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THE ROLE OF DEVELOPMENT BANKS IN THE FINANCING OF PUBLIC-PRIVATE PARTNERSHIPS

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THE ROLE OF DEVELOPMENT BANKS IN THE FINANCING OF PUBLIC-PRIVATE PARTNERSHIPS

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The role of development banks in the financing of public-private partnerships (PPS)

Development banks are being increasingly viewed more as an infrastructure finance tool in emerging economies. Even so, many of them have been traditionally dedicated to the financing of production sectors and others have not yet started participating actively in the PPP market. One of the ways in which development banks can contribute toward advancing PPPs is through financial and non-financial instruments that, directly or indirectly, help to fund, finance or reduce risks associated with PPP construction and operation.

The PPP is an innovative project implementation mechanism for closing the infrastructure gap because: 1) it has a flexible legal structure: it can be structured through incorporated or unincorporated joint ventures, with flexible PPP contracts; the government can hold shares in PPP contracting companies; public sector contributions can take the form of concessions, funds, capital, tax exemptions, assets and guarantees; PPP payments can come from users and/or the public sector; 2) modern financing systems: they allow for a broad offering of credit enhancement structures, the possibility of allocating fund flows to reimburse the financing, the possibility of ceding the contractual position to creditors and the use and creation of any kind of guarantee; 3) transparent PPP selection process: by means of public auction to select the private counterpart; publication of pre-bidding specifications; consultation period; publication of bidding conditions; cost-free accessibility of specifications; multi-stage evaluation process, including technical and financial evaluations and a competitive dialogue mechanism; and 4) improvements in the protection of private contractors: government intervention and state prerogatives are limited in PPP contracts and regime, consideration of arbitration with limited recourse to judicial courts, with a possible international headquarters, and technical panels to resolve differences before resorting to formal dispute settlement mechanisms.

ABOUT THE DOCUMENT

This technical document has been prepared based on the presentations made and results of the meeting on "The Role of Development Banks in the Financing of Public-Private Partnerships," held in Madrid, Spain on May 20, 2019 as part of the Forty-ninth Regular Meeting of the ALIDE General Assembly. The PPP meeting was sponsored by the Inter-American Development Bank (IDB).

The meeting was divided into two. During the first part, Juan Antonio Ketterer, head of the IDB's Connectivity, Markets and Finance Division, explained the scope of the work of the ALIDE-IDB Working Group on PPPs; and Sergio Forte, Banco Nacional de Obras y Servicios Públicos (Banobras) Deputy Director General of Investment Banking and the group's
chairman, gave an account of its activities, objectives and immediate work plan.

The second part focused on experiences and opportunities for development in PPP financing. The following presentations were made: "Project structuring and preparation," by Sergio Gusmao Suchodolski, President of Banco de Desenvolvimento do Minas Gerais (BDMG), Brazil; "Institutional capacity building," by Tomas Portela, Water, Sanitation and Housing Project Manager of Banco de Inversión y Comercio Exterior (BICE), Argentina; "Financial Instruments", by Miguel Siliceo, Deputy General Financial Manager of Banco Nacional de Comercio Exterior (Bancomext), Mexico; "The role of Banobras in Infrastructure Finance in Mexico," by Sergio Forte, Deputy Director General of Investment Banking of Banco Nacional de Obras y Servicios Públicos (Banobras), Mexico; "Experiences in Europe: case of the EIB," by Juan Audibert, senior loan officer of the European Investment Bank (EIB); "Public-private cooperation: Spain's experience and international projection," by Rodrigo Madrazo, Director General, Compañía Española de Financiación del Desarrollo (Cofides); and "Role of international finance institutions in PPP development: Experiences in Eastern Europe", by Marcos Martínez García, Expert of the European Bank for Reconstruction and Development (EBRD).

National development bank opportunities in PPP financing

National development bank opportunities in PPP financing

Banco de Desenvolvimento de Minas Gerais (BDMG) is a government enterprise tasked with promoting the sustainable economic, financial and social development of the state of Minas Gerais, consisting of 853 municipalities and with a population of 21 million, 5.4 of which live in the metropolitan area.

It also serves as the financial agent of Banco Nacional de Desenvolvimento Econômico e Social (Bndes), Financiadora de Inovação e Pesquisa (Finep), Fundación de la Caficultura para el Desarrollo Rural (Funcafé), Fundação Renova, and Banco do Nordeste do Brasil (BNB), among other Brazilian institutions. The bank has portfolio of 21 908 clients located in all of the regions of Minas Gerais, including small and large businesses, rural producers and municipalities. Its total assets are on the order of some US$ 1.7 billion and its equity-to-total assets ratio stands at 25 %.

BDMG has had long experience with international funding, 45% of which comes from the French Development Agency (AFD), the Inter-American Development Bank (IDB), and CAF-Development Bank of Latin America. At the first quarter of 2019, it ranked first among Brazil's regional development banks as to international and domestic fund-raising: over 1.9 billion reals (US$ 503 million) for different purposes as of 2012 (US$ 200 million from the CAF, IDB and Mitsubishi UFJ Financial Group), 31 million euros from the AFD; 1.2 billion reals (US$ 318 million) in the local bond market; and a balance of 3 billion reals (some US$ 794 million) in loans from different longstanding local sources --Bndes, Finep, Caixa Econômica Federal (CEF), Fundacao Renova, Fundação de Amparo à Pesquisa do Estado de Minas Gerais (Fapemig), Funcafé and Fundo Geral de Turismo (Fungetur).

In the area of PPP infrastructure and project finance, the bank supports the municipalities by providing technical assistance for the structuring and approval of their projects and finances their implementation. The most common areas are: water supply and sanitation systems, solid waste collection and management, urban infrastructure, machinery procurement, equipment, institutional modernization and school buses. It also finances infrastructure suppliers. During the first quarter of March 2019, it served 435 municipalities. The projects recently undertaken have to do with the expansion of water distribution and sewerage systems, operation of state parks, road monitoring, school construction and operation and tourist attractions. BDMG has a portfolio of 7 highway concession projects covering 2 396.3 km, with a capex[1] totaling US$ 1.7 thousand million, which it carries out with the collaboration of the Minas Gerais state government. In order to make small public lighting projects viable, it has moved ahead in preparing a model contract and regulations, thereby making it possible for municipalities with less than 10 000 street lighting points to sign PPP contracts. Minas Gerais as a whole has over 2.07 million points of public lighting[2]. The capex with this initiative has been estimated at US$ 1.05 billion[3]. Insofar as its municipal financing is concerned, BDMG currently has ongoing loan contracts with 445 municipalities, as a rule with a maximum limit of US$ 1.25 million per municipality. At May 2019, it had an open call for bids for social infrastructure, energy efficiency, solar panel, sanitation, solid waste management, and machinery and equipment projects, among others, with a US$ 50 million budget.

