Public Private Partnerships Observations, Lessons Learned and Case Studies

Second Mineral Policy Forum

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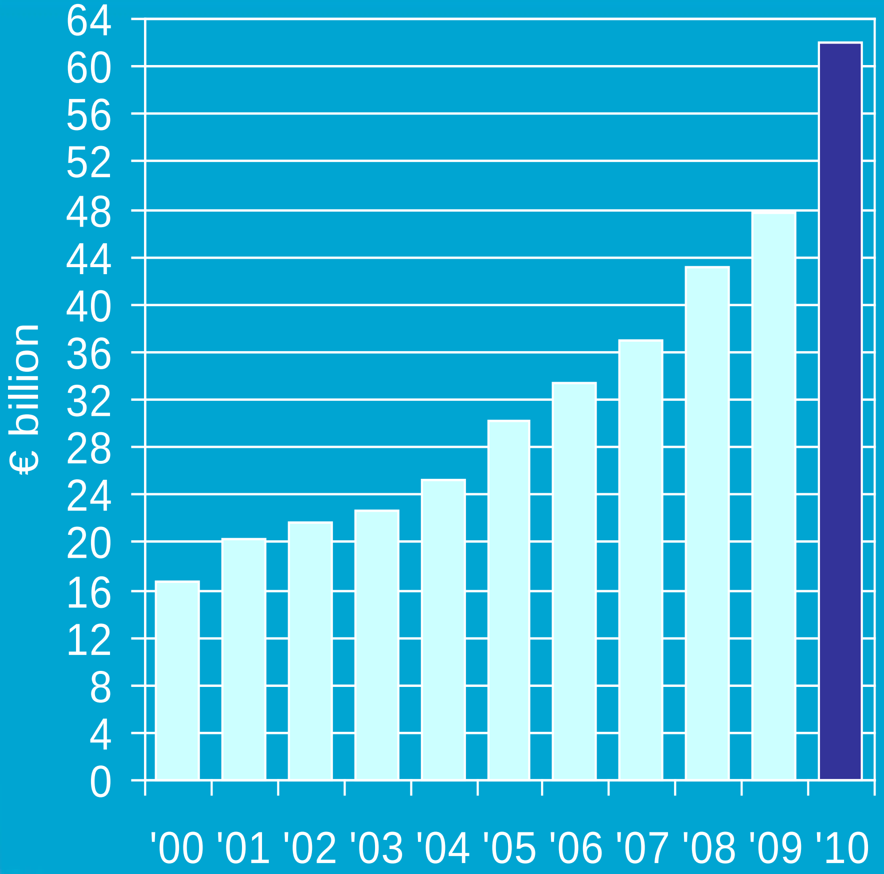
What is the EBRD?



Cumulative commitments of €62.0 billion

- International financial institution, promotes transition to market economies in 30 countries from central Europe to central Asia
- Owned by 61 countries and two inter-governmental institutions
- Capital base of €30 billion*

Unaudited as at 31 December 2010

Public Private Partnership defined

- Long-term contract between a public contracting authority and a private operator
- for the fulfillment of public tasks/services
- by appropriate combining the necessary resources of the partners and
- distributing project risks to the respective project partners

