Evolution and best practices of PPP ------ FIEC vision

Vincent Piron

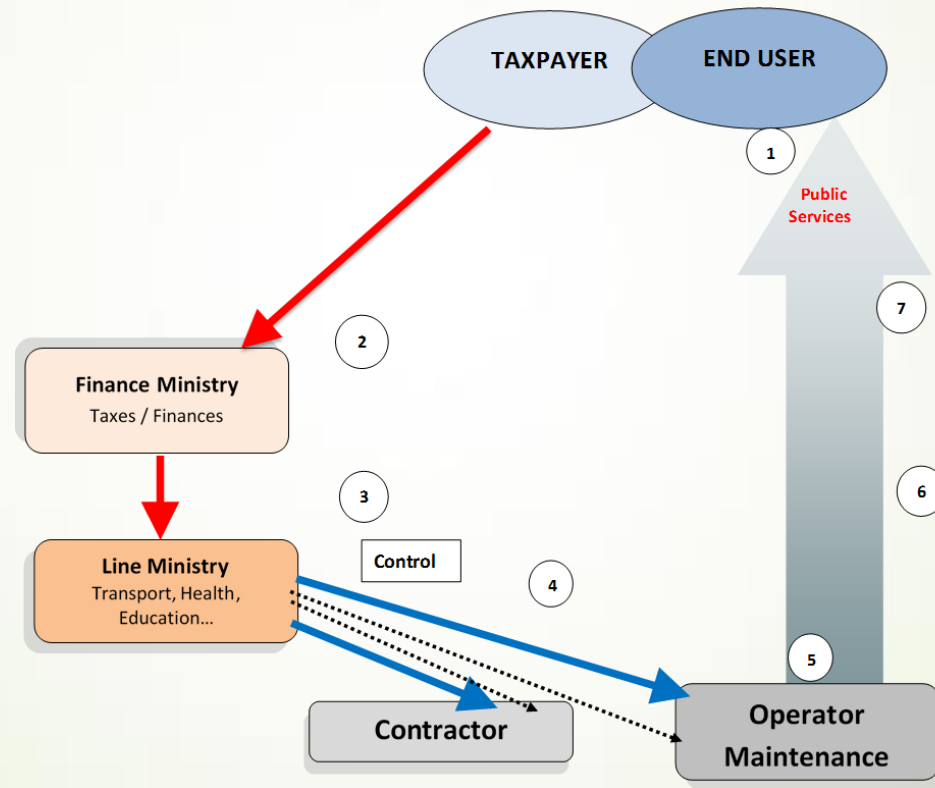