

Public Private Partnership Conference

Financing & regulating PPPs :the French approach



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1- Designing an appropriate PPP framework

PPPs are an extensive and fluctuating concept

⇒ Know what you want to get

⇒ Build on other countries experience

⇒ Stick for following conditions for success:

Choose PPP for the right reasons :

- Money for value
- Delivery speed up
- Cost guarantee

Not off-budget financing
or
off-balance sheet accounting

Build a broad based support across society

- Ensure across the lines political support
- Strive for consensus in public opinion
- Explain that PPP is not outright privatization

Provide right legal framework

Particularly in written-law countries, a robust legislation should be put in place first:

- ✓ Consistent with multinational rules or guidance (EU, WTO, WB...),
- ✓ Adapted to local conditions,
- ✓ Ensuring a competitive neutrality model & a level playing field for all providers.

Structure Public sector to actively manage the process & Capitalize the knowledge

✓ Through national or local/sectorial PPP task-forces or dedicated units

- Choose between administrative service or corporate structure, policy support or project implementation, general or optional compétence, and budget or fees-based financing

✓ Through project team organization at public contracting authority level

Ensure broadest participation by private actors

- ✓ Both national or foreign, industrial and financial
- ✓ Encourage private initiative for projects
- ✓ Indemnify non-retained candidates for bid costs

Make sure the risk is effectively transferred

Risk mitigation = single most important reason to resort to a PPP

⇒ Must be appropriately allocated

Monitor & adjust the system

- ✓ Framework to evolve over time as new issues or problems are identified
- ✓ Try & keep it simple (some standardization of contracts when possible)
- ✓ Share information & experience with other countries or multilateral organisations
- ✓ Set-up data base on projects and keep track of project implementation over time

2- French PPP current situation

- Massive investment backlog : + 20 Bn EUR of investment planned for 2009-2010 (compared to 2 Bn EUR of PPP contracts signed in 2008)
- Increased recourse to PPP
- Impact of the financial crisis :
 - Reduced banking capacities : 50 to 100 MEUR ticket by bank
 - Club deals to replace the syndication market
 - Increased cost of funding : from 70bp to more than 200 bp
 - Reduced tenor : from 35 year to 10 year maturity

The French Economic stimulus package for 2009-2010

Announced by the French President on 4th of December 2008

3 main measures :

1. State Guarantee scheme (Loi de Finances rectificative pour 2009)
2. Co-funding from Caisse des dépôts-managed Fonds d'Epargne
3. Adjustable financing terms (Loi du 17 février 2009)

2-1 State guarantee scheme

- EUR 10 Bn State guarantee program for priority projects realised under PPP scheme
- Contracts to be closed in 2009-2010
- Guarantee up to 80% of the private sector financing required
- Guarantee fee priced according to « normal » market conditions (in accordance with EU state aid regulation)
- First example : LRT La Réunion

2-2 Co-funding from CDC managed Fonds d'Epargne

- EUR 8 Bn co-funding program over 5 years
 - Transportation infrastructure and Renewable Energy : 7 Bn
 - Universities : 1 Bn
- Co-funding alongside public and private sector financing sources
- First examples : Paris IV and Paris VII Universities

2-3 Adjustable Financing terms

- Fully committed financing scheme at BAFO stage no longer requested
- Period of adjustment of financing terms to allow the preferred bidder to get a 100% committed financing
- Adjustment of financing terms to be limited
- Applicable to projects to close in 2009-2010

2-4 Other evolutions

- Shorter financing periods (mini-perms...) => refinancing risk to be pondered
- Lower debt/Equity gearings => more financial investors needed
- Higher spread for private financing => more public financing
- Higher overall project cost => more selective approach

The role of the MAPPP

- In charge of the implementation of the State Guarantee scheme on behalf of a newly created Guarantee Committee in MoF
- With the support of legal and financial advisors
- Definition of General guarantee scheme and detailed terms & conditions project-wise
- Global coordination and monitoring of the Economic stimulus package for PPP

Thank you for your attention!

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