



*Comitato Interministeriale Programmazione Economica*  
Unità Tecnica Finanza di Progetto

# The 6<sup>th</sup> Annual PPP Global Summit

*Copenhagen  
November 17<sup>th</sup>, 2005*

## THE PPP EXPERIENCE IN ITALY (1999 – 2005)

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Ministry of the Economy and  
Finance*

# Summary



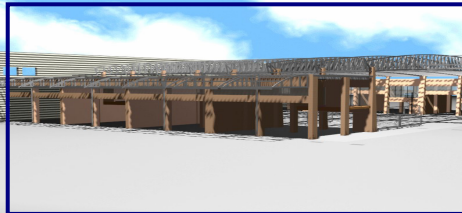
## PPP/PFI Italian Market



## Legal issues



## The way forward: UFP commitments



## Appendix A - Selected Projects



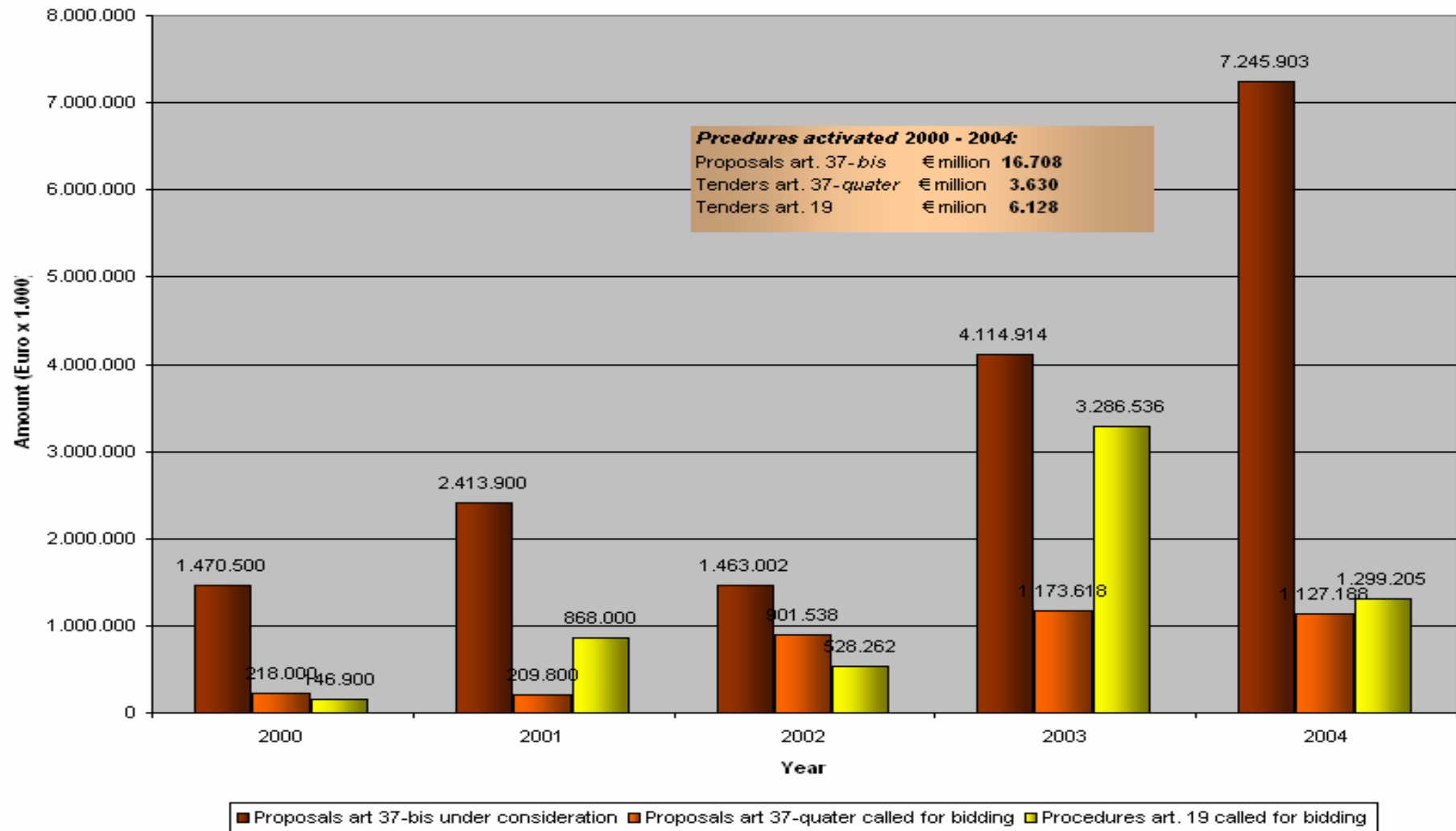


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# PPP/PFI Italian Market

# PPP/PFI Italian Market

## Global contractual PPP Market (year 2000-2004)



Source : [www.infopieffe.it](http://www.infopieffe.it), Osservatorio UFP – Cresme – Unioncamere OICE

# PPP/PFI Italian Market

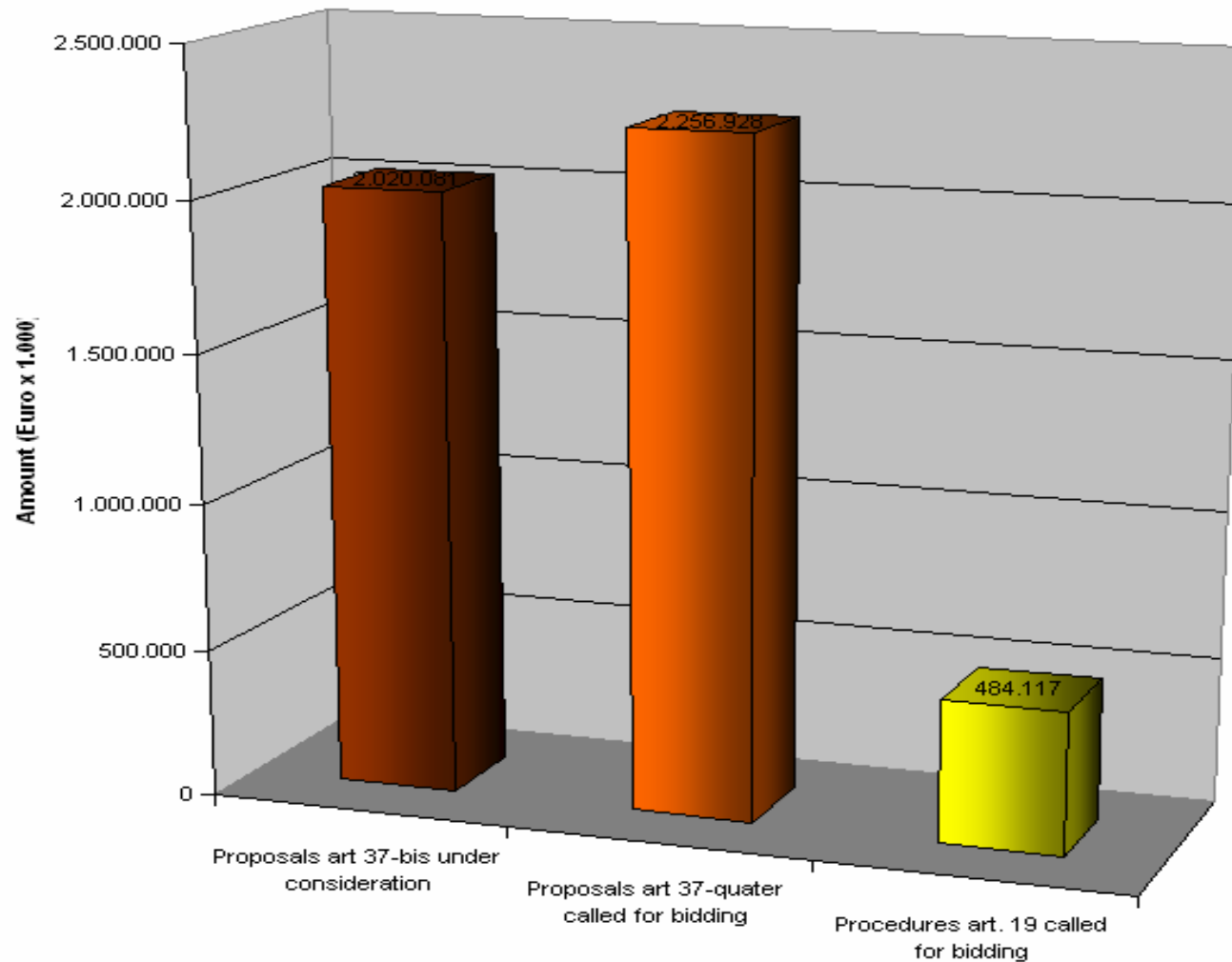
## Summary of Contractual PPP Procedures (year 2000 – 2004)