PPP Advantages

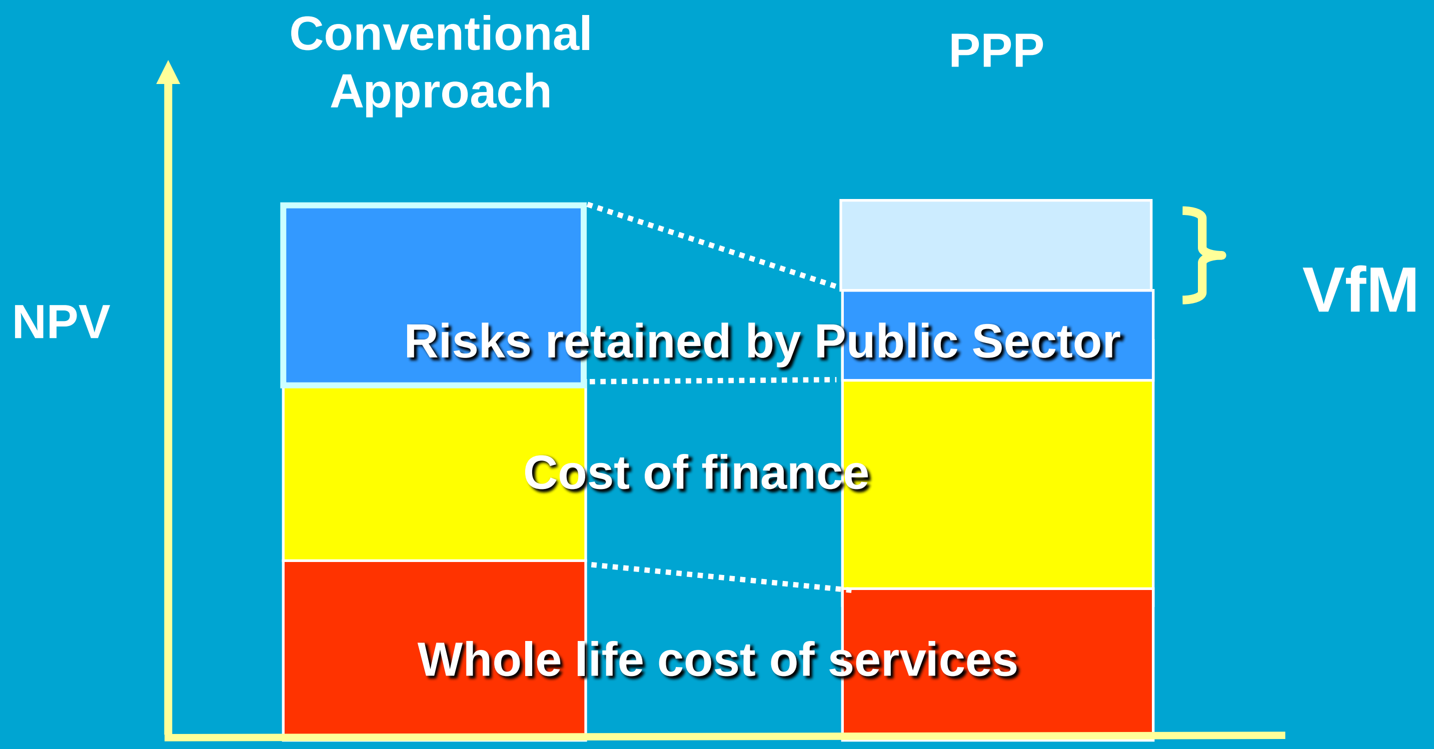
- Efficiency gains and faster realization/implementation
- Higher customer and/or user satisfaction
- Reduce tasks to be carried out by public administration
- Engagement at higher level by private sector
- Transfer of risk to private parties

