



Comitato Interministeriale Programmazione Economica
Unità Tecnica Finanza di Progetto

THE PPP EXPERIENCE IN ITALY (1999 – 2005)

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Finance*



**THE EUROPEAN
PPP SYMPOSIUM**

*London
May 24th, 2005*

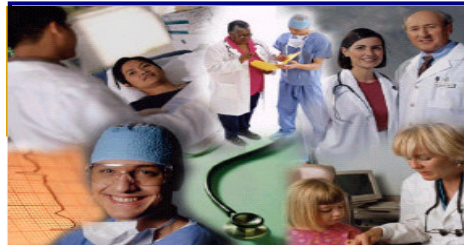
Summary



PPP/PFI Italian Market



Legislative Reform



A case study: PPP in the Healthcare Services



Selected Projects - Conclusions



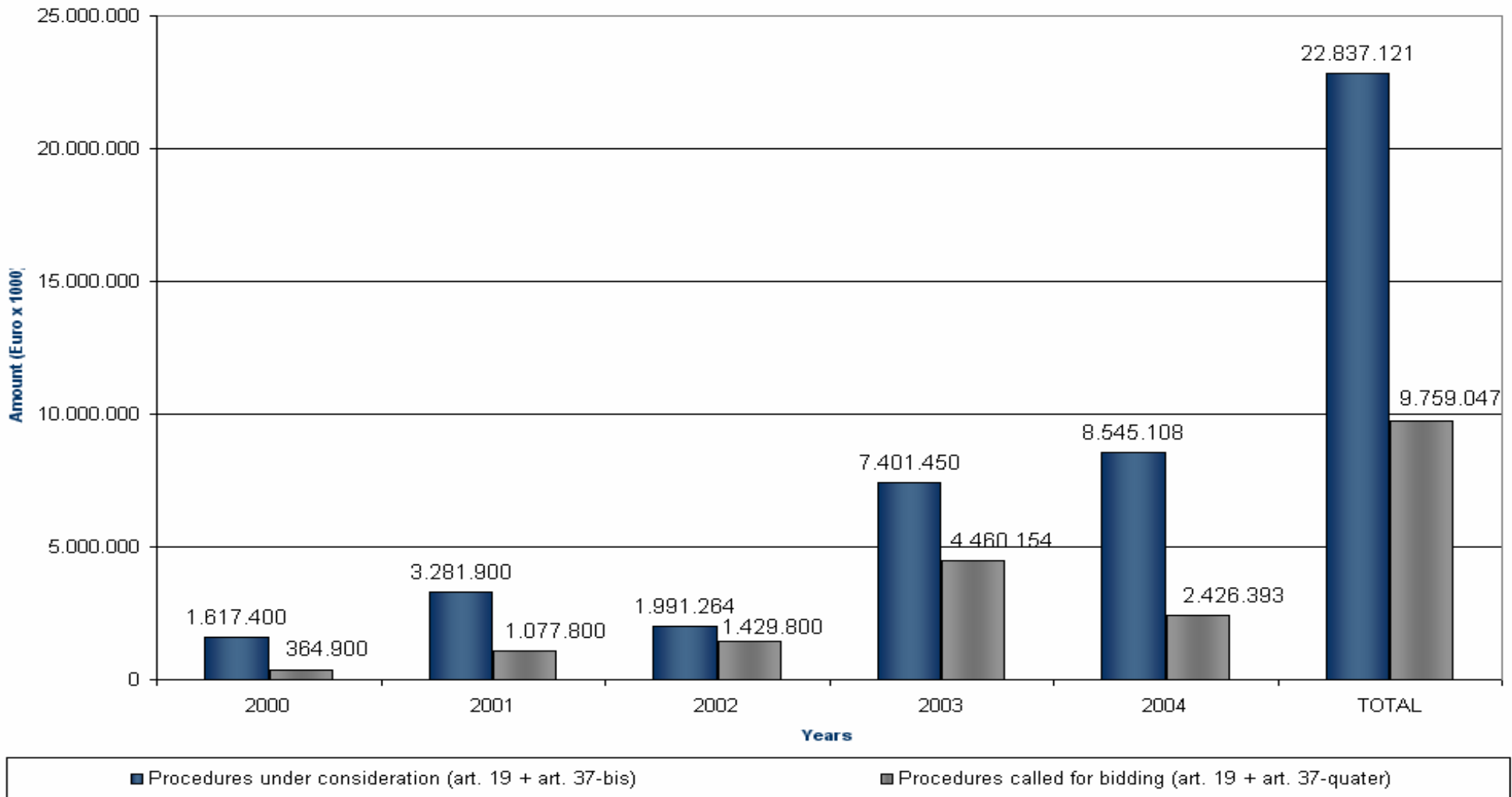


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PPP/PFI Italian Market

PPP/PFI Italian Market

Global contractual PPP Market (year 2000-2004)