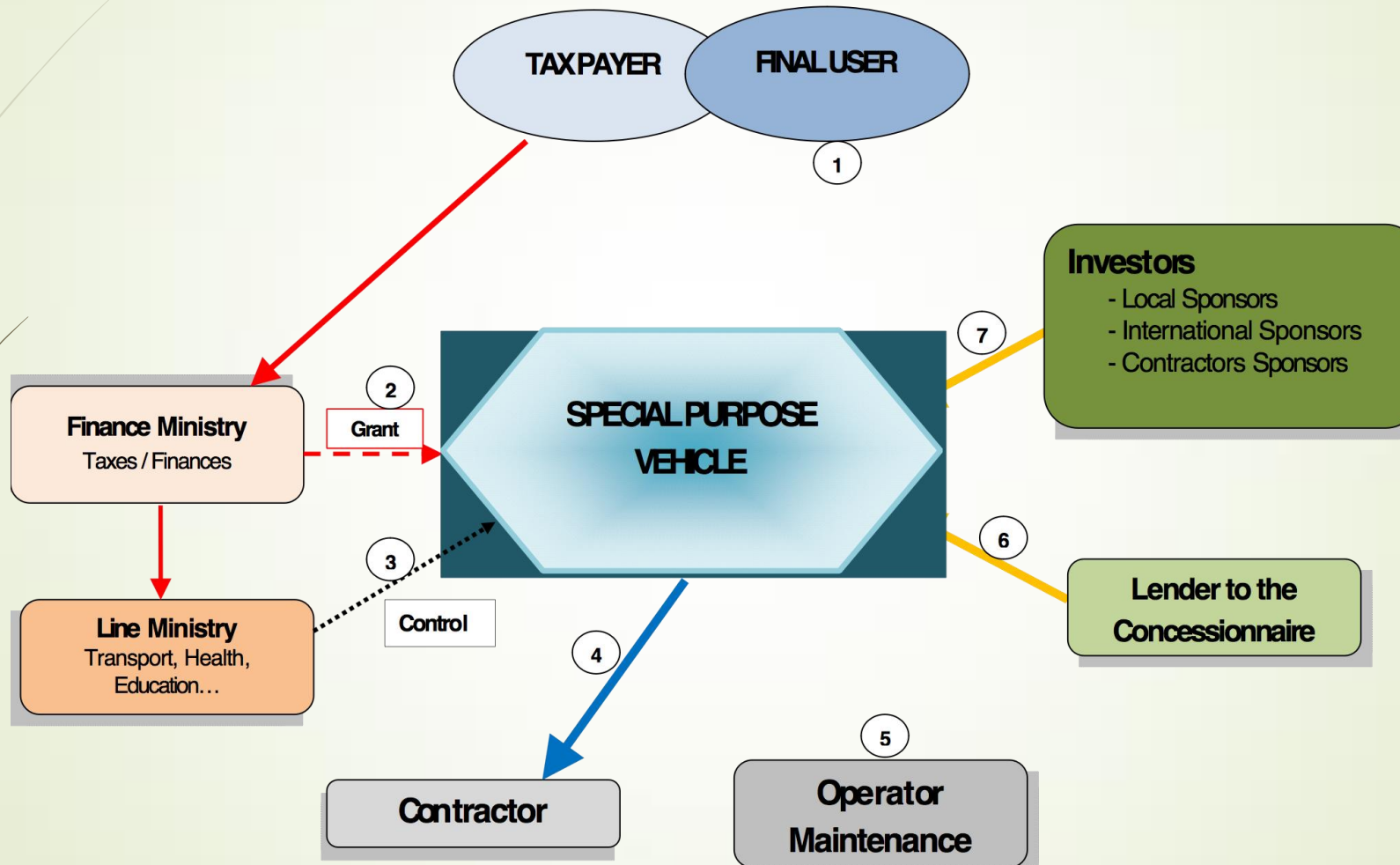CICA meeting,15th -17th of January 2017

