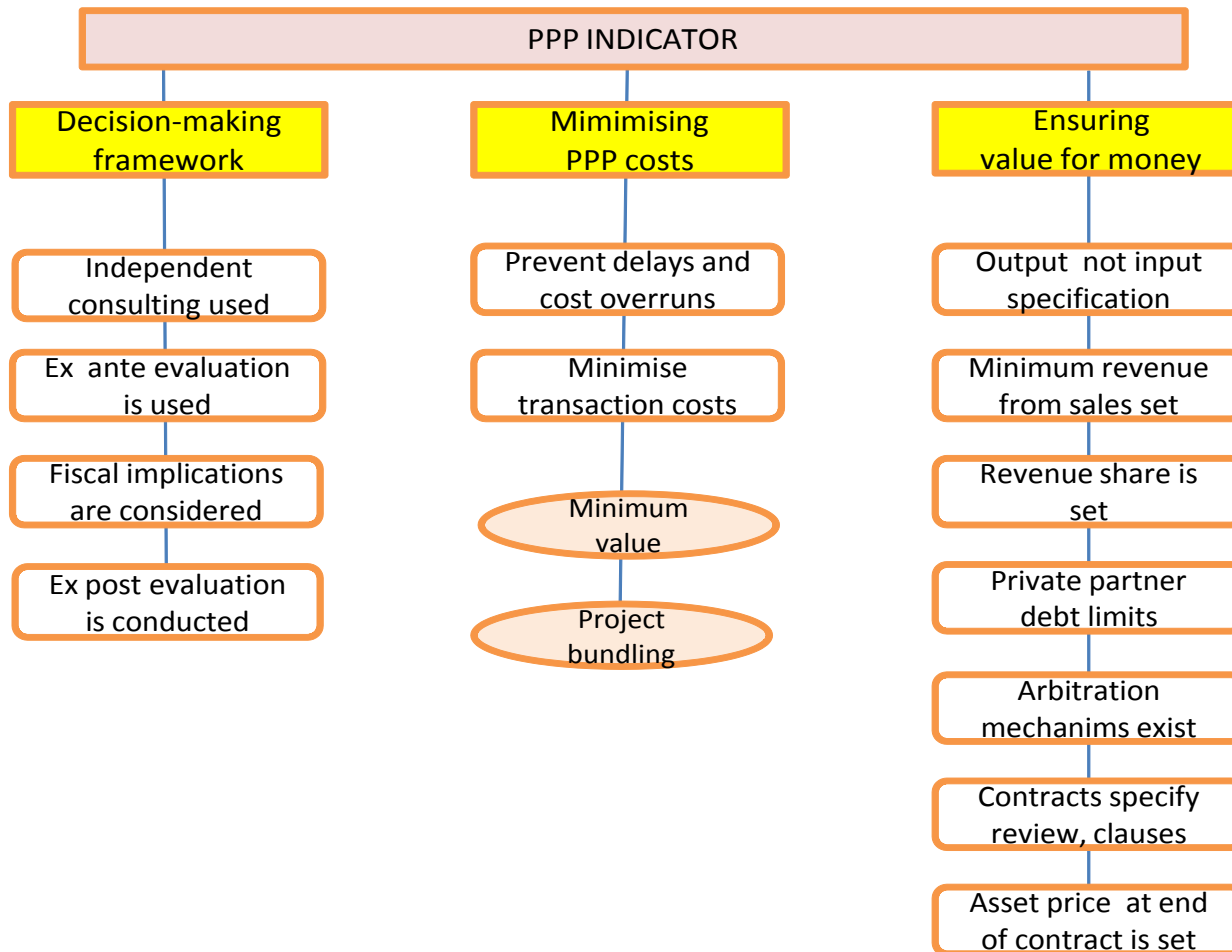
Outcome at the end of a franchise



Quality standards



Assessing policy for PPPs



Decision-making framework

- Ensure PPPs are the appropriate investment structure
- Consult with independent bodies (ex ante and ex post)
- Account for the full fiscal implications