Source : www.infopieffe.it, Osservatorio UFP – Cresme – Unioncamere OICE

PPP/PFI Italian Market

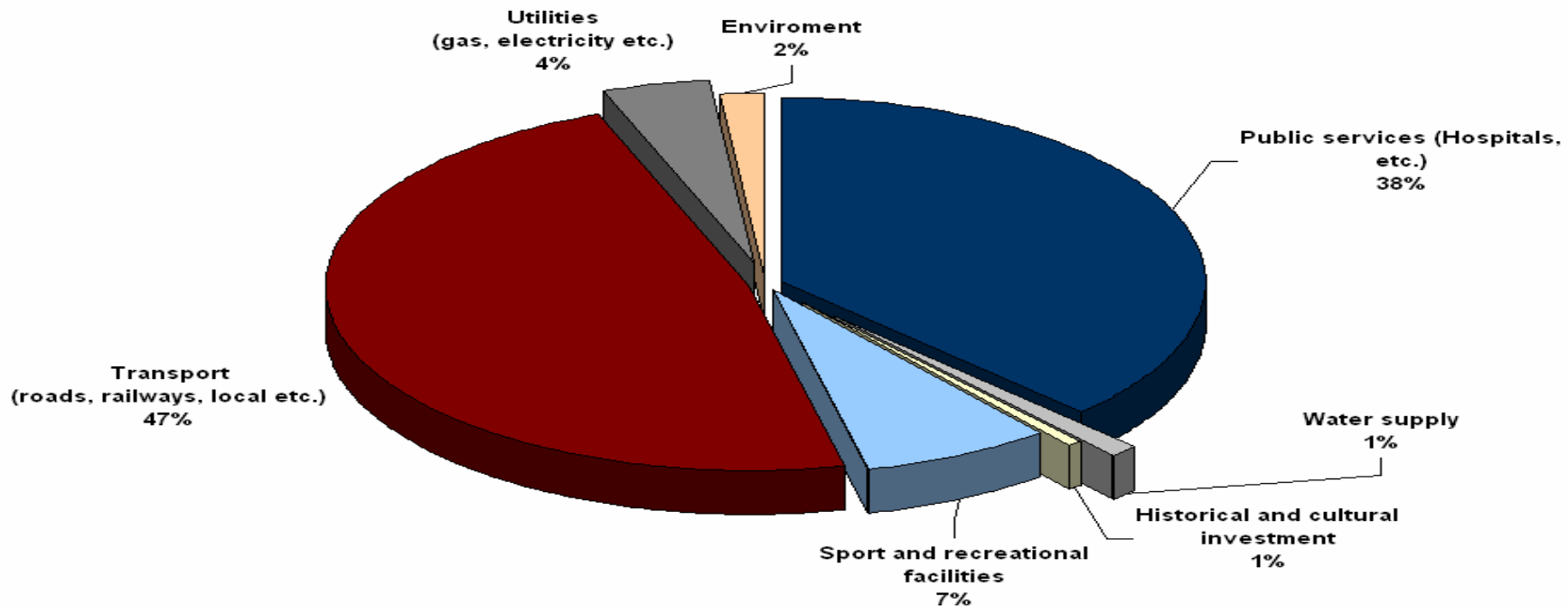
Summary of Contractual PPP Procedures (year 2000 – 2004)

- Number of procedures launched by Public Administrations: **2.463**
- Total amount of investment launched: **22,84 billion euro**
- Number of procedures tendered by Public Administrations: **1.059**
- Total amount of investment tendered: **9,76 billion euro**
- Share procedures tendered/launched: **43%**
- **Year 2004:**
PPP/PFI procedures tendered vs. Public work total market: **around 10%**