PPPs are being carried out in Argentina for the purpose of closing the infrastructure gap, inasmuch as they make it possible to achieve: 1) closer integration of production chains in order to produce coordinated efforts and greater economies of scale, access to reliable and efficient energy sources, and access to multimodal logistics systems capable of reducing costs and timeframes; 2) greater connectivity in a country known for its vast territory, with scattered resources far from areas of consumption/export; and 3) the country's development, inasmuch as infrastructure is a key element for the development of a country with Argentina's characteristics, by providing access to and opportunities for business in remote areas, and where creating value involves more and better work, thereby generating wealth and public resources. All of this translates into greater competitiveness.

With its development of a regulatory framework for PPPs, Argentina gained a necessary instrument for boosting and closing the gap in infrastructure by means of foreign investment, supplemented by domestic investment, in this way helping to resolve local capital market limitations and restrictive corporate balances. Experience prior to that legislation was that 1) favoring short-term political agendas was injurious to investment in infrastructure and maintenance; and 2) infrastructure projects with 100% public sector financing lead to structural disinvestment and cost inefficiency.

[1]Capital Expenditure: a company's expenditure on equipment goods and producing profits, either by procuring new fixed assets or raising the value of already existing capital assets.
[2]The data refers to the 775 municipalities where Companhia Energética de Minas Gerais (Cemig) was responsible for public lighting up until December 2014. CEMIG is one of Brazil's largest and most important electric power utility companies., serving about 96.7 % of the state of Minas Gerais. The Company owns 70 operating generating stations, most of which are hydroelectric, and six of which are managed in partnership with business groups. It was founded in 1952 by the government of Minas Gerais for the purpose of supporting a wide-ranging program for modernizing, diversifying and expanding the state's industrial park.
[3]Approximate value, considering a capex of BRL 2,000 per point of public lighting and an exchange rate of US$ 1.00 = BRL 3.89.

Table N°1: Comparison between Contractual Models in Argentina			
	Public Works (Law 13.064)	Concession (Law 17.520)	PPP (Law 27.328)
Contract purpose	Construction	Construction, conservation or exploitation of public works	Design, construction, expansion, improvement, maintenance, or supply of equipment and goods, exploitation or operation and financing of public works
Private initiative	Yes	Yes	No
Direct contracting	Yes	Yes	No
Risks (case of force majeure, unproductive expenditures, etc.)	Apply the principles regulating the Law of Public Works	Apply the principles regulating the Law of Public Works	Equitable and efficient sharing among the parties + mitigation measures
Public debt	Yes	Yes. Allows for user payment of rates or tolls	No
Compensation for early termination of contract	Objective value of the good + direct and immediate damages	Objective value of the good + direct and immediate damages	Prior to the state's assuming possession: Unamortized investment + repayment of the financing
Tax benefits	Subject to each contract	CGT relief /exemptions (capital gains tax) Subject to each contract	Exemption from national taxes
Payment in foreign currency	Allows for payment in legal tender (Argentinean pesos AR$)	Allows for payment in legal tender (Argentinean pesos - AR$)	Obligation to pay in foreign currency
Payment and guarantee vehicle	To be defined in each contract	To be defined in each contract	PPP Trust
Jurisdiction	Administrative law litigation Exceptionally arbitration	Administrative law litigation Exceptionally arbitration	Technical panel, Arbitration and expansion of jurisdiction

In this context, government initiatives place priority on promoting sustainable development by means of infrastructure. Legal environments and long-term financing systems have been implemented accordingly. In this new context, the role of Banco de Inversión y Comercio Exterior (BICE) under the law of PPP contracts is to serve the different government ministries and institutions as legal and financial adviser in structuring PPP projects, with the assistance of the Inter-American Development Bank (IDB), CAF-Development Bank of Latin America, and the World Bank (WB), among others, drawing on good practice recommendations and external validation.

BICE's adoption of best practices in structuring PPPs aims to produce top quality projects, not only in the technical aspects, but also as to efficient preparation and risk distribution. As a result, they have best practices in: 1) risk allocation: efficient risk allocation between the private party and the state, so that it can be assumed by the party best able to mitigate it at the lowest possible cost for the financial structuring; 2) market study: preliminary institutional communications with the market describing the tentative structure and feedback as to how open the structure is to financing, with a view to its possible optimization; 3) Preparation of PPP projects by means of pre-feasibility and feasibility studies that will make it possible to design programs with a strong likelihood of being financed by private investors; and 4) clearly-defined objectives, in order to define with transparency what needs to be accomplished by structuring and designing instruments to attract new actors and promote greater competition.

Among the products offered by BICE to help meet the challenge of closing the infrastructure gap are working capital, investments, foreign trade, trust services and PPPs. The Infrastructure Area Division is responsible for the executive coordination of infrastructure projects, broken down into areas targeting energy and mining; transportation, communication and technology; water, sanitation and housing; and health, justice and communication projects. The bank has put together a strong team to promote processes for optimizing the use of government resources and closing the infrastructure gap in Argentina and for providing consultative, operational and technical assistance at the request of the bodies or bidding institutions.

BICE's PPP projects currently underway are: 1) energy and mining: construction over 2 500 km of new high and medium voltage electric power lines over a period of 36 months; 2) transportation, communication and technology: design, construction, expansion, improvement, maintenance, operation and financing of more than 2 800 km of speedways and 4 000 km of safe routes, over a period of 60 months; 3) freight railways: improvement of an existing rail line and construction of a new, 665 km rail line and a new 48 000 m2 locomotive workshop, to be carried out in between 30 and 48 months; 4) water, sanitation and housing: construction of 60 000 m2 of new and improved working spaces --administrative offices-- for the national public administration, in a period of 48 months. All of these PPP projects are being carried out under a design-build-finance-operate-maintain (DBFOM) system.