- Types of procedures considered: DBFO contracts in Public works
- 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](http://www.infopieffe.it), Osservatorio UFP – Cresme – Unioncamere; OICE

# PPP/PFI Italian Market

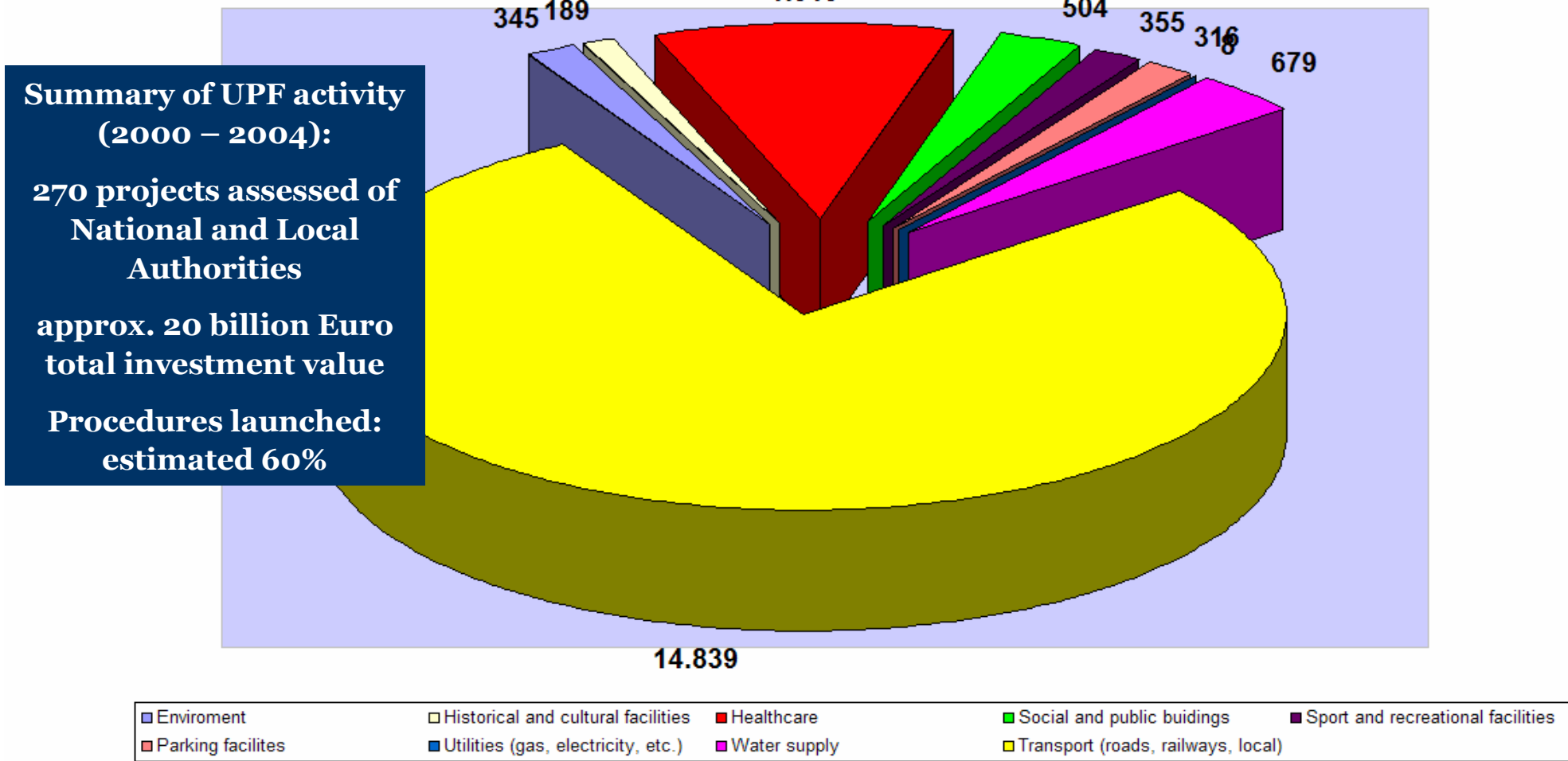
## Global contractual PPP Market (year 2005, 1<sup>st</sup> sem.)