Source : www.infopieffe.it, Osservatorio UFP – Cresme – Unioncamere; OICE

PPP/PFI Italian Market

Contractual PPP Market by sector (year 2000-2003)



PPP's launched (year 2000 - 2003)	Amount (million €)	Number of initiatives
Public services (hospitals, etc.)	5.365	754
Water supply	160	22
Historical and cultural investment	86	23
Sport and recreational facilities	1.007	353
Transport (roads, railways, local)	6.824	140
Utilities (gas, electricity, etc.)	626	138
Environment	224	50
Total	14.291	1.480

The most performing sectors:
Transport infrastructures (by amount)
Public services (by number of initiatives)



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Legislative Reform



Legislative Reform

Infrastructures and Public Works (1994-1998)

Public Works Law (Law n. 109/1994, reformed in 1998)

- **Two forms of private concessions in public works:**
 - Concession under public initiative (clause 19)
 - Concession under private initiative (clause 37-bis)
- **On the basis of DBFO contracts, which means for the private party:**
 1. Design (preliminary and definitive)
 2. Capital expenditure pre-financing (in whole or in part)
 3. Construction of the infrastructure
 4. Operating the infrastructure for a pre-agreed duration
 5. Transfer the infrastructure to the public party at the end of the concession period

Legislative Reform

Public Works Law: Forms of Contractual PPP Provision

PPP/PFI INITIATIVES

Clause 37-bis

Clause 19

**Private proposal
submissions**

**Tender
Procedures**

**Tender
Procedures**



Legislative Reform

The recent amendments: law n. 166/2002 and law 62/2005 (“Legge Comunitaria 2004”)

- ▶ **“First refusal” right to the promoter:** The Promoter has the right to accept the best conditions arising from the bidding procedure
- ▶ **No limitations on public contribution in capital expenditure and concession extension:** Public contribution and concession length are determined with a view of assuring the economic equilibrium of the concession
- ▶ **Public contribution can be paid in cash or in public properties to be dismissed** for an equivalent value
- ▶ **Greater accessibility of PPP structures** where Public Sector pays user charges to private concessionaires (i.e. healthcare)
- ▶ **Selection of the best proposal:** The Awarding Authority chooses the best proposal, if more than one received, on the basis of pre-declared criteria, in order to ensure the public interest respecting the procurement principles (transparency, fair competition, etc.)
- ▶ **Publicity of the procedure complying the national and EU rules** - A pre-information notice has to be issued by the Awarding Authority for every procedure