Santiago de Chile

Ultimate goal : the service is to be provided to the user/tax payer

- In negociating, take into account the socio-economic benefit for the user/tax payer

- Governments are ready to pay if the users are happy

- Measure the service to the user/tax payer by using Key Performance Indicators

- Level of KPIs to be met contractually by the SPV should be clearly specified

- If the user/tax payer is not at the heart of the contract design, there are political and fiscal risks

- Risk sharing is well known, the symmetric is profit sharing and should be applied
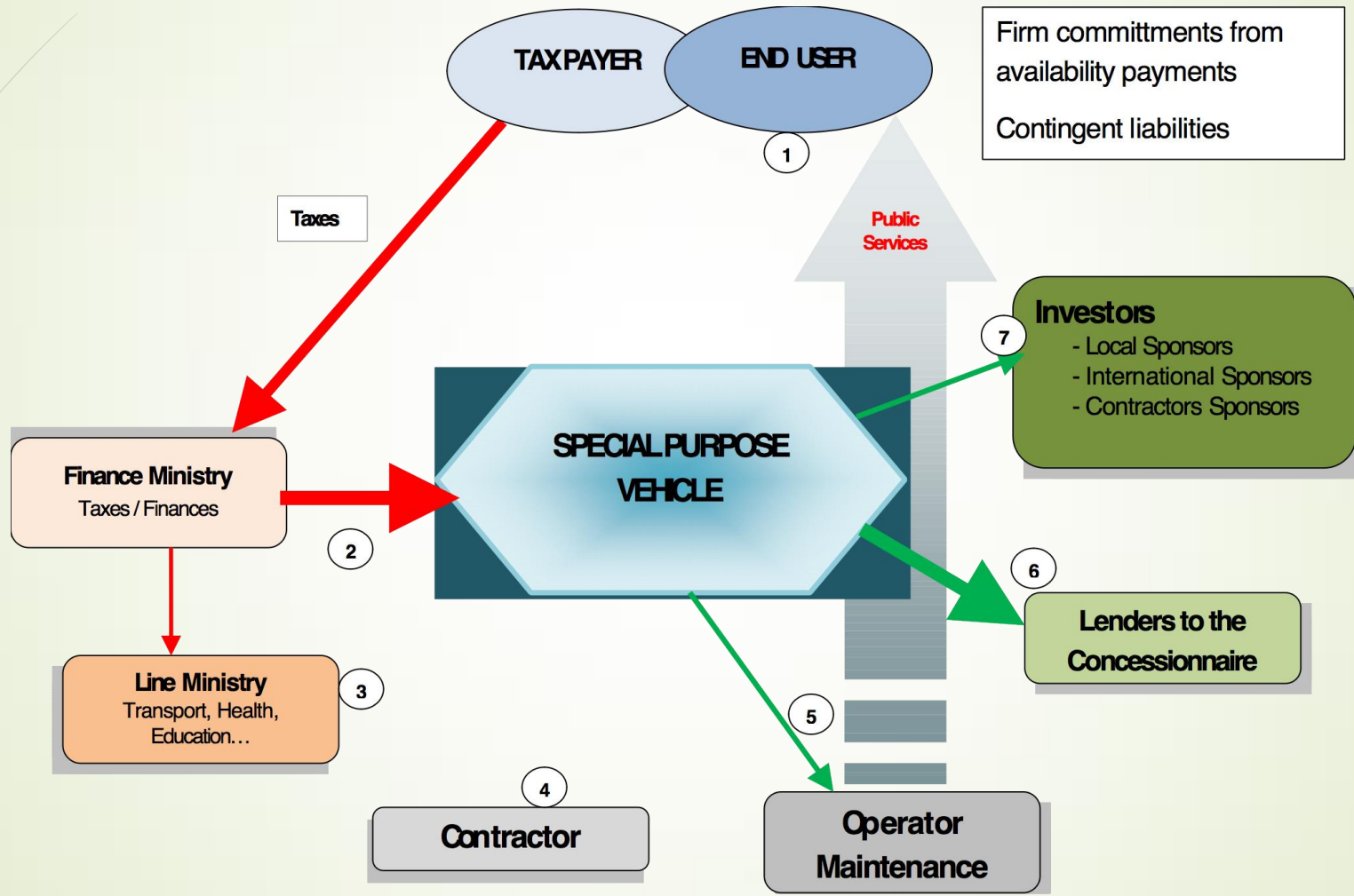
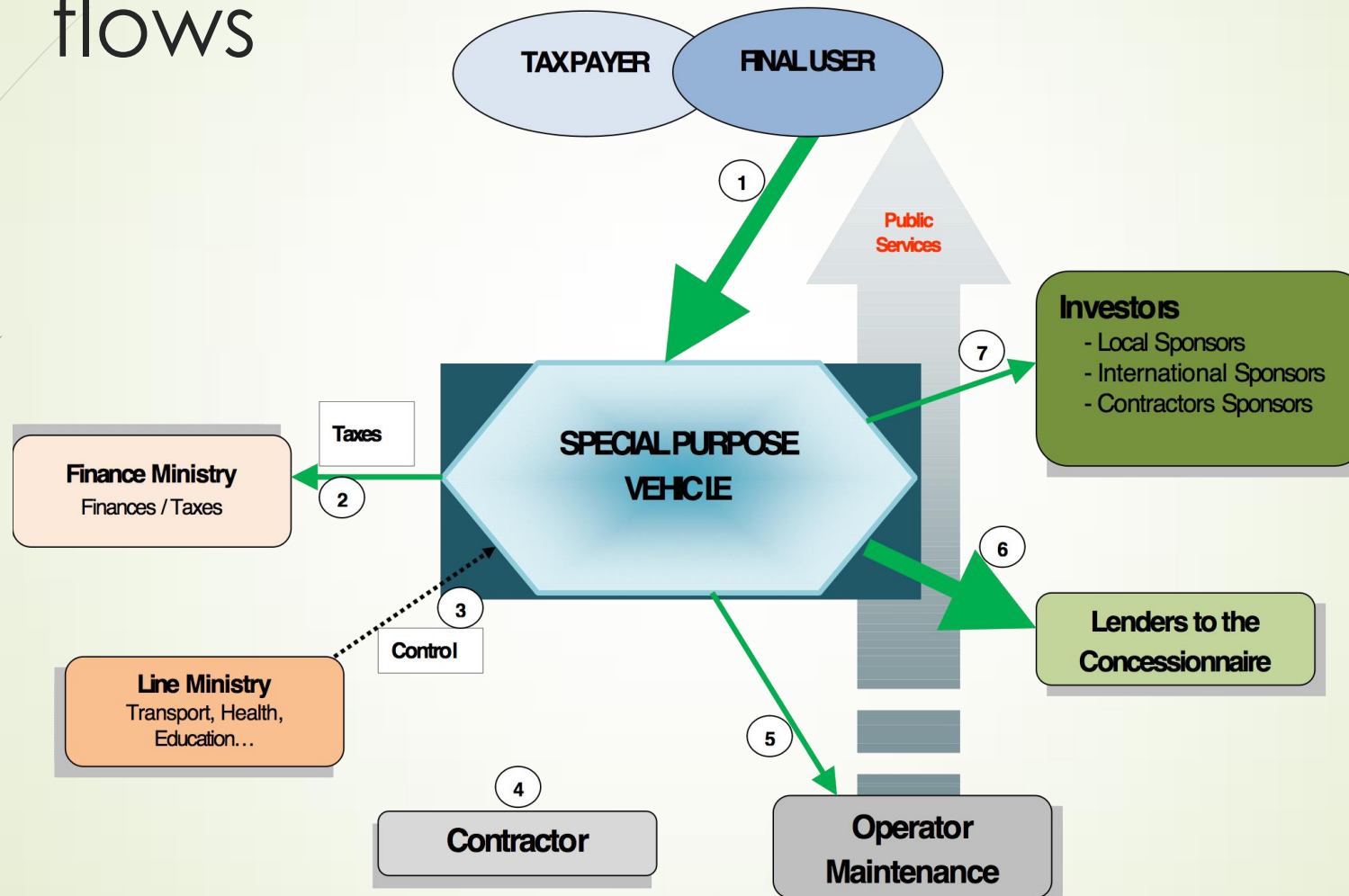# PPP Traditional Procurement cash flow

PPP construction period cash flows

PPP Availability payments (Gvt funded)

PPP Concession (User funded) cash flows

The possible future of PPPs

- Limitation of the public funds for investments because governments don't make the difference between investment and expenditures
- Great uncertainty about the interest rates
- Great uncertainty about the balance sheet of the Central Banks
- The best way is to go for **User funded** projects
- But with reasonable revenue forecasts
- The accounting treatment of PPPs is not satisfactory (P FRAM model): no difference between good projects and risky ones
- The Public Authorities have not yet understood that the main advantage of PPPs is the cost reduction and not the financing process
- Develop the well prepared project process for a better risk evaluation

CICA future actions

- Develop analysis of the fiscal impact of the projects
  - Tax funded projects
  - User funded projects
- Develop the global model economic + financial + fiscal
- Cooperation with World bank and IMF on the P Fram model
- Propose a modification of the public accounting rules
- Develop contact with economists for a better evaluation of the indirect benefits of projects and finalise the study made by the Russian economist.