In Mexico, the government has proposed specific actions to make infrastructure development more efficient and thereby benefit the country economically and socially, particularly: 1) increasing public investment in projects that are strategic for development; 2) maintaining and improving conditions for boosting private sector participation; 3) giving priority to the maintenance and overhauling of existing infrastructure; and 4) working on integral planning of national infrastructure with a long-term approach. To carry out these activities, the Mexican government considers that the country has strong bases that create favorable conditions for advancing an effective strategy to boost investment in and the development of the necessary infrastructure and energy projects. Foremost among these are its macroeconomic stability and sound public finances, commitment to the struggle against corruption and in favor of efficient resource use, a strong legal and institutional environment, diversity of public and private financing sources, and the alignment with good international practices.

The role played by Banobras, the bank specializing in infrastructure financing and development, which holds an 8.3% share of the Mexican banking system's total portfolio (Table No. 2), has substantially altered the profile of its direct and induced credit portfolio over the past three decades. While in 1987, 97% went to the federal government and only 3% to the states, municipalities and public organizations, in 2002, the federal government's share had dropped to 76% and that of the states, municipalities and public organizations had risen to 21% of its financings, with the addition of 3% for PPP project finance. By 2018, the federal government accounted for barely 12%, the states, municipalities and public organizations received a much stronger 53% and infrastructure financing via PPPs had increased almost 12-fold to a total of 35% of the loan portfolio.

Table N°2: Portfolios of the 10 Principal Banks of the Mexican banking system (Thousands of millions of US$)

	Total portfolio	Share (%)
BBVA Bancomer S.A.	61	18.5
Banco Mercantil del Norte, S.A.	40	12.2
Banco Santander S.A.	36	10.9
Banco Nacional de México S.A. (Banamext)	35	10.6
Banco Nacional de Obras y Servicios Públicos S.N.C. (Banobras)	23	8.3
HSBC México S.A.	20	6.0
Scotiabank S.A.	19	5.8
Nacional Financiera S.N.C. (Nafin)	14	4.3
Banco Inbursa S.A.	13	4.0
Banco Nacional de Comercio Exterior S.N.C. (Bancomext)	12	3.7
Total for the banking system (thousand million US$)	328.6	
Source: Banobras, Comisión Nacional Bancaria y de Valores (CNBV), close of 2018. Exchange rate used 19 $/US$.		

The financial products and services offered by the bank today are: 1) financing: traditional financing, staple financing[4], subordinated loans via the National Infrastructure Fund (Fonadin), commercial bank funding and financial leasing; 2) guarantees: financial, pari-passu[5], refinancing of guaranteed loans and backstop facilities; and 3) programs: social infrastructure contributions fund (FAIS), technical assistance, contributions, subsidies, venture capital and sector programs through Fonadin.

Fonadin is a fund that was created in 2008 from the merger of two preexisting funds: The Support Trust for the Rescue of Leased Speedways (Farac) and the Infrastructure Investment Fund (Finfra). Fonadin was mandated to manage the existing toll highway system and to supply associated debt service to 53 speedways and three bridges, amounting to some 4 223 kilometers of highways; and to provide financing to new PPPs for infrastructure projects awarded in public auctions and that have their own payment sources.

The fund offers two types of supports or products: 1) non-recoverable ones, which can take the form of contributions for studies and investment projects and subsidies for investment projects; 2) recoverable ones in the modality of venture capital, through venture capital funds or directly in investment projects; and subordinated debt and guarantees for investment projects. The support programs include: Promagua for the supply, sanitation and integral improvement of water management; Proresol for garbage collection and processing; Carreteras for the construction of highways and bridges; Protram for sustainable urban transportation; venture capital funds for the creation of infrastructure funds; and other support programs for projects with no specific program.

Table N°3: Characteristic Cases of Supported Projects

Project	Program	Type of Support	Amount of the support (mdp)	Investment boosted (mdp)
Guadalajara PTAR – Agua Prieta	Promagua	Subsidy	1,092	2,229
Ensenada Deslinization Plant, Baja California	Promagua	Subsidy	204	700
Utilization of South Pacific Assets (Guadalajara – Tepic)	Highways	Implicit subsidy	3,608	14,929
Monterrey – Saltillo Concession, Libramiento Saltillo	Highways	Contribution / Subordinated loan	1,958	4,850
Salamanca– León Concession	Highways	Subsidy / Subordinated Loan	1,499	4,729
Durango – Mazatlán OPNP	Highways	FNI Concession Investment	17,230	28,600
Valley of Mexico* Suburban Railway 1	Protram	Contribution / Subsidy / Subordinated Loan	5,492	10,558
Monterrey BRT ECOVÍA 1	Protram	Contribution / Guarantee	610	1,890
Puebla North-South Cuenca BRT 2	Protram	Contribution	380	2,035
Puebla International Baroque Museum	Miscellaneous	Subsidy	544	1,743
New Mazatlán Aquarium, Sinaloa	Miscellaneous	Subsidy	185	1,206

[4] Pre-authorized financings on competitive terms for winners of some public bidding competitions.
[5] Loans that include a clause in the financial contract to stipulate that the loans should ensure the same equal rights and obligations as other similar debts of the same issuer.

Future development bank challenges in boosting PPPs

BDMG's future plans include developing with its partners: 1) Additional funding to extend the financing program for municipalities to projects that are larger and that take in more municipalities. The bank has a long history of helping municipalities to structure and monitor their projects and, as a result, has already identified eligible projects and interested municipalities that need larger amounts of financing and is in contact with local authorities at all times; and 2) strategic partners for PPPs that focus on public lighting projects in Minas Gerais; and 3) the financing of new products for private enterprises that involve sustainability and innovation.

BICE, for its part, expects to expand direct and induced credit; promote the participation of commercial banks in infrastructure financing; raise funds from institutional investors for project finance; encourage the financial and institutional strengthening of federative institutions and municipalities; and incorporate municipalities not served by commercial banks into the financial system. The beneficiaries are to be the state and municipal governments/agencies, federal institutions that promote public works, concession holders and suppliers of private services (PPPs) and commercial banks.