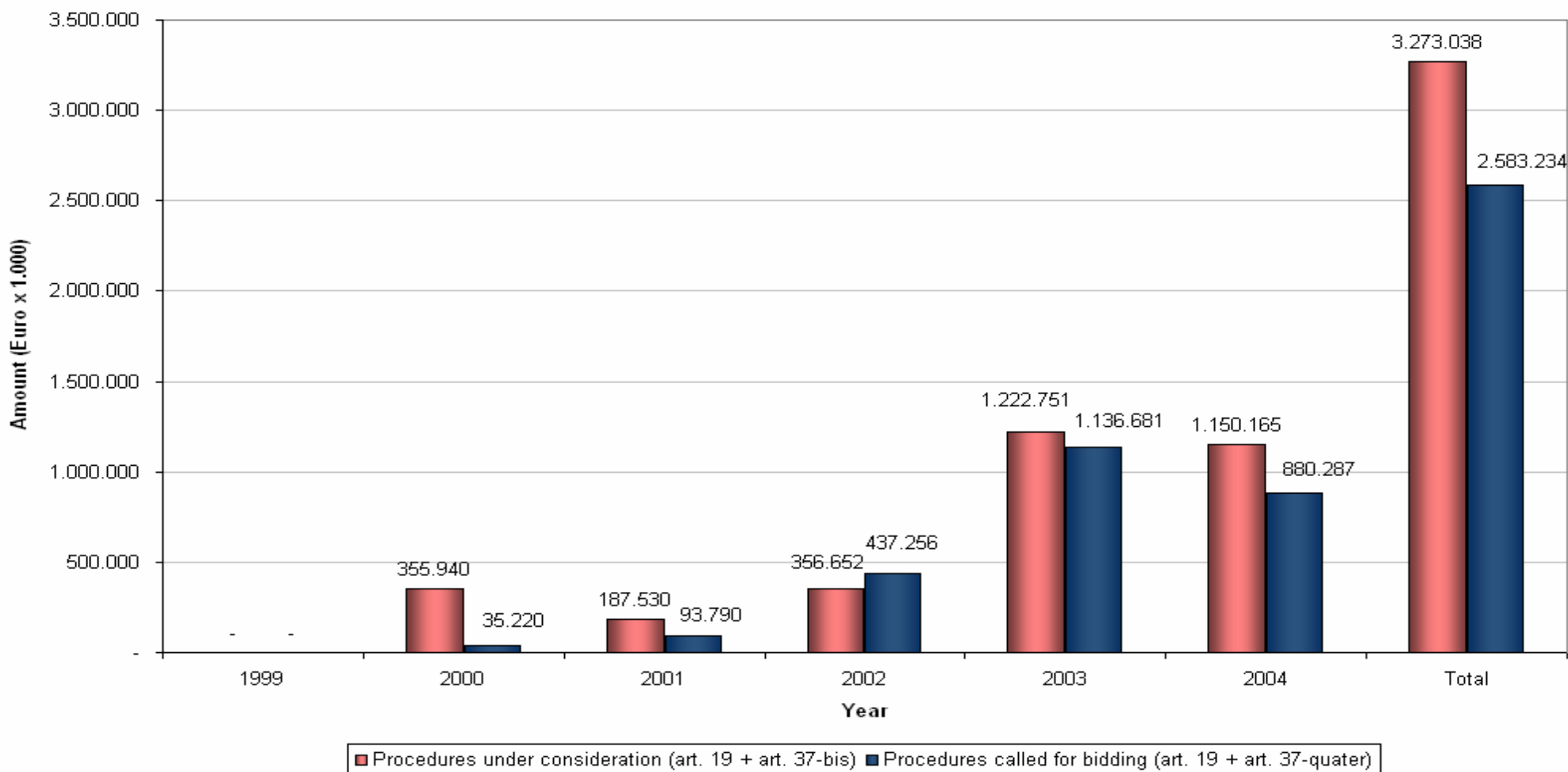
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A case study: PPP in the Healthcare Services



PPP in the Healthcare services

Contractual PPP Market in Healthcare (year 2000 – 2004)



Source: years 1999-2001 data OICE and UFP; years 2002-2004 : data Infopieffe and UFP

PPP in the Healthcare services

Survey of the biggest 45 PPP initiatives in healthcare

Sample specifications

- **Projects with investment amount exceeding 10 million Euro, whose procedures started in year 1999 – 2005**