Source : [www.infopieffe.it](http://www.infopieffe.it), Osservatorio UFP

# PPP/PFI Italian Market

## UFP activity in assessing projects (year 2000-2004, by amount)



Source: UFP – amounts in € x 1.000



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# Legal Issues

# Legislative Reform

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## 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
- **Possible either user charges and public payments for availability and service**

# 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



# Administrative issues

## From decision to planning: the role of Public Administration

- ✓ The decision to undertake the project is taken by the Awarding Authority on the basis of the **feasibility study** and the **cost-benefit analysis** results. PPP is a possible option to explore.
- ✓ The decision to undertake the project on PPP basis is taken once the **existence of preliminary conditions** has been verified.
- ✓ The final decision on what projects to implement and, for each, on what type of procedure (traditional procurement or PPP) is summarized in the “**three-annual investment plan**”, approved and published by every Public Authority at the beginning of the year.



**Feasibility study and Three-annual investment plan as a pre-condition for undertaking PPP's**



# Administrative issues

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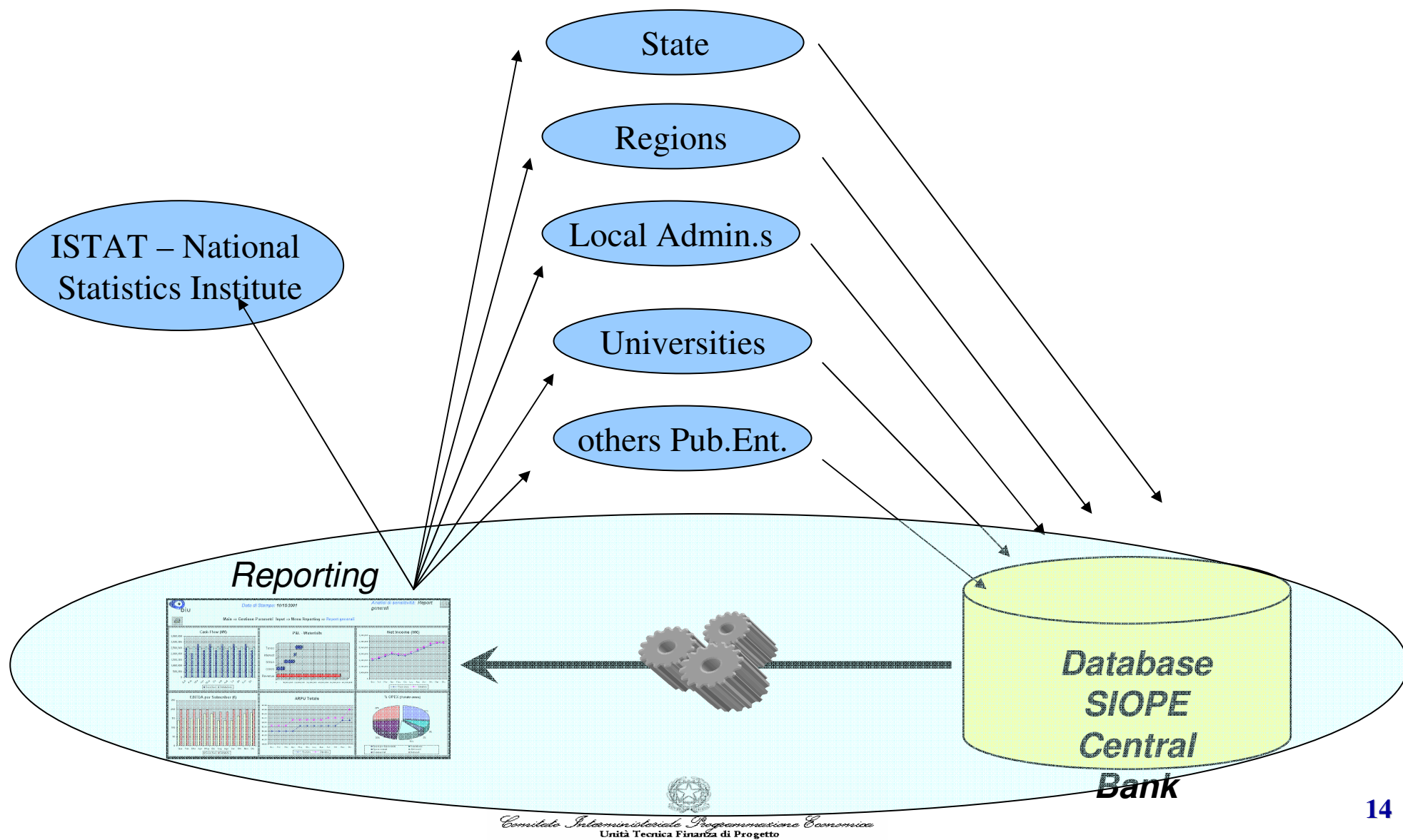
## From decision to planning: financial aspects of project appraisal

Basically are **4 main financial conditions** to be simultaneously verified by the Public Adm to be considered the PPP option:

- 1. Affordability and convenience for the public side (including accounting benefits)**
- 2. Equity investors return on investment**
- 3. Financial soundness (bankability)**
- 4. Public funding (in Capex) requirements, depending on balance of the project business plan in the whole-life cycle**

# Administrative issues

## SIOPE (Italian new reporting system)– *information workflow*





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# **The way forward: UFP commitments**



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# Conclusions

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## THE WAY FORWARD (1)

### General and Legal issues for the (near) future:

Consider PPP approach systematically. Avoid stop-and-go-policies;

Complete the “cultural change” in the Public Adm: “ From asset ownership to service delivery”;

Improve competence and know-how of Public Adm in considering and assessing PPP approach.

Reduce the total duration and complexity of the actual concession PPP awarding process (from three-stage to one-stage procurement procedure), considering the opportunities of the recent EU issues (i.e. “competitive dialog” procedure);  
Consider the option to set-up a legal framework specific for PPP contracts.



