

UFP

UNITÀ TECNICA
FINANZA DI
PROGETTO

MEF

Ministero
dell'Economia
e delle Finanze



CIPE - Ministero dell'Economia e delle Finanze



**Informal exchange with
PPP task forces 3rd
meeting**

**Bruxelles
June 3rd 2004**

**Italian guarantee-based
PPPs and collaterals for
strategic infrastructures**

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LEGISLATIVE REFORM



COLLATERALS FOR STRATEGIC INFRASTRUCTURES



REVOLVING FUND FOR PUBLIC PROJECT



SELECTED PROJECTS



LEGISLATIVE REFORM



Infrastructures and Public Works

Law n. 166/2002 (4th Amendment of Public Works Law – Law n. 109/1994

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- No limitations on public contribution and concession extension
- Greater accessibility of PPP structures where Public Sector pays user charges to private concessionaires
Law n. 48/2001 (Legge Obiettivo) and Law Decree n. 190/2002 (Sec. Leg)
- Identification of a first list of “Strategic Infrastructures”(CIPE resolution n.121/2001)
- Greater accountability of Central Government (while respecting local governments prerogatives)
- Fast “track” for Infrastructures (reduction of “red tape”, simpler procedures, general contractor)



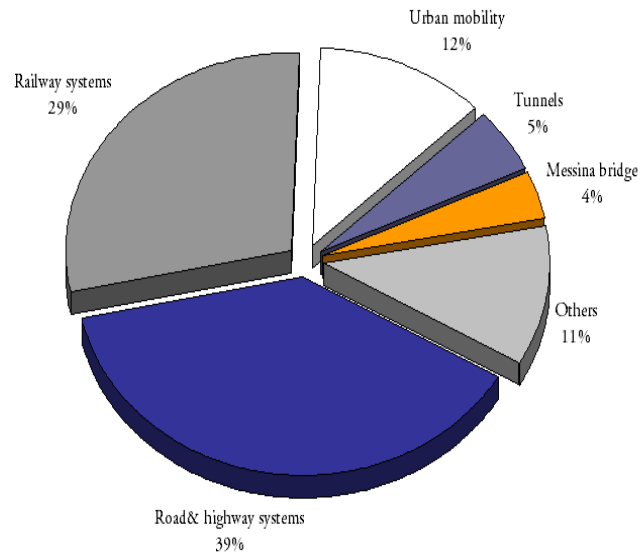
Law n. 443/2001 “Legge Obiettivo”

Initiatives identified by Central
Government upon consultation with
Regional Governments

STRATEGIC INFRASTRUCTURE NATIONWIDE PROGRAMME N.1

Roads	48.308
Railways	36.434
Mass transit systems	15.366
Tunnels and viaducts	6.365
Messina bridge	4.957
Others	14.428
Grand Total	125.858

(Million €)





Project finance Provisions

- under Art 21 L.109/94

- under Art 37 *bis* L.109/94

- The “Programme” of Public Works
- Publicity
- Promoters submit Proposals
- Evaluation of Proposals
- Restricted Procedure
- Negotiated Procedure

- ▶ Concession contract - Art 19 L.109/94

- Public contribution and concession length are determined with a view of assuring the economic equilibrium of the concession
- Direct use by the public administration
- The concession can be renegotiated :
 - changes imposed by the administration to the basic assumptions
 - change in law



**COLLATERALS FOR
STRATEGIC
INFRASTRUCTURES**



L. 350/2003 – FINANCIAL LAW art.4 – paragraph 134 .

Legal Framework - concern exclusively the list of “Strategic Infrastructures” to release by PPP’s scheme

Cofinanced Terms of the Strategic Infrastructures –

- 1. CBA analysis + financial plan**
- 2. Financial institutions (EIB, CDDPP, ISPA, banks) have to grant the remaining financial costs of the public work**
- 3. The above senior debt is secured by some terms:**
 - a) the cash flow of project**
 - b) in case of revoke of concession the awarding authorities guaranties within issue new one**
 - c) the new concessionaire**
 - d) outstanding credits of old concessionaire**



**REVOLVING FUND FOR
PUBLIC PROJECT**



Legal Framework – Art. 71 of the budget law for 2003

- A new revolving fund, called the Revolving Fund for Public Projects – RFPP, with the aim to financially sustain public projects has been implemented at the Cassa depositi e prestiti by Article 71 of the Budget Law for 2003.
- The disposition stimulates the allocation of private capital to fund public projects, thereby reducing the burden of transferring public non-repayable funds (contributi a fondo perduto).
- The objective of the RFPP is identified by projects within the competence of those entities, who generally have access to CDP's loans (state, regions, regional entities, local entities, public service providers, companies that are part of CDP, other parties as indicated by law), which have to be realized through concessions, construction and operation concessions and general contract assignments as provided by law (Law 109/94, Law 443/2001, Legislative Decree 190/2002).