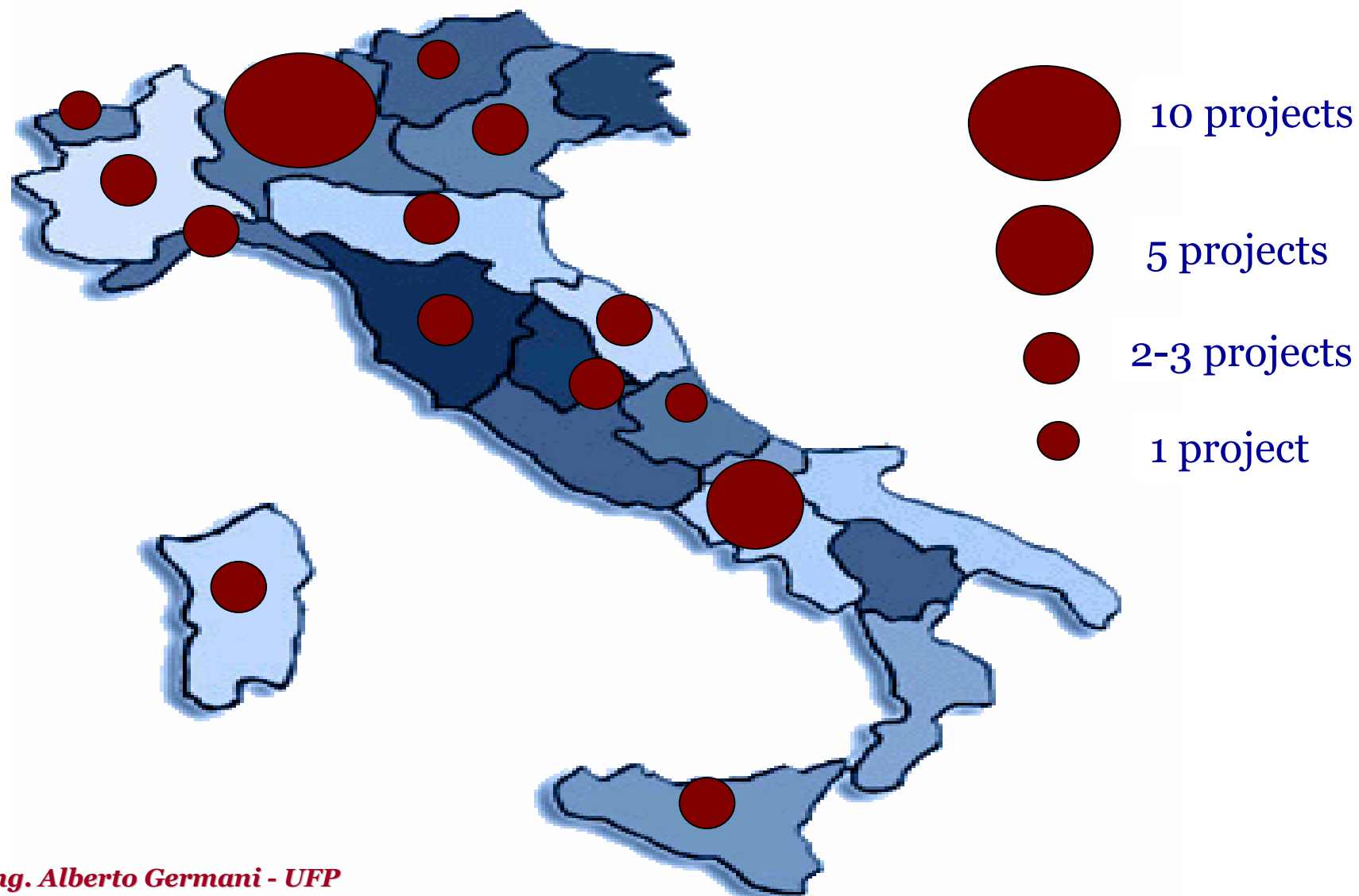
- **45 initiatives** proposed to the market:
 - ✓ **19** *new hospital construction*
 - ✓ **15** *refurbishment of existing hospitals*
 - ✓ **9** *structures for caring aged people and other buildings*

- **ca. 4,0 billion euro total investment**
- **ca. 14.250 beds**

Source : ing. Alberto Germani - UFP

PPP in the Healthcare services

Survey of the biggest 45 PPP initiatives in healthcare



Source : ing. Alberto Germani - UFP

PPP in the Healthcare services

Survey of the biggest 45 PPP initiatives in healthcare

Research results

- **32 initiatives** awarded or currently bidding (70%):
 - ✓ **12** concession awarded (1,0 billion €)
 - ✓ **20** initiatives under evaluation or at bidding stage
- **13 initiatives** quitted (30%)
- **Public contribution in capital expenditure :**
 - ✓ For **13 initiatives (28%)**: none;
 - ✓ **Average public contribution: 48% of the investment**
- **Average procedure duration:**
 - ✓ **Public initiative procedure: 250 days**
 - ✓ **Private initiative procedure: 420 days**
- **220.000 €** average cost of bed

Source : ing. Alberto Germani - UFP

PPP in the Healthcare services

Survey of the biggest 45 PPP initiatives in healthcare

What's not gone

- **The most frequent causes of time delay in contract closing:**
 - ✓ *Unavailability of the public rate of the investment*
 - ✓ *Changing in building site location, due to NHS local authority requirements*
 - ✓ *NHS estates to be previously dismissed*
 - ✓ *Proposals not matching the requirements of public interest and therefore to be modified*

- **The most frequent causes of early quitting:**
 - ✓ *Unaffordable proposals for the public side (payments exceeding the public side budget)*
 - ✓ *Proposals not complying the private market requirements*