The importance of building a climate of trust

In a context of negative impacts that could result in a loss of trust in PPPs and in which a large number of public infrastructure contractors and also of private investors in regulated sectors end up being affected by the potential impossibility of continuing to be governed by their contracts with the state. This, in turn, has a direct impact on the capacity to obtain financing as a result of compliance and reputational restrictions.

BICE notes the imminent danger that exists for PPPs in Argentina due to the reputational risk for project financing, particularly in the case of six projects already signed for a bridge loan (at one year), working capital and for the Commitment Termination Event guarantee and of the US$ 6 000 million risk of long-term financial closure. The solution was to create a new PPP financial assistance trust for reputation risk mitigation by means of a new framework of integrity of best international practices. In the case of a public works project facing a similar situation for existing contracts that jeopardized financing via the discounting of progress certificates subject to the reservation of rights and any working capital loan, the solutions were to remove the reservation of rights from the progress certificates and to create a public infrastructure trust through the Budget Law, in line with the FIAF; among others.

For that reason, BICE set up the Financial Assistance Trust (FIAF) Integrity Framework for the "System of Highways and Safe Routes (Rars) Stage I" project contractors, together with the IDB and with the endorsement of the Anticorruption Office and national Financial Intelligence Unit (UIF). The integrity aspect encompasses the final indictment, sentencing, apology and registration in the National Registry of Recidivism. Compliance, for its part, considers the PPP contractor's false declaration and noncompliance with the obligations stemming from the Integrity Framework. The Action Plan vis-a-vis both aspects must be accepted by the Integrity Supervisor and the Trust. Its purpose is to make reparation for all damages and losses and for the adverse consequences produced by the Integrity or Compliance Event, as applicable.

BICE notes the imminent danger that exists for PPPs in Argentina due to the reputational risk for project financing, particularly in the case of six projects already signed for a bridge loan.

Value-wise, PPPs in Europe totaled € 14.6 billion in 2018, down from the € 15.2 billion figure recorded in 2017. The situation was similar as to the number of projects involved: dropping from 44 in 2017 to 39 in 2018. Even so, the average value of the projects rose from € 345 million in 2017 to € 375 million in 2018, and the large operations (of over € 500 million) totaled eight in each of the last two years. At the European level, a downward trend can be noted in the cases of both investment and numbers of projects over the past decade (Chart N°1). The highest ranking countries in PPP development in Europe, both as to number of projects and investment, for the period of 1990-2018, in order of importance, are: the United Kingdom (56.5 and 41.8%), France (10.8 and 111%), Spain (8.8 and 9.2%) and Germany (6.8 and 9.4%). Over the past decade (2009-2018), France, Germany, and Turkey have assumed a stronger presence in the PPP market (Table N°4).

Chart N°1: PPP evolution in Europe

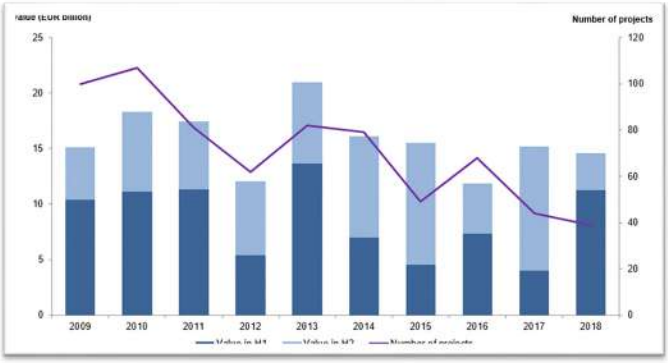


Table N°4: Classification of the European PPP Market, by Country, in 2009-2018 and 1990-2018						
Country	2009-2018 period		1990-2018 period			
Country	Number of Projects	Total Value (Billions of euros)	Number of Projects	Total Value (Billions of euros)	Share (%) Number of Projects	Share (%) Total Value
United Kingdom	251	40.34	1,040	160	56.5	41.8
France	146	30.01	198	42.7	10.8	11.1
Spain	44	7.80	162	35.3	8.8	9.2
Germany	87	8.25	126	16.8	6.8	4.4
Holland	32	9.83	47	14.3	2.6	3.7
Portugal	10	5.33	41	20.7	2.2	5.4
Italy	16	9.32	39	14.9	2.1	3.9
Belgium	25	5.25	30	6.8	1.6	1.8
Ireland	13	2.69	30	6.5	1.6	1.7
Greece	14	1.39	23	14.3	1.3	3.7
Turkey	27	28.58	27	28.6	1.5	7.5
Denmark	13	1.08	15	1.2	0.8	0.3
Poland	7	2.15	12	5.0	0.7	1.3
Hungary	0	0	10	5.8	0.5	1.5
Czech Republic	5	0.2	8	1.0	0.4	0.3
Austria	2	0.45	9	1.8	0.5	0.5
Finland	1	1.1	4	1.0	0.2	0.3
Lithuania	4	0.1	3	0.1	0.2	0.03
Cyprus	0	0	3	0.7	0.2	0.2
Croatia	1	0.3	3	1.0	0.2	0.3
Sweden	1	1.1	2	1.6	0.1	0.42
Romania	0	0	2	<1	0.1	0.00
Slovakia	2	2.2	2	2.2	0.1	0.6
Slovenia	0	0	1	<1	0.1	0..00
Bulgaria	0	0	1	0.2	0.1	0.1
Luxembourg	1	<0.0	1	<1	0.1	0.00
Serbia	1	0.4	1	0.4	0.1	0.10
Source: European Investment Bank (EIB) - European PPP Expertise Centre (EPEC).						

The presence of the European Investment Bank (EIB) in the project finance market is reflected in the fact that 89% of the financing in the European Union, or some € 26 063 million, has been put into 243 projects (Table N°5), where PPPs account for the lion's share of the project finance portfolio, namely 55.1% of the estimated number of projects and 64% of the financing.

and miscellaneous, 27%. The EIB's participation in PPPs can be seen to be effective in project evaluation prior to auction, in the financing of up to 50% of the project cost, in guarantee structuring and systems in market conditions, with the ceding of the waiting period in the repayment of the principal linked to the start of the income production period, and in the plan of disbursements depending upon the project's physical progress.