PPP Limitations

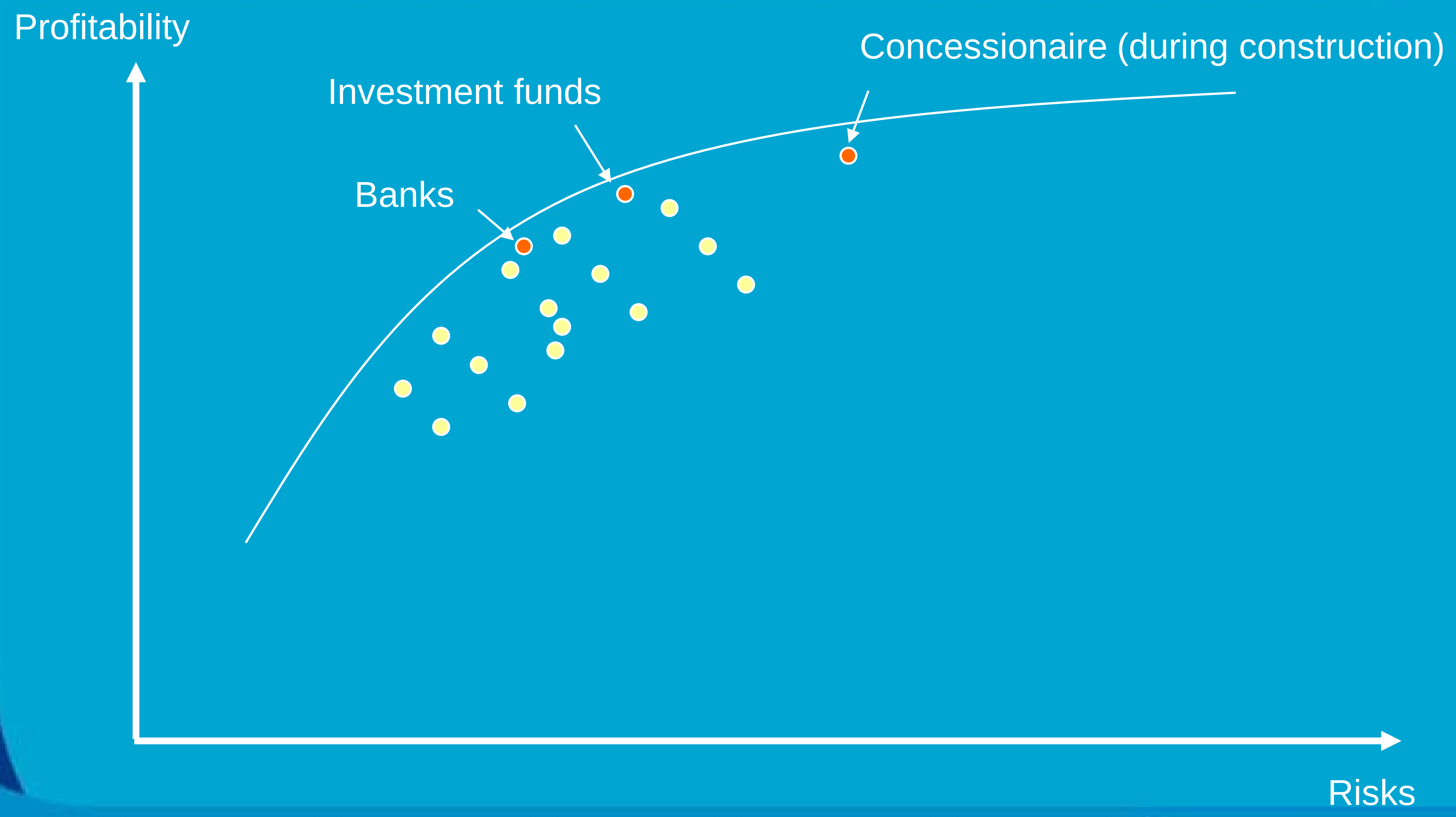
- If public authority cannot afford the project in a conventional way, it should not try to do it as a PPP project
- For larger PPP's, political will essential
- PPP's complexities require minimum volumes
- Value for Money Assessment

Value for Money Assessment

Overall costs should be smaller than those of the public sector



Risks/ return profile



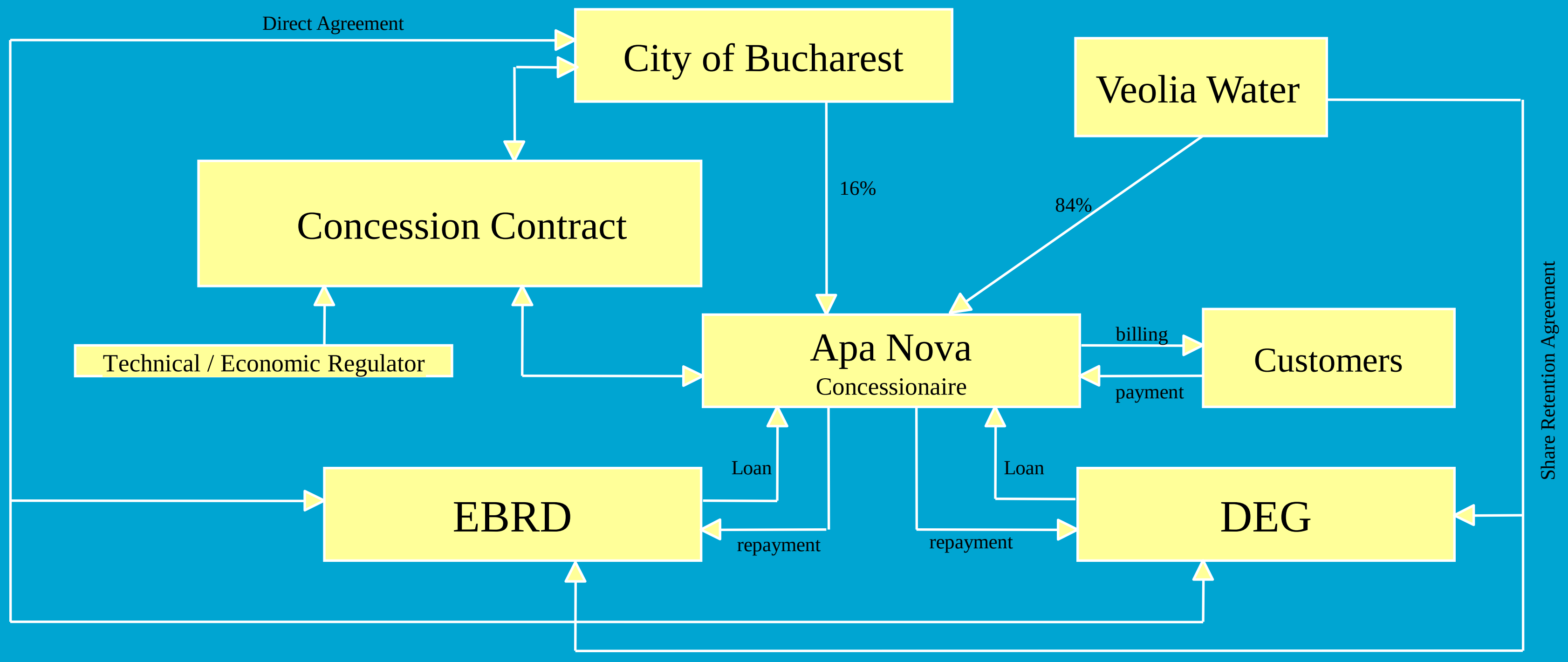
Risks sharing - Important negotiation item