# Conclusions

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## THE WAY FORWARD (2)

### Financial and operational issues for the (near) future:

Increase the efficiency of the public spending thru reducing public upfront funding in favor of payments based on availability;

Reduce the need of public grant introducing alternative sources of financing (private equity funds, rotating funds, quasi-equity and mezzanine, specialty funds - Galaxy - etc.);

In the PPP procurement, postpone the concession contract at the evidence of financial closing.

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

Implement a strong project control for PPP projects in construction phase;

Implement an accurate risk assessment and allocation systematically.

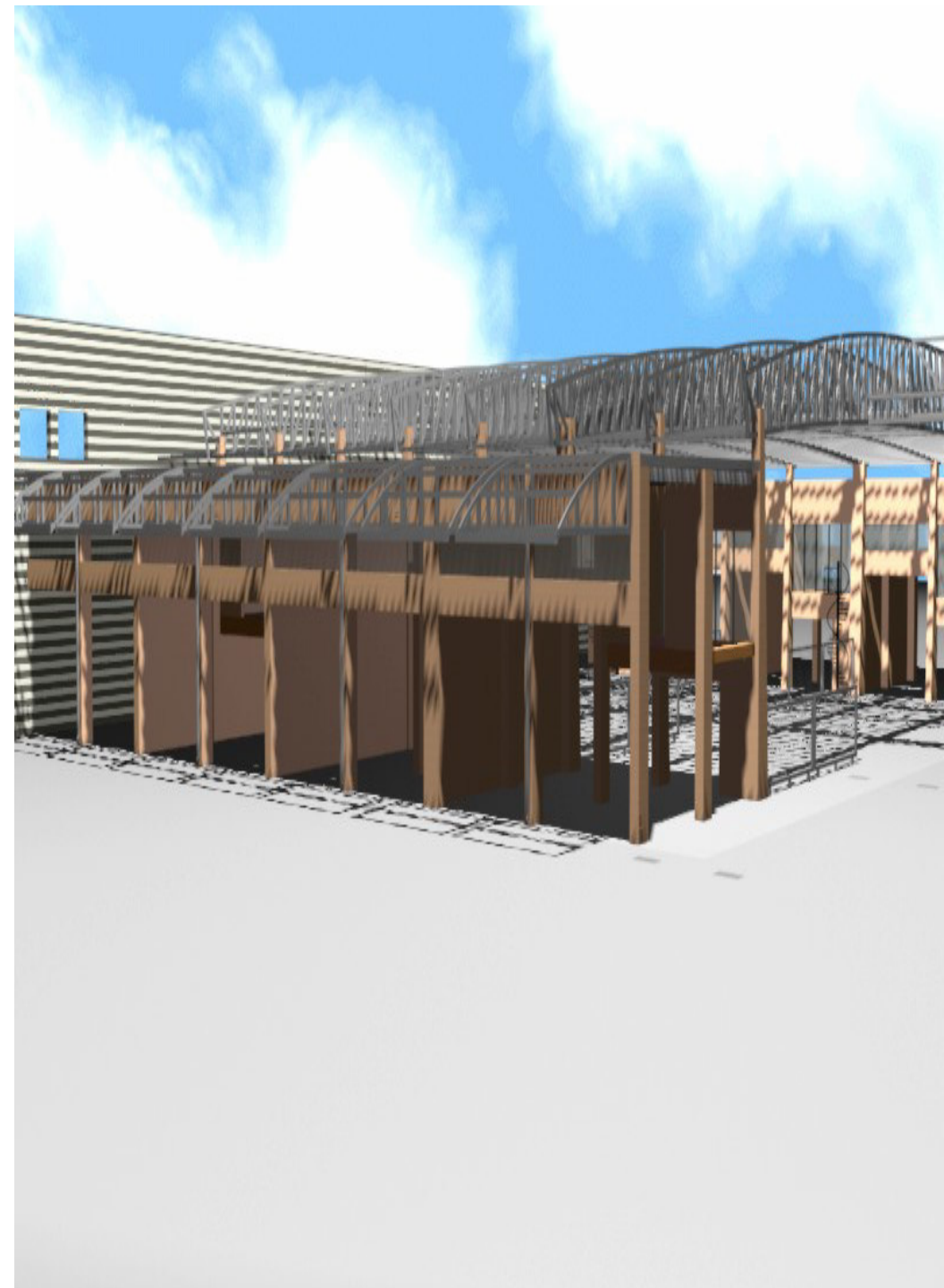




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# Selected Projects

Appendix A



# Selected Projects

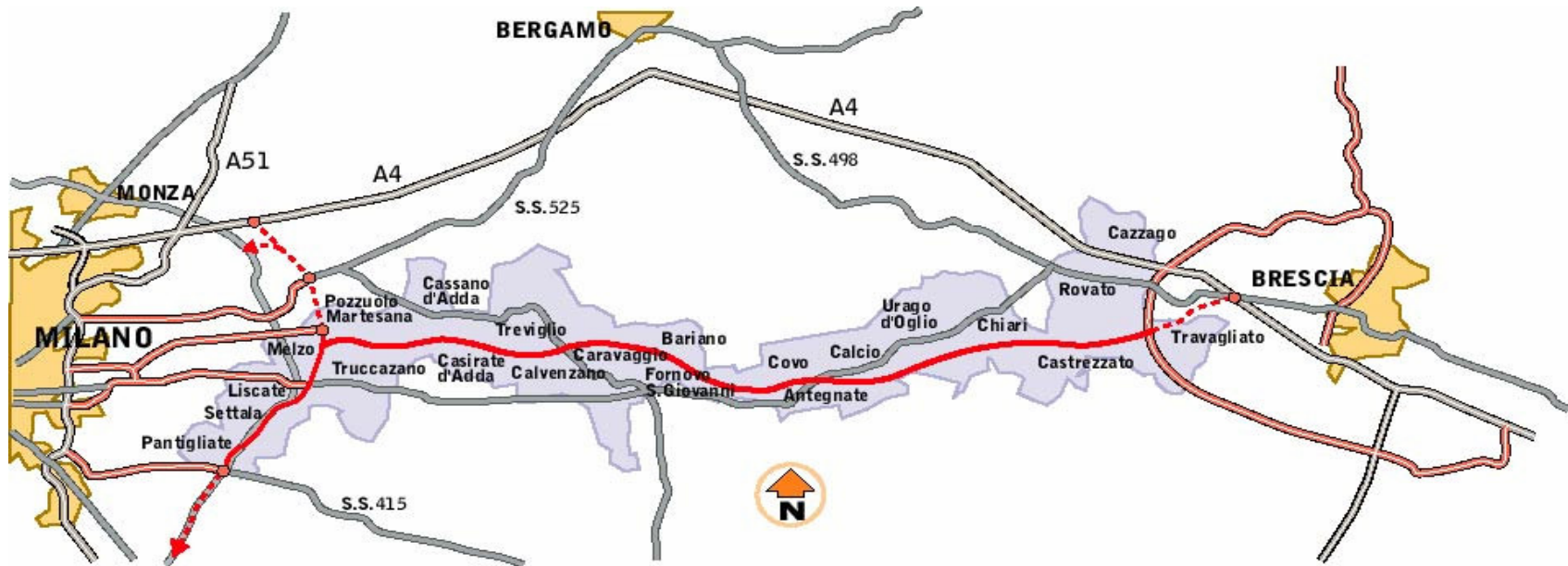
## FLORENCE TRAMWAY

- **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

### BRE.BE.MI. (Milano – Brescia toll highway)



- **Awarding Authority :** ANAS
- **Promoter:** ATI BRE.BE.MI. SpA
- **Procedure:** art. 37bis – law 109/94
- **Concession Length:** Km. 62
- **Total investment:** € 723 million

