A Focus on PPPs in Italy

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Agenda

1. Some figures and data on PPPs
2. PPPs in national accounts
3. The principles of the OECD Recommendation: what Italy has done to improve PPPs public governance
4. Main areas of intervention
Potential for PPP development to overcome the problem of lack of public resources and to stimulate economic growth
The development of PPP market in the last 10 years (in € millions and % change)

The ratio of PPPs to overall public works market increased from 5% in 2000 to almost 25% in 2013
Building and operating concession contracts accounted for about 42% of the total value of PPP tenders, whose breakdown by sector shows energy & telecoms, transport & roads and healthcare construction as the prevailing sectors.
Number of contracts awarded

✓ Since the early 2000s there has been a steady increase in PPP contract awards, from 84 in 2002 to 766 in 2012 to 809 (for a total value of about €6.03 billion) in 2013.

✓ In terms of value, in 2013 there was a considerable increase (37% compared to 2012).

<table>
<thead>
<tr>
<th>Year</th>
<th>Contracts Awarded</th>
<th>Growth Rate</th>
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<tbody>
<tr>
<td>2002</td>
<td>84</td>
<td></td>
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<tr>
<td>2012</td>
<td>766</td>
<td>24.7%</td>
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<tr>
<td>2013</td>
<td>806</td>
<td>5.2%</td>
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Financial closings of major infrastructure projects

2007: 11 financial closings worth more than €10 million;

2009; 2012: 1 financial closing;

2010; 2011: 3 financial closings;

2013: 4 financial closings worth €4.4 billion, after the United Kingdom (€6 billion);

2014: 5 financial closings for a total value of €1.1 billion

Source: European PPP Expertise Centre (EPEC)
The total value of the 24 contracts monitored since 2010 is approximately €4 billion, with an average of about €168 million.
Risk allocation and government guarantees

Main results of ISTAT evaluation:

- the transfer of *construction risk* to the private partner is not very frequent;

- *demand and availability risks* are allocated more frequently to the private partner;

- there are explicit *government guarantees* only in a few cases.
The total value of the on-balance-sheet transactions is €3.5 billion.

The total value of the 7 off-balance-sheet infrastructures is €500 million.

The government grant amounted to €2.2 billion.
OECD Recommendation: What Italy has done to improve the PPPs public governance

The three pillars:

A. the role of the institutions in promoting PPPs: placing a unique PPP Unit – where to concentrate in-depth financial, legal, economic and project management skills – within the Central Budget Authority is strongly recommended;

B. grounding the selection of PPP projects on "Value for Money";

C. ensuring the transparency of the budgetary process for activities under the partnership, in order to minimize financial risks and ensure the integrity of the procurement process.
Even though Italy has no a single PPP Unit anchored in the Central Budget Authority as OECD strongly recommends, different institutions play important roles and carry out several activities aimed at promoting, supporting and monitoring PPP contracts.
The role of the institutions in promoting PPP

The Department for Planning and Coordination of Economic Policy (DIPE), (part of the PCM) has the following responsibilities in the field of PPPs:

- **PPP Task Force (UTFP)**: assisting public authorities, assessing strategic projects, collecting data

- **NARS**: assessing agreements and business plans for key infrastructures and approving planning contracts and agreements between State and private concessionaires;
The Italian National Statistical Institute (ISTAT), Central Department of National Accounting, Public Finance Service:

- since the Eurostat decision "Treatment of public-private partnerships" of 2004, ISTAT has been responsible for assessing the correct classification of PPP contracts and consequently their impact on the deficit under the rules set out in the ESA 2010 Regulation.
The Italian National Anti-Corruption Authority (ANAC), works to prevent corruption and ensure transparency and has several responsibilities as regards PPP contracts:

- monitors the regularity of award procedures and the execution of the contracts;
- informs the Government and Parliament of serious breaches of the law;
- makes proposals to Government for amending legislation on public contracts;
- exercises sanctioning powers
The role of the institutions in promoting PPP

The State General Accounting (RGS) is responsible for fiscal control and especially for:

- recording expenditure for public works in its own database (PA database - BDAP) with a special dataset on PPPS;
- the examination and financial approval of legislation on infrastructure;
- coordinating two inter-institutional working groups that draw up a standardized PPP contract and analyze the current state of PPPs.

A Focus on PPPs in Italy – Grazia Sgarra
Working Group on Standard Model Agreement

✓ A good practice of institutional coordination
✓ A good way to develop a «model» contract, taking into account all the stakeholders’ points of view
Benefits from the Standard Model Agreement

An appropriate standardisation of build-and-operate concession contracts will contribute to:

1. **Improve bankability**
2. **Reach financial closing**
3. **Reduce litigation**
4. **Control public finances**
B. FACING THE LACK OF A VALUE FOR MONEY APPROACH

Effective RISK MANAGEMENT could be a SUBSTITUTE of a VALUE FOR MONEY APPROACH

**Feasibility study**
Contains a description of the functional, technical, operational, economic and financial characteristics of the work to be performed, and must also include an analysis of possible alternatives to the solution identified.

**Risk management**
- risk identification;
- risk assessment;
- risk allocation;
- risk mitigation;
- monitoring and review
C. THE IMPORTANCE OF THE NEW MONITORING SYSTEM OF PUBLIC WORKS IN ITALY

Legislative Decree 229/2011

- RGS launched a new monitoring system (MOP) in October 2014 which collects the information on public works already available in other databases.

- Each public work is identified by a Unique Project Code. Each project is related to one or more public tenders through the Public tender Identification Code. Financial data on payments are available on other RGS systems.

- By February 2015, approximately 90% of administrations involved registered on the MOP database.

We can get in depth information on the public works phenomena only if we merge all the dataset available!
Main areas of intervention

To improve

✓ institutional framework: greater coordination among institutions

✓ regulatory framework: simplification and less changes in legislation as well as the enforcement of bills already issued, such as the Legislative decree n. 228/2011, aimed at optimizing the decision-making process of public works through ex-ante selection and ex-post evaluation of works, arrangements and resources

✓ evaluation approach: qualified administrators, specific knowledge and greater discretionary power of public authorities
Thank you!

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