Example

Infrastructural projects are generally characterized by high investments and a cash flow generated by their operation, which is insufficient to guarantee a satisfactory economic and financial balance for the financing party as well as for the shareholders.

Example

An infrastructure, which has been created through a 30 year concession, providing 5 years for construction and 25 years for operation.

Investment costs : 1 billion Euro and a yearly cash flow of 100 million Euro, which is generated by the project.

The structure of the economic and financial balance should therefore provide for non-repayable funds in the amount of 125 million Euro for the realization of the project.

The goal is to reduce the amount of this contribution. The RFPP represents one of the alternative solutions.



Integration of revenues (IR)

At the concession, the conceding party (concedente) assumes the responsibility to concede on a yearly base, starting from the moment at which the project initiates and ending with the expiration of the concession, a maximum amount in form of integration of revenues (IR) as arranged in the economic and financial plan, to the concessionaire (concessionario).

- The concessionaire does not have to repay the IR and in fact it seems as if he would benefit from the non-repayable funds himself;
- If the project's cash flow is higher than predicted, the amount of the IR will be reduced.

The risk that the project's cash flow is lower than the certain amount predicted in the economic and financial plan is, just as in every project financing operation, taken by the lenders.



Conclusion

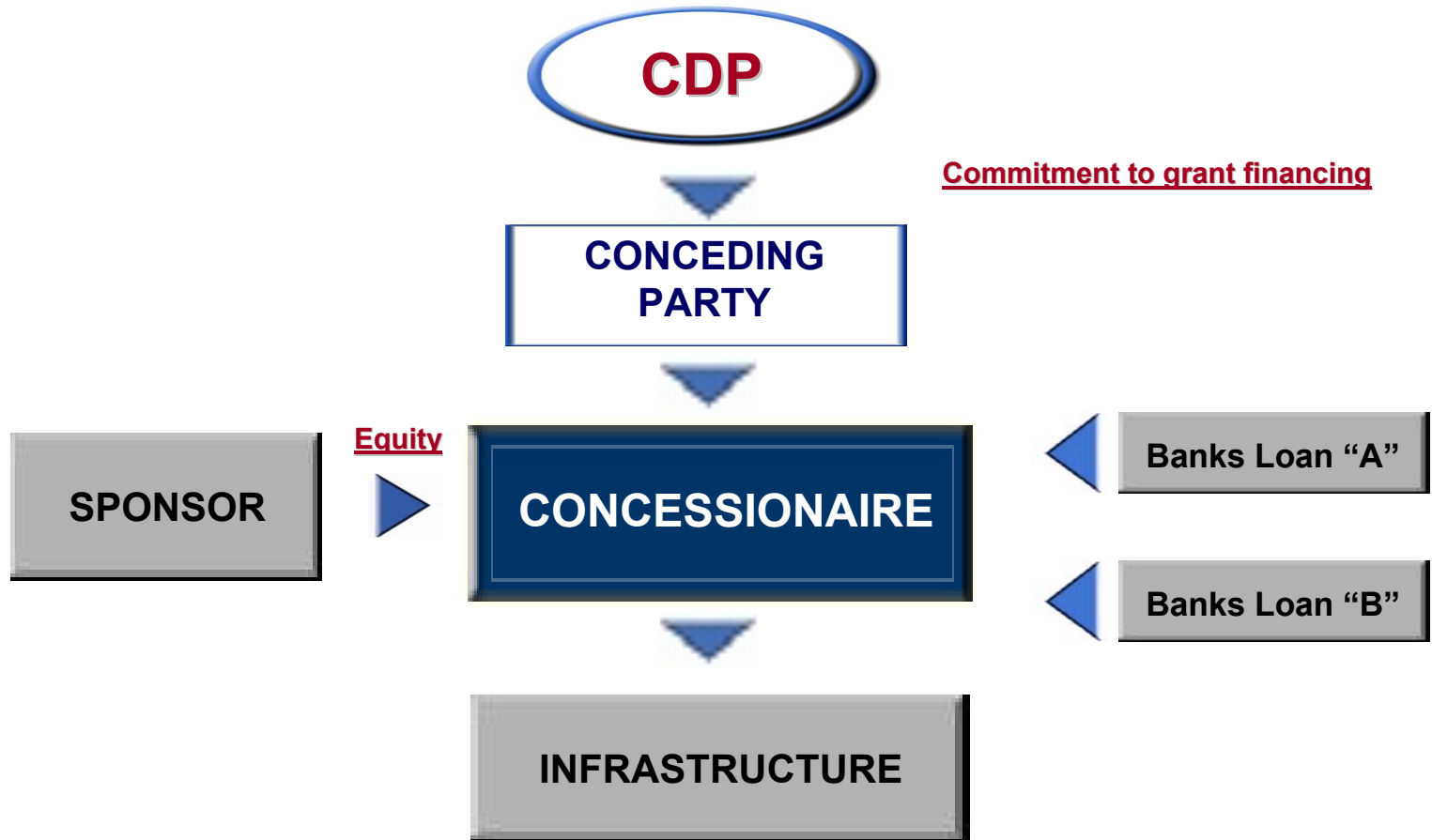
At the moment of the assignment of the concession, CDP undertakes to annually lend a maximum amount to the conceding party, allowing hereby the IR in favour of the concessionaire. This loan is compensated at a fixed interest rate.