Source : ing. Alberto Germani - UFP

PPP in the Healthcare services

Survey of the biggest 45 PPP initiatives in healthcare

What's gone

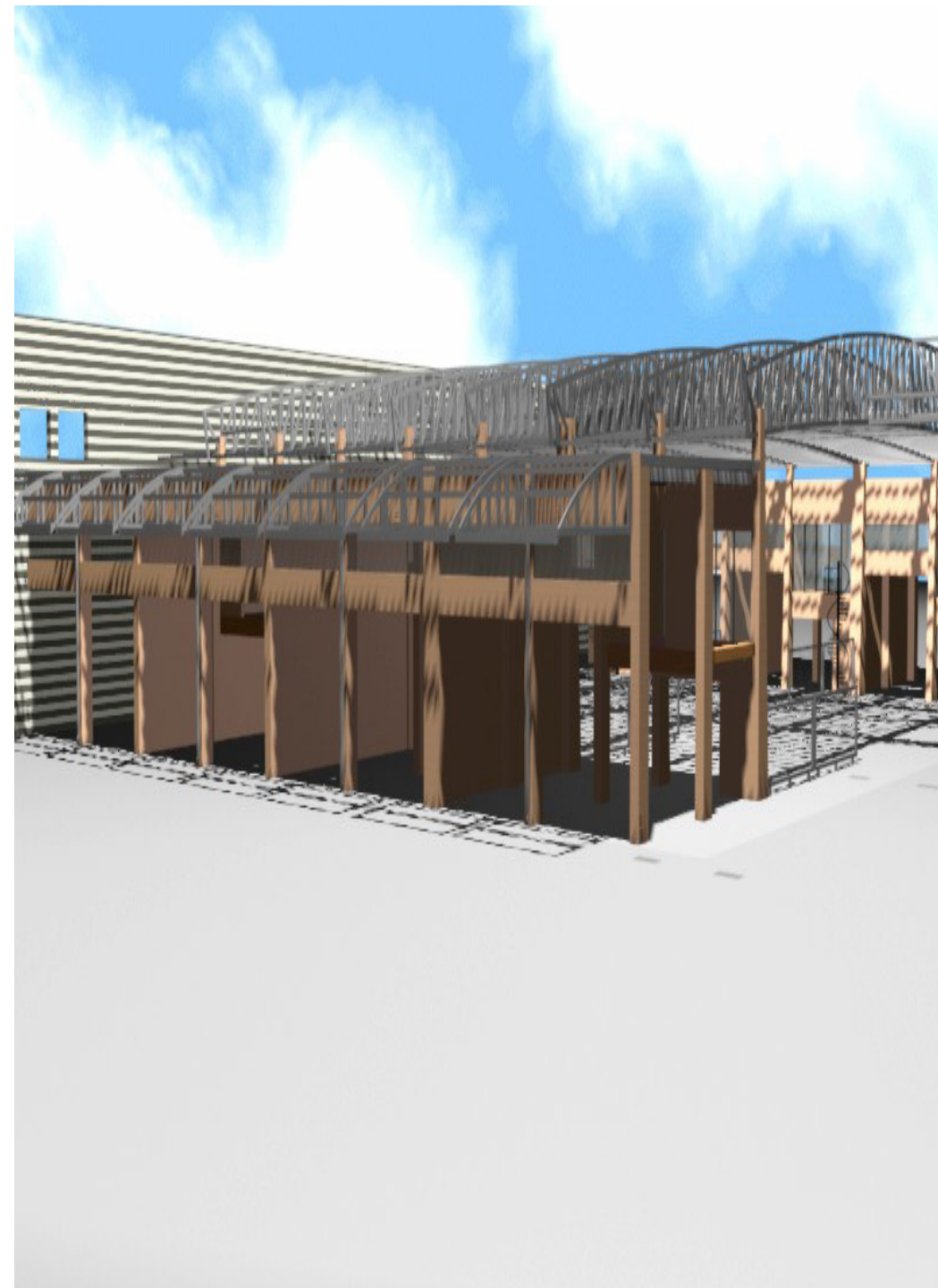
- **Approval and construction time shortened vs. traditional procurement**
 - ✓ *Mestre new hospital: 3 years from procedure launching until site opening for construction*
- **Private party stronger commitment**
 - ✓ *Respect of the completion time*
 - ✓ *Construction and availability risk fully borne by private*
 - ✓ *Technical obsolescence risk for medical equipment borne by private*
 - ✓ *Contracts signed with no public contribution at more convenient supply conditions for Health Authorities (i.e. energy generators for hospitals)*