Table N°5: Essential Role of the EIB in European Project Finance											
Phase	Millions of Euros	%	Projects	Type of Income	Millions of Euros	%	Projects	Location	Millions of Euros	%	Proyecto's
Post-finalization	21,503	73	202	Payment by availability[6]	19,537	66	175	EU	26,063	89	243
Pre-finalization	7,914	27	90	Market risk	9,880	34	117	Non EU	3,354	11	49
Total	29,417	100	292		29,417	100	292		29,417	100	292

In 2018, the EIB carried out 25 project finance operations, 21 of them in Europe for a total of € 3,826.1 million; the other four were in Cameroon, Kenya, Mexico and Zambia, in an amount of € 182 million for the financing of renewable energy projects. The distribution by sector this year reveals the following breakdown: renewable energy with 29%; highways and transportation, 26%; telecommunication, 9%; social infrastructure, 7%; electricity, 2%;

The EIB takes care to ensure that the benefits of the finance will have an impact on both the private and public sectors, and that its involvement takes place under the principle of complementarity with the banking sector and the capital markets.

Table N°6: PPP Project Distribution, by Sector			
Sector	Statement of Disbursements		Number of Projects
	Millions of Euros	%	
Payment by availability	6,042	32	43
Hospitals	2,805	15	28
Real toll highways*	2,054	11	21
Shadow toll highways**	1,889	10	19
Transportation	4,313	23	17
Schools	1,058	6	17
Environment	592	3	8
Miscellaneous***	82	0	8
Total	18,835	100	161

*The highway user pays directly.
**When a commercial enterprise builds and finances the highway and the public administration pays the toll for the vehicles that circulate along it, in such a way that it is financed through taxes, but the administration's short-term indebtedness is avoided.
***Refers mainly to telecommunication and another type of social infrastructure asset.

[6] Payment or remuneration per product or service unit delivered during the PPP operating stage, made periodically by a public authority to a concession holder.
[7] Es is a hybrid financing instrument that enables a company to issue debt that can have an array of structural terms, such as interest periods, a combination of capital and interest, or option for the return of added income, and, in some cases, capital convertibility. These loan structures can involve guarantees for companies with lighter cash flows or even little or no guarantees for companies with heavy cash flows. The following web page provides information about the greatest differences between mezzanine financing and traditional equity investment. (https://connectamericas.com/es/content/aprende-sobre-las-4-diferencias-entre-financiamiento-mezzanine-y-financiamiento-de-capital).

EIB instruments/products available for PPPs are broken down, on the one hand, into the so-called traditional ones, such as 1) direct standard loans for the public sector and SPV (special purpose vehicle) projects, or indirect loans, through intermediary banks to finance SPV projects; and 2) structured finance for SPV projects, established in 2001, which expands the capacity of the EIB to provide financing at the same time as it enables it to lend directly to much higher risk projects (PPPs), offer more flexible financing solutions, as well as provide mezzanine financing[7] and participate with equity through specialized funds.

At the same time, there are also new products, such as 1) co-investments with infrastructure funds, 2) hybrid bonds, 3) green shipping, which finances sustainable sea transportation; 4) energy demonstration projects (EDPs): facilitate loans, loan guarantees or equity investments in clean energy projects; 5) project bond credit enhancement (PBCE): access to new financing sources for institutional investors with possible long terms; and 6) senior debt credit enhancement (SDCE): the total financing cost can be more economic (according to the project), it is made more attractive to the principal lenders by helping to mitigate economic risk, like the increase in the demand risk, etc.

In order to move ahead with the Investment Plan for Europe, the EIB is equipped with the European Fund for Strategic Investments (EFSI) which, despite its name, is not a fund or a separate legal entity, but a contractual portfolio guarantee agreement between the European Commission (EC) and the EIB Group. Government EFSI institutions decide whether a project being prepared is eligible for this portfolio guarantee, and the EIB /European Investment Fund (EIF) governing bodies give the final approval for each operation. All of these are EIB Group operations.

The EFSI was launched with € 21 billion, € 16 thousand contributed by the EU and € 5 thousand by the EIB. Its initial aim was to raise € 315 000 million in investments. However, more than € 335 000 million had been raised by July 2018.

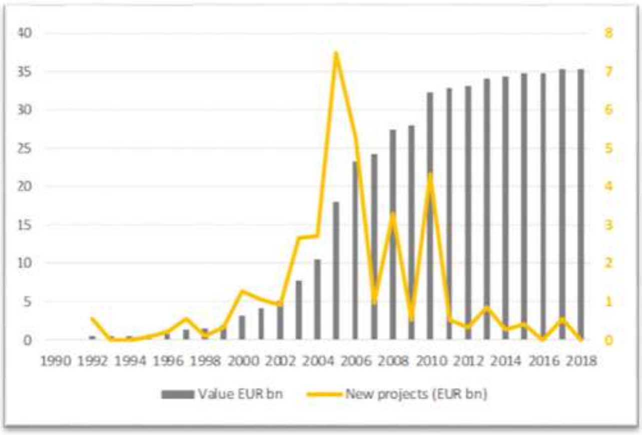
Table N°7: New EIB products for PPPs

Lines of Business	Financial Instrument / Product	Mandate	Why?	With whom?
Co-investments with infra funds	Equity	European Fund for Strategic Investments (EFSI)	Additional liquid financial instruments to accelerate the investments.	EU Infra funds
Hybrid bonds	Deep or super subordinated	European Fund for Strategic Investments (EFSI) only	Additional debt capacity for issuers of EIB securities = reduction of the execution risk in specialized capital markets.	Regulated profits highly rated in the EU.
Energy Demonstration Project (EDP)	Corporate risk debt and project finance senior or subordinated debt	InnovFin (thematic)	Demonstrate new clean energy technologies and processes on a commercial scale	Early stage companies or greenfield projects.
Green shipping	Senior debt (shared risk)	European Fund for Strategic Investments (EFSI) and Connected Europe Facility (CEF)	Decarbonizing of sea shipping (including reequipment)	EU banks with specialized shipment equipment.
Project Bond Credit Enhancement (PBCE) / Senior Debt Credit Enhancement (SDCE):	Subordinated loan enhancement	European Fund for Strategic Investments (EFSI) for the most part	Increase in project solvency to attract private investors	Project finance structures

The EFSI was launched with € 21 billion, € 16 thousand contributed by the EU and € 5 thousand by the EIB. Its initial aim was to raise € 315 000 million in investments. However, more than € 335 000 million had been raised by July 2018. With the renewal of the EFSI, which now has a capital of € 33 500 million, its target for 2015-2020 is to raise € 500 000 million of investment funds, of which EIB Group financing would amount to € 100 000 million, up from its present level of about € 72.8 billion.