Minimising costs

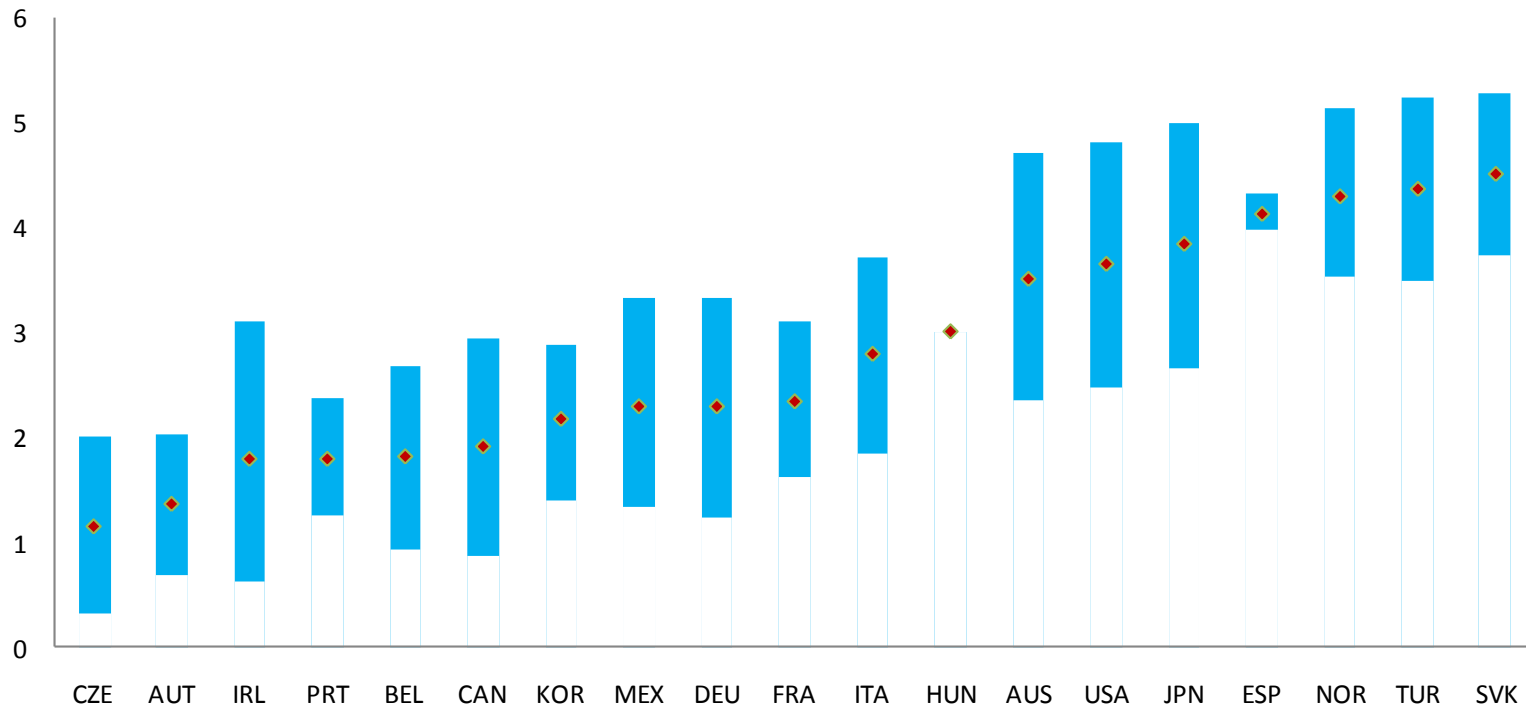
- Minimising transaction costs
 - Setting size limits
 - Bundling projects
- Obtain necessary licences and permissions in advance

Ensuring value for money

- Output rather than input specifications
- Take into account risks (e.g. limits on debt, revenue sharing clauses or minimum revenues)
- Contract re-negotiation and arbitration mechanisms
- Set mechanism for determining residual value of assets