- **Public contribution:** 0%
- **Concession Period:** 23 years

#### **Current status:**

- **Concession awarded in July 2003**
- **Under discussion between public and private side in order to allocate cost overruns**



## Selected Projects

### FOUR HOSPITALS IN TUSCANY (Prato, Massa, Lucca, Pistoia)

- **Awarding Authority:** SIOR (Sistema Integrato Ospedali Toscani, a joint public company established by the four Local Authorities)

- **Preferred Promoter:** Consortium led by Astaldi SpA and Techint SpA

- **Date of proposal:** June 2003

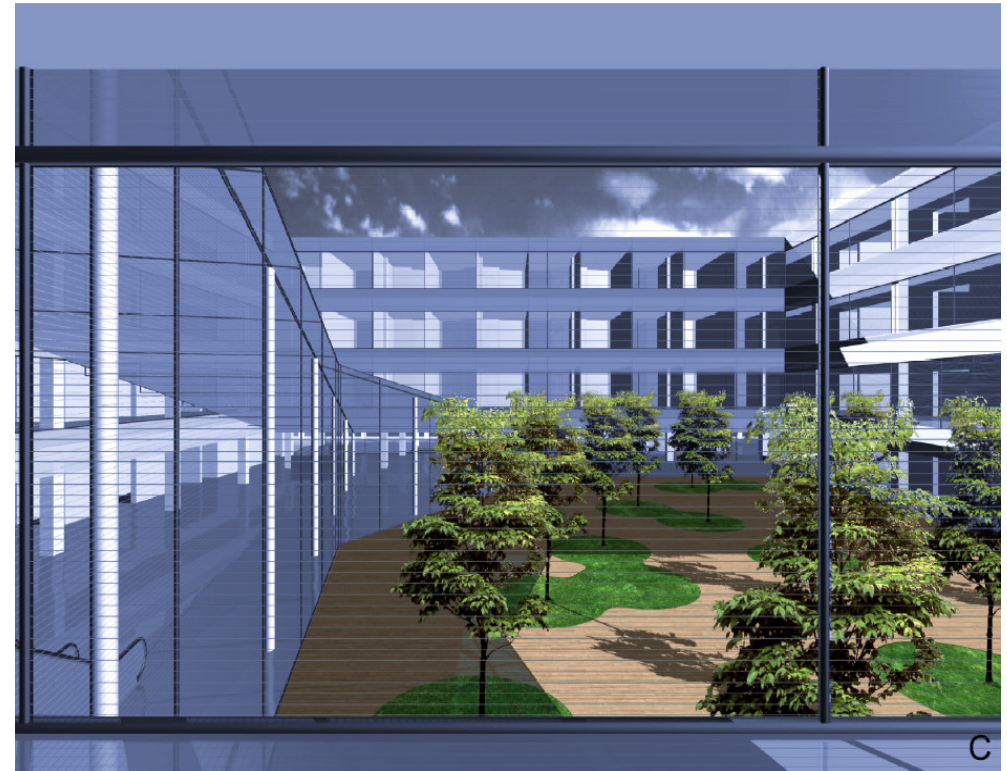
**Procedure:** art. 37bis - law 109/94

- **Number of beds:** 1.710

- **Total investment:** € 332 million

- **Public spending:** € 249 million capex contribution (75% inv.) + annual payments for services.

**Current status:** Proposal evaluation completed on Dec. 2003. Required adjustments at the proposal before bidding. Bid forecast: March 2006



- **Concession Period:** 24 years (4 years construction + 20 years operation)

## Contact

**Everybody is welcomed to contact us!**



**Ministero dell'Economia - Unità tecnica Finanza di Progetto**

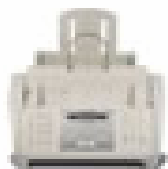
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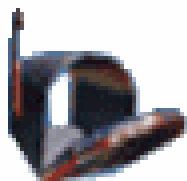
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