At April 2019, the investments were distributed by sector as follows: small businesses 32%, research, development and innovation 23%, energy 19%, digital 11%, transportation 7%, social infrastructure 4%, and environment and efficient resource use 4%. This has made it possible to benefit 15 million households with high speed Internet access, 7.4 million with renewable energy, and 30.6 million people with better health services.

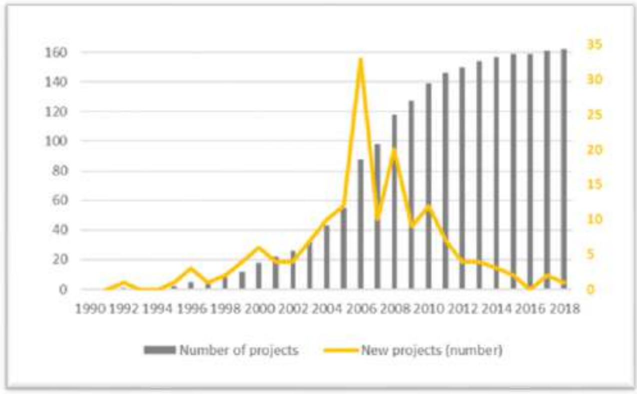
Chart N°2: Total Value of PPP Projects, by Year, in Spain (1990-2018)



Fuente: Review of European PPP Market in 2018 (EIB- EPEC)

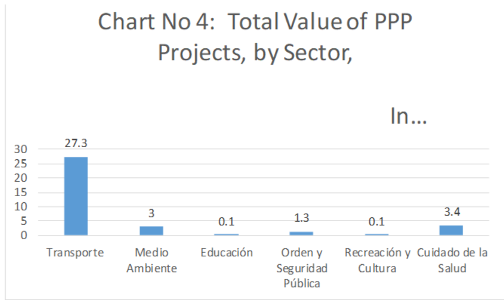
Spain's experience with PPP projects. The Spanish concessions sector was the third ranking European PPP market (in number of projects and investment value) in the period between 1990-2018. Even so, the number of new PPP projects has been dropping significantly since 2004 (Charts N°2 and N°3).

Chart N°3: Spain: Total Number of PPP Projects, per Year, in Spain (1990-2018)



Source: Review of European PPP Market in 2018 (EIB- EPEC)

The sectors that have benefitted the most from the PPP projects have been, in this order: transportation, environment, healthcare, and public safety and order. The transportation sector has been the most favored by far (Charts N°4 and N°5).



-Transportation -Environment -Education -Public Order and Safety -Recreation and Culture -Healthcare
Source: European Investment Bank (EIB) - European PPP Expertise Centre (EPEC).

This has made it possible to benefit 15 million households with high speed Internet access, 7.4 million with renewable energy, and 30.6 million people with better health services.

[8] ENA Infraestructuras (initially known as Empresa Nacional de Autopistas – National Speedway Enterprise) was established in March 1984 as a management vehicle for the assets of three highways acquired by the government from private investors in 1983. That year, due to the ongoing economic crisis, it decided to intervene in the toll highway sector in order to increase the control over highway promotion, construction and management. The first step in this policy was the approval of a decree authorizing the state to purchase all of the shares representing the capital of companies holding concessions to two private toll highways. Later, in July 1984, the state bought 50% of the shares representing the capital of another toll road. In 1995, ENA was awarded a new concession and in May of 2003, the state privatized the enterprise.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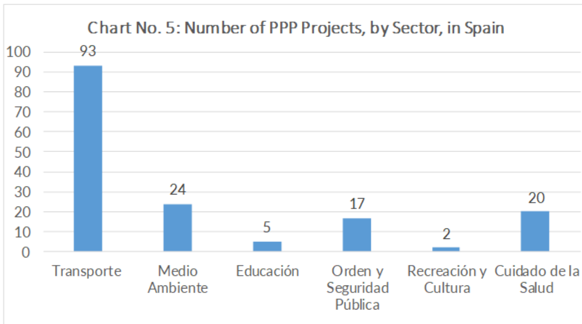
Why the transportation sector is an important attraction for PPPs in Spain can perhaps be best understood in the light of its historical evolution. Sectorial highway plans were drawn up and the Law of Highways under Concession was enacted between 1960-1972 and later, between 1972-1984, the Law of Speedway Construction, Maintenance and Exploitation under Concession and work was continued on the sectorial highway plans. Between 1984-1996, three concessions failed and, as a result, ENA[8] was created to manage those assets, the State Highways Plan was prepared and the Highway Law enacted. Between 1996-2004 , the Toll Highway Plan was launched, touching off two waves of PPP public auctions. Starting in 2004, however, concession auctions came to a stop on several occasions, with the result that efforts are being made to recover their credibility and give them a new impetus via legislative changes or reforms.

Among the lessons learned from Spain's experience with concessions are, above all, the importance of the strategic planning of those processes, the need for an in-depth cost-benefit analysis of the projects.

Among the lessons learned from Spain's experience with concessions are, above all, the importance of the strategic planning of those processes, the need for an in-depth cost-benefit analysis of the projects, the occurrence of mistakes in estimates and overcapacity that have affected the results of the projects, the importance of financial structuring and of the regulatory environment insofar as their treatment in national accounting, risk allocation and incentives, and the responsibility of capital in the management of the concessions are concerned.