- Design risks (P)
- Construction risks (P)
- Availability and performance risks (P/G)
- Maintenance risks / Life cycle risks (P)
- Regulation/ legal/ court risks (G)
- Traffic / revenue risks (P/G)
- Payment risk (P/G)
- Government / political risks (G)

Case Study I: Apa Nova water treatment

- Apa nova Bucuresti - 84% subsidiary of Veolia Water, awarded 25 year concession in 2000 to run water and wastewater management in Bucharest
- EBRD (EUR 55.4 million) and DEG (EUR 18.5 million) co-financing
- Tariff adjustments linked to meeting certain technical performance criteria
- Incentives well-aligned

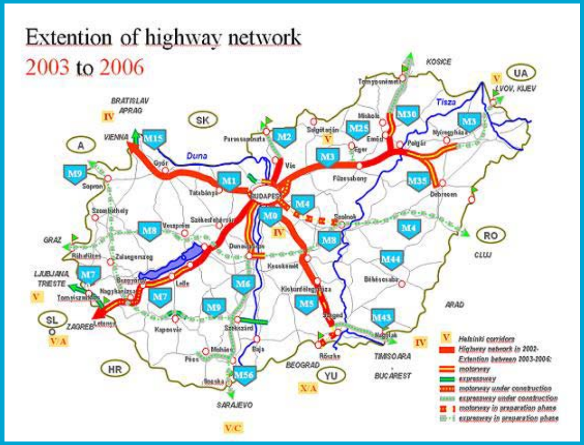
Case Study I: Apa Nova water treatment – Concession structure



Case Study II: Road PPP

Hungary: M6 Motorway

- First road PPP tendered as an availability payments concession in the region
- The M6 Motorway received its final licence to operate at the end of 2006 and was successfully opened to traffic
- Syndicated loan refinanced through listed AAA wrapped Euronotes
- EBRD participated subsequently in the financing of M6-M60, a 30-year availability fee-based concession.



PPP’s - Lessons learned - I

- Structuring PPP’s take time
- Adequate legal structure
- Front load institutional reforms – political will required
- Larger scale projects might be better suited
- Select experienced international financial, legal and technical advisors
- EPC price is an important factor in bid competitiveness
- Quality of information provided is important from start
- Certain projects with difficult to predict demand may need some form of government support to achieve financial sustainability (e.g., toll roads, urban rail)

PPP's - Lessons learned - II

- IFI's policies require competitive tendering and specific processes
- Early (informal) engagement with financiers useful
- Robust tariff methodologies and independent and competent regulator
- If possible: design the evaluation parameters geared at maximizing LCY funding
- Sponsors' interest, dependant on market and PPP structure

Conclusions

1. PPP can mobilize private capital to bridge (part of) Mongolia's infrastructure gap
2. Concession Law is not a template - much more work is required
3. If structured correctly, Government, Municipality and private sector will benefit


Bayarlalaa!
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