

PPP: the French experience

maPPP

Mission d'appui
à la réalisation
des contrats
de partenariat

Francois BERGERE
Secretary General
French treasury PPP taskforce

OECD-symposium on PPPs
Madrid, 6-7 July 2006

A longstanding experience

Construction of River Canals

Railways, Water, Electricity, Eiffel Tower,...

Motorways, Waste management, District Heating,...

Stadiums, Museums, Hospitals, Prisons, Courts,...

**More than 20.000 contracts currently in force with
private operators**

12.000 contracts (2/3 of population served by
private operators)

75% of the 10.000 km network built as concessions

PPPs in France : a few figures

Sector	Size	% private
Water	11.4 G€	71%
Urban waste	5.7 G€	73%
District heating	0.9 G€	93%
Urban transport	8.6 G€	16%
Toll motorways	6.0 G€	~100%
Car parking	0.8 G€	59%

PPPs in France: a need of rejuvenation

Public sector is no longer able to handle ever-increasing demands by citizens and users, quantitatively and qualitatively

Economic, budgetary and financial constraints limit the growth of resources available for the sustainable development of public assets (over last 25 years, share of investment declined from 10% to 7.5% of total public administrations budget)



Deterioration of infrastructures, delayed investments in health, education or transportation networks



Need to extend PPPs to services non financeable by end-users

Partnership contracts: recent developments

In 2003, specific sectoral legislation for justice, police, health, defence projects

In June 2004, general legislation on "partnership contracts"

In 2005, creation of the Treasury PPP taskforce

+Dedicated procurement units (health, justice, defence)

A comparative analysis

Procurement contract/Public Tender	Partnership contracts	Concessions/BOT
Short term	Long term	Long term
One object	Multiple object	Multiple object
No financing	Pre-financing	Financing
Successive tenders	Design build operate-maintain	Design/build/operate-maintain
Service provided to administration	Service provided by administration	Service provided to users
Payment by administration	Payment mostly by administration	Payment by users
Construction risk	Construction risk	Construction risk
	Performance risk	Performance risk
		Demand/traffic risk

A comprehensive legal framework

A full range of contract types: O&M, Lease, DBFO, BOT, Concessions,...

Updated in 2004 / compliant with EU Public Procurement Directives (2004/17/EC and 2004/18/EC)

Civil law system / administrative law

What is a partnership contract ?

A long term contract (typically 10 to 35+ years), whereby a public entity awards to a commercial firm the design, building, financing and operation / maintenance (DBFO) of a public asset.

Public payment is spread over the life of the contract and linked to performance objectives ; it provides for the coverage of operating costs, reimbursement of debt incurred to finance the equipment and for profit on equity linked to the risk-taking by the private partner.

Prerequisites

All public projects are not eligible to a partnership contract. There is a validation procedure :

- legal requirement: urgency (restricted tender procedure) or complexity (competitive dialogue)
- value for money test

Latest developments

State projects

Government initiative on pilot projects in October 2005 : 35 pilot projects to be tendered out in 2006/7 for a total initial Capex of 7 G€:

- ❖ 5 G€ for transport projects: 8 projects of which 3 rail, 4 road and 1 waterway projects
- ❖ 2 G€ for other projects: 27 projects of which 5 culture and leisure, 4 defence, 9 university and research centres, 7 police and justice and 2 health projects

Latest developments

Local authorities projects

More than 30 projects identified so far

Great diversity of projects : street lighting, traffic management system, schools, stadium, urban waste treatment plant, ADSL network, job centre, congress centre, e-government projects...

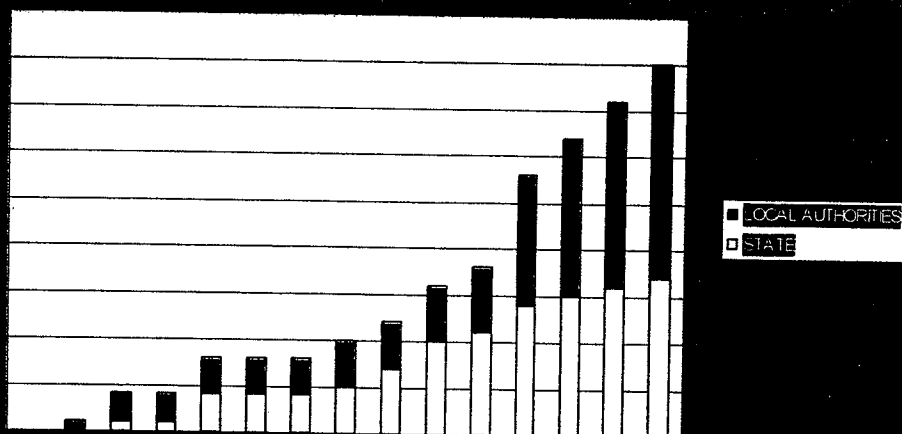
Small to medium size projects

Most Local Authorities ask for PPP taskforce expertise

11

Latest developments

Partnership contracts : public tenders



12

Lessons learnt

Fulfilling prerequisites

*Legal conditions

In most of the cases, complexity is retained as eligibility criterion; an explanatory note is available online on our web site

*Value for money test

The comparison is usually limited to one alternative

There is no significant difference between PC and Public Procurement in terms of financial NPV; risk assessment and qualitative criteria make the difference

13

Lessons learnt

Competitive dialogue

The first competitive dialogue procedures are ongoing for Partnership Contracts

but procedure already used for hospital and prison PPP projects, carried out under similar contractual formulas. A number of issues have been identified

The Commission has clarified its views

A Charter on competitive dialogue is under preparation in France

14

The Partnership Contract : a new toolbox...

- The Partnership Contract is first and foremost a new tool of public procurement and management, not a financing instrument
- Introducing new concepts in the Government sphere, such as accountability, systematic assessment and benchmarking over a long term period

15

... and a leverage to reform the State

- Cultural revolution at stake : the State cannot do everything ; it needs to concentrate on its core business, where it is irreplaceable
- Public sector has to adapt to a better division of work : outsourcing support functions and focusing on what it does best
- The Partnership Contract has the potential to transform old habits & mental schemes in the public management sphere

16

MAPP

Mission d'Appui aux PPP

6 rue Louise Weiss

F-75703 Paris CEDEX 13

Tel: 33 (0) 1 44 97 34 78

Fax: 33 (0) 1 44 97 33 88

E-mail: francois.bergere@ppp.finances.gouv.fr

Web: <http://www.ppp.minefi.gouv.fr/>