Infrastructure investment in Spain has played an important role in the country's economic development, social cohesion and territorial structuring. It has made it possible to reduce the historic deficit in infrastructure, increase the efficiency of the executed investment with construction costs 30% lower than those of the countries of reference, enhance the competitiveness of Spanish companies, thereby making them world leaders of the sector, produce an economic impact via € 1.6 billion in national taxes over the past 10 years, generate local wealth due to the need for minimum imports, and create large numbers of new jobs averaging 1.2 million a year for the past 10 years; enhance competitiveness in the Spanish economy by favoring pillars like tourism (airports) and exports (ports), and improve the social welfare as a result of closer territorial cohesion and increased citizen mobility.



-Transportation -Environment -Education -Public Order and Safety -Recreation and Culture -Healthcare

Source: European Investment Bank (EIB) - European PPP Expertise Centre (EPEC).

Table N°8: Strengths and Weaknesses of the Concessions sector		
	Strengths	Weaknesses
Economic outlook	Valuing of private initiatives in the provision of public services	Need to improve cost-benefit analyses
Tax prospects	Raising of additional funds and budget contraction phases	Accumulation of public contingency liabilities
	Payment for use versus budget financing	
Business and industrial outlook	Spanish companies have developed know-how that has placed them in the global leadership of the sector	Over indebtedness and failure of companies with unbalanced business models

Chart N°9: Spanish leadership in the global infrastructure market			
Ranking	Company	Country	# of Concessions in operation or under construction
1	ACS Group / Hochtief	Spain	59
2	Vinci	France	47
3	Albertis	Spain	45
4	Macquarie	Australia	41
5	FerrovialVCintra	Spain	39
6	Sacyr	Spain	33
7	Meridian	France	30
8	Globalvia	Spain	27
9	John laing	UK	25
10	Egis	France	25
11	Bouygues	France	24
12	OHL	Spain	23
19	Acciona	Spain	16
32	Itinere	Spain	6
Source: Public Works Financing 2017			

Insofar as Spain's leadership of the global infrastructure market is concerned, the fact should be stressed that Spain is represented by more companies than any other country in the classification of the largest groups of transportation infrastructure concessions in the world. Six Spanish groups rank among the top twelve and another three are part of the top 40 (Chart N°9); and its total investment (stock) amounts to US$ 213 thousand million, or 49% of the total investment of the 10 largest companies (Public Works Financing 2014).

The Spanish infrastructure industry is highly internationalized, as can be seen by the fact that 25% of the billings of those businesses originate in the national market and the remaining 75% are international. A breakdown of billings by concession and others shows 43% to be national and 57%, international[10].

Between 1990-2019, Compañía Española de Financiación del Desarrollo (Cofides) financed 63 PPP project operations, committing resources on the order of € 586 million out of a total investment of € 14 245 million, which have created 20 890 related direct jobs. The most recent, in 2018, was the financing of projects associated with the road system and electrical communications encompassing some 1 088 km of urban roads and highways, 1 622 km of high voltage lines and 559 communication relay towers situated in rural and urban areas; the supply of energy amounting to 1 283 MW of installed power generated by renewable energy sources; and in the area of socio-environmental management, occupational risk prevention plans and socio-environmental certifications.

In structuring PPP projects, Cofides used capital, shareholder debt, mezzanine financing and project finance as its financial instruments. Additionality and "crowding in" of private investors are the factors differentiating Cofides' participation, inasmuch as its financing is tailored to the specific needs of the promoter and investment project. As a result, the primary focus in the equity operations is placed on open risk and project finance structures. The capital and quasi-capital (shareholder debt) structures can encompass or exclude the sales option vis-a-vis the promoter. Similarly,

[10]Source: Asociación de Empresas Constructoras y Concesionarias de Infraestructuras - Seopan 2016. International activity.
[11]Payment of the principal at maturity and of the corresponding interest periodically.

the debt structures with the greatest additionality (bullet[11], semi bullet, sculpted amortization) can also contain or not recourse to the promoter.

The financial instruments used in PPP projects have the following characteristics: 1) capital interest[12]: return predefined at the beginning of the investment, comparable to a bullet loan as to principal and interest (their annual capitalization) and sales option vis-a-vis the promoter; 2) bound capital[13]: existence of a floor and a cap, with sales option vis-a-vis the promoter, and the possibility of issuing counter-guarantees to senior financers for equity commitments; 3) open price or risk capital[14]: market valuation of a shareholding without a floor or a cap on the return on investment, with or without a sales option vis-à-vis the promoter, and the possibility of issuing counter-guarantees to senior financers for equity investment commitments. All of these instruments are offered as direct or indirect shares in the SPV, minority and temporary shareholdings. The shareholding is always smaller than that of the Spanish promoter and does not include the requirement for the promoter's control or Cofides' participation in the management with the presence of advisers or observers in the investee companies. The financing is provided in local currency, euros or dollars.

The European Bank for Reconstruction and Development (EBRD) is the largest investor in the region where it operates . It has invested over € 130.6 billion in 5 325 projects since 1991.

It can also draw on other financing instruments, but ones that operate differently from those cited above. These are: 1) mezzanine financing: structure subordinated to the senior financing, but with a preference over the equity or quasi-capital, and with recourse or not to the promoter; and 2) project finance: participation in the investment project senior debt. Typical project finance guarantee structure: project guarantees without recourse to the promoter.

The European Bank for Reconstruction and Development (EBRD) is the largest investor in the region where it operates . It has invested over € 130.6 billion in 5 325 projects since 1991. In 2018, its investments amounted to € 9.6 billion in 410 projects, 73% targeting the private sector. These financial supports took the form of 83% debt, 9% equity and 8% guarantees.

Its investment in infrastructure up until 2018 was distributed as follows: Southern and Eastern Mediterranean (Semed) 8%; Western Balkans and Eastern Europe 24%; Cyprus and Greece 1%; Turkey 8%; Armenia, Azerbaijan, Byelorussia, Georgia, Moldavia, and Ukraine 18%; Central Asia (including Mongolia) 10%, Eastern Central Europe 10%; and Russia 13%.