Source : ing. Alberto Germani - UFP



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Selected Projects; Conclusions



Selected Projects

FLORENCE TRAMWAY

- **Awarding Authority:** Municipality of Florence
- **Promoter:** RATP, Alstom, Ansaldo, others
- **Date of proposal:** December 2002
- **Procedure:** art. 37-bis - law 109/94
- **Length:** Km. 13,5 (construction of lines 2&3); km. 21,0 (operating of lines 1,2&3)
- **Total investment:** € 292 million
- **Public contribution:** € 152 million (52%)
- **Concession Period:** 35 years (incl. 5 years of construction)
- **Contract restrictions:** Awarding Authority's participation of 25% in equity of SPV
- **Current status:** Concession awarded on January 2005; under preliminary stages



Selected Projects

HOSPITALS OF CASTELFRANCO VENETO AND MONTEBELLUNA

- **Awarding Authority:** Unità Sanitaria Locale n. 8 Asolo (Local Health Authority)
- **Promoter:** Guerrato SpA & others
- **Date of proposal:** June 2001

- **Procedure:** art. 37bis - law 109/94
- **Number of beds:** 420
- **Total investment:** € 122 million
- **Public contribution:** € 31 million (25%)
- **Concession Period:** 28 years (incl. 4 years of construction)

Current status: Concession awarded on April 2004; under preliminary stages



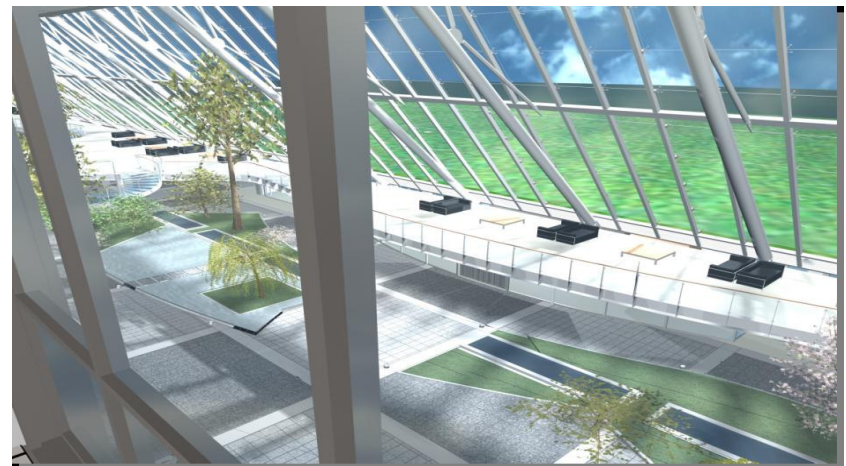
Selected Projects

NEW MESTRE HOSPITAL

- **Awarding Authority:** Unità Sanitaria Locale 12 Venezia (Local health authority)
- **Promoter:** Consortium led by Astaldi SpA
- **Date of proposal:** June 2001

- **Procedure:** art. 37bis – law 109/94
- **Number of beds:** 680
- **Total investment :** € 238 million
- **Public contribution:** € 100 million (42%)
- **Concession Period:** 29 years (incl. 4 years of construction)

Current status: Concession awarded on June 30th, 2002; under construction



Conclusions

THE WAY FORWARD

PPP in Italy needs to:

Reduce the total duration and complexity of the concession awarding process

Increase the PPP “best practises” and cases in specific sectors (Local public transport systems, public services, water distribution)

Increase the efficiency of the public spending thru reducing public grant funding and increasing alternative sources of financing (private equity funds, rotating funds, mezzanine debts, etc.)

Experiment new financial tools, in cooperation with international and EU financing institutions (i.e. BEI for healthcare and metro projects)

Everybody is welcomed to join us!



Contact



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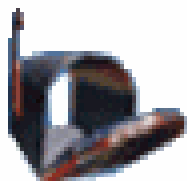
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