The debt which has been created due to the IR mechanism, obligatorily has to be repaid after the expiration of the concession.

Assignment of a new concession that will be issued together with the obligation to reimburse the accumulated debt. The new concessionaire is in a similar position as the purchaser of a real estate encumbered with mortgage: either he assumes the debt that will be paid back over the following years or he pays it immediately.

In other words, the proposal of the structure consists in a financing of the second concession's value.

In conclusion, the use of this mechanism results in the reduction of the State's initial contribution by way of non-repayable funds, which is necessary to realize the project as it will be covered through the financing of the project's value at the end of the period of the first concession .





SELECT PROJECT



ASTI-CUNEO

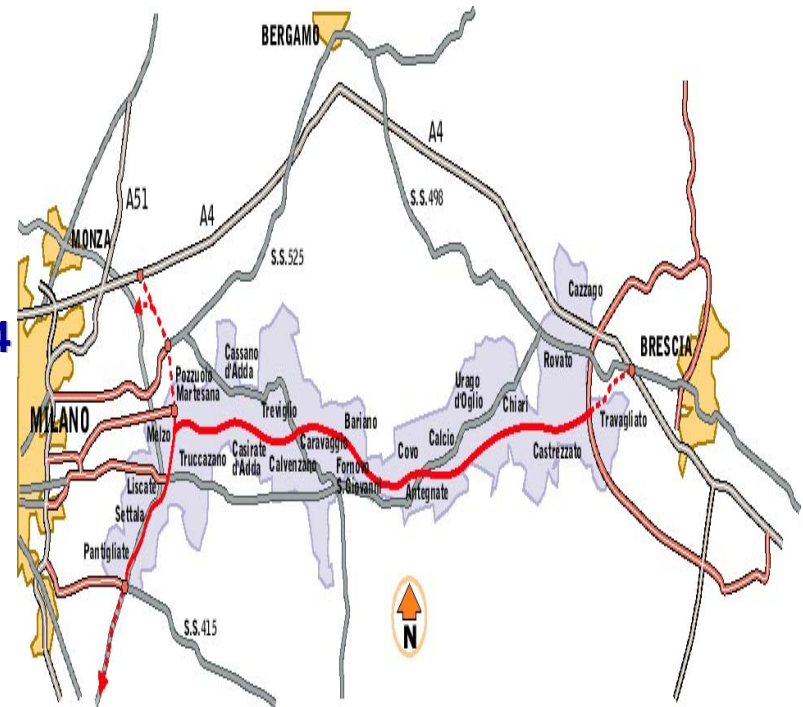
- Awarding Authority : ANAS SpA
- Procedure: art. 21 – law 109/94
- Length: Km. 64
- Total investment: € 1.100 million
- Public contribution: “*in kind*”
- Concession Period: 30 years (max)
- Awarding Authority imposes his equity interest in 30% of SPV





BRESCIA - MILANO

- Awarding Authority : ANAS
- Promoter: BRE.BE.MI. SpA
- Date of proposal: June 2001
- Procedure: art. 37bis – law 109/94
- Length: Km. 50
- Total investment: € 772 million
- Public contribution: 0%
- Concession Period: 19 years 6 months





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