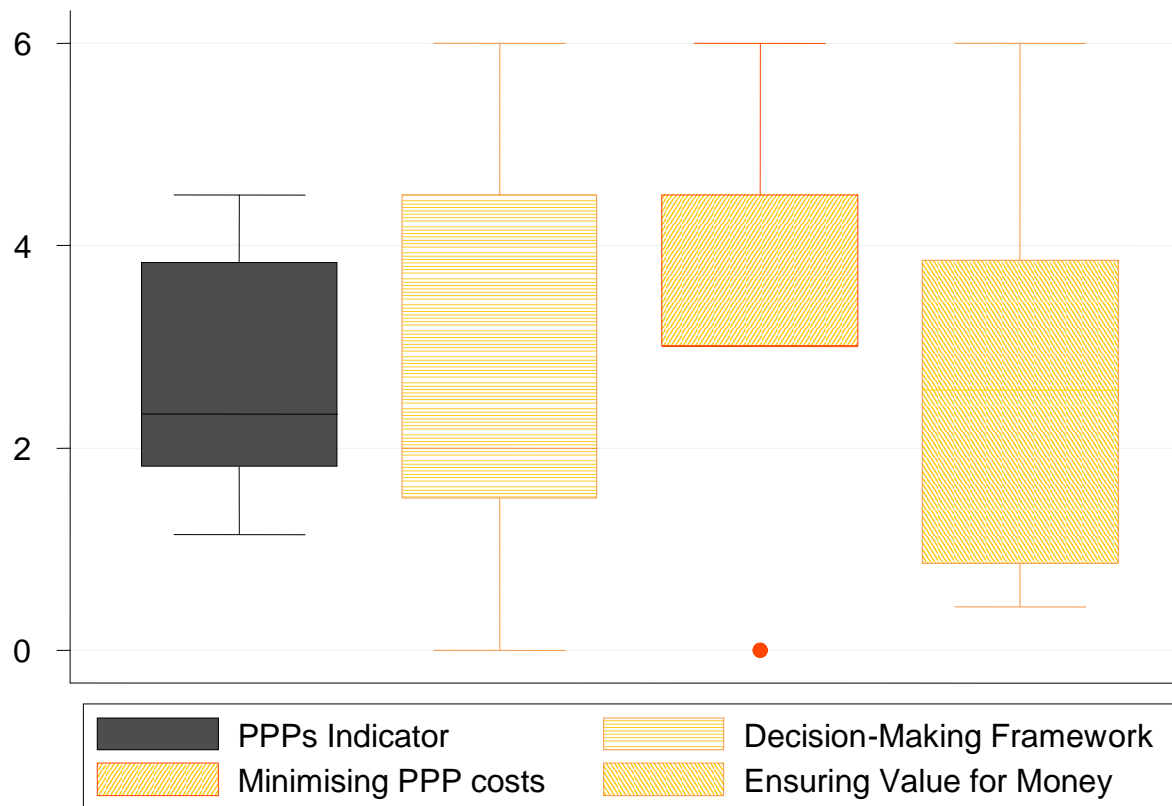
Country policy frameworks

Indicator of efficiency constraining features of PPP frameworks
(90% confidence intervals)



Indicator and sub-components

Scale 0-6 from most to least preferred policies



Cross-product dummies

	CZE	AUT	IRL	PRT	BEL	CAN	KOR	MEX	DEU	FRA	ITA	HUN	AUS	USA	JPN	ESP	NOR	TUR	SVK
CZE	.	(+)*			(+)**				(+)**			(+)**	(+)**	(+)**	(+)**	(+)**	(+)**	(+)**	(+)**
AUT	(-)*	.																	(+)**
IRL			.						(+)*					(+)*		(+)**	(+)**		(+)**
PRT				.					(+)**			(+)**	(+)**	(+)**	(+)*	(+)**	(+)**	(+)**	(+)**
BEL	(-)**				.		(+)*												(+)**
CAN						.										(+)*	(+)**		(+)**
KOR					(-)*		.		(+)**			(+)**	(+)*	(+)**	(+)**	(+)**	(+)**	(+)**	(+)**
MEX								.	(+)**			(+)**		(+)**	(+)*	(+)**	(+)**	(+)**	(+)**
DEU	(-)**		(-)*	(-)**			(-)**	(-)**	.	(+)*	(+)*								(+)**
FRA									(-)*	.				(+)*		(+)**	(+)**		(+)**
ITA									(-)*		.					(+)**	(+)**		(+)**
HUN	(-)**			(-)**			(-)**	(-)**				.							(+)**
AUS	(-)**						(-)*						.						(+)**
USA	(-)**		(-)*	(-)**			(-)**	(-)**		(-)*	(-)*								(+)**
JPN	(-)**			(-)*			(-)**	(-)*											(+)**
ESP	(-)**		(-)**	(-)**		(-)*	(-)**	(-)**		(-)**	(-)**								(+)**
NOR	(-)**	(-)**	(-)**	(-)**		(-)**	(-)**	(-)**		(-)**	(-)**								(+)**
TUR	(-)**		(-)**	(-)**			(-)**	(-)**											(+)**
SVK	(-)**	(-)**	(-)**	(-)**		(-)**	(-)**	(-)**		(-)**	(-)**								(+)**

Note: Stars denote the level of significance: *: 90%, **: 95%, ***: 99%.

Thank you

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