Chart N°6: Total EBRD Financial Assistance, 2014-2018 (Billions of Euros)

[12]Equity investments in a project company or a vehicle whose disinvestment price is a single sum equivalent to the total capitalization plus the capitalization of interest.
[13]Equity investments in a project company or a vehicle whose disinvestment price is between the minimum and maximum prices.
[14]Equity investments in a project company or vehicle whose price depends upon the project's evolution.
[15]The bank serves Southeastern Europe (Albania, Bosnia and Herzegovina, and Bulgaria, Cyprus, Greece, Kosovo, Montenegro, Macedonia, Romania and Serbia); Central Europe and the Baltic countries (Croatia, Czech Republic, Estonia, Hungary, Lithonia, Lithuania, Poland, Slovak Republic and Slovenia); Eastern Europe and the Caucasus mountains (Armenia, Azerbaijan , Byelorussia, Georgia, Moldavia and Ukraine); Central Asia (Kazakhstan, Kirgizstan, Mongolia, Tajikistan, Turkmenistan, Uzbekistan); Southern and Eastern Mediterranean: Egypt, Jordan, Lebanon, Morocco, Tunisia and West Bank and Gaza); and others like Russia and Turkey.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The EBRD's mission, insofar as support for PPP is concerned, is limited to the first three of the five stages (planning, preparation, procurement, construction and operation) of a project's life cycle. During the first stage, a bank policy team works 1) to provide assistance with program planning, project evaluation, analysis of options, and project prioritization; 2) to apply monetary value methodology and on life cycle cost analysis; 3) to provide support to PPP units and help with the preparation of national projects; 4) on capacity building and training; and 5) on rate calculation, renewable energy auctions and the design of energy purchase agreements. At the same time, the bank's PPP advisory team helps public sector customers resolve technical, legal and financial aspects; and provides expert consultants on the subject, financial resources and occasionally, direct advisory assistance.

Initiatives for providing technical assistance and information

National and region development finance institutions understand that the meager portfolio of projects eligible for financing is one of the reasons for the low global level of infrastructure investment. This situation can be traced, in turn, to the limited capacity for structuring, acquiring, and delivering these frequently complex projects.

While the agenda of reforms in many of the countries where they operate needs to be revitalized in general, this is particularly true in the infrastructure sector. Here, many of the needed reforms and regulatory support mechanisms have often lagged behind or continue to remain incomplete.

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In this connection, Mexico has developed the "Mexico Projects" Platform (www.proyectosmexico.gob.mx), in order to collect information about best practices in long-term strategic planning, structuring of projects under PPP systems, and standardization of processes and contracts, and essentially to demonstrate opportunities for investment at different stages of the projects' life cycle. This platform offers users free online access, continuous updating, advanced visibility, is fully bilingual, covers the why and how to invest in Mexico, offers personal warnings, enjoys the backing of multilateral organizations, describes best international practices and draws on more than 45 official sources. Mexico Projects has signed collaboration agreements with strategic allies for the dissemination, collaboration with the country's most important private business organizations, and inter-institutional coordination in promoting the infrastructure agenda abroad.

In March of 2019, platform traffic data revealed the presence of 41 335 users, averaging 10 334 a week; 51 774 sessions, with a weekly average of 12 944; for an average duration of 2:26 per session; 1.96 pages visited per session; 410 registered companies; and 8 034 cases of project follow-up. In cumulative terms, foreign users at May 2019 numbered 69 334, or 13.4% of the total users, and came from 158 countries. The countries of origin of the most numerous users are the U.S. with 23 361, Spain with 7 430, and Colombia, Chile, the United Kingdom, Peru, Canada, France and Argentina with between 3 600 and 1 500. The remainder, some 17 200, came from 148 countries.

In the case of Europe, the EIB expedited the European PPP Expertise Centre (EPEC) initiative, a network of PPP units and public policy enforcers. The participants include the European Commission and many European countries. It has a team of international experts specialized in PPPs at its command, which offers a significant portion of the EIB's advisory services. With over 40 members from more than 30 countries, it was formed to share experience with PPP and support the public sector in delivering well-made PPPs.

The main services offered by the EPEC include 1) the analysis and exchange of information by means of working groups, publications and technical assistance provided by the members; 2) counselling on institutional strengthening, policy support and PPP programs through working sessions with individual members; 3) advisory assistance to the public sector in the initial stages of PPP project preparation, in collaboration with the individual members and associated organizations.

The EPEC works to share the members' information, experience and knowledge, promote good practices in the public sector, build up the organizational capacity of public authorities to carry out PPP programs and projects, and put the competence and experience of its team members into practice.

The EBRD, for its part, created the Infrastructure Projects Preparation Facility (IPPF)[16] endowed with resources on the order of some € 40 million, which started operating in September of 2015. It offers a support mechanism centering on the preparation of projects suitable for funding, using a coordinated approach that promotes public policy dialogue for infrastructure development.

The IPPF provides high quality project preparation, customer orientation, policy support and institutional strengthening

The IPPF provides high quality project preparation, customer orientation, policy support and institutional strengthening, thereby reaffirming the EBRD's position in the market as the leading supplier of integral, sustainable and inclusive infrastructure solutions. This strategic vision draws on the support of a team of experts employed by the IPPF that upholds a strong client-centered approach targeting the impact of the transition, in the case of some Eastern European countries.

IPPF has already firmly established its brand and will continue to help the public and private sectors speed up infrastructure investment.

IPPF has already firmly established its brand and will continue to help the public and private sectors speed up infrastructure investment in all of the countries in which the EBRD invests. Its objective is to offer a better project preparation support and a delivery mechanism aimed at upgrading the efficiency, quality and capacity for reproduction of the infrastructure projects. IPPF efforts center on project preparation, policy dialogue and institutional strengthening in order to undertake both public and PPP infrastructure projects.

Those efforts will help to efficiently organize public investment, build up the institutional capacity of the public sector and attract additional private investment to the infrastructure sector. An innovative vehicle for infrastructure projects, the IPPF has become a powerful and efficient tool for raising technical cooperation funds. It reveals the importance of efficient and quality preparation of projects capable of being reproduced and is engaged in a policy dialogue with counterpart governments and their PPP units.

The number of project preparation tasks turned over under contract by the IPPF started rising in 2018 in the case of both public and PPP projects and is approaching the evaluation estimates made when it was approved in 2014. With a broad and varied coverage, the sustainable infrastructure window (SIW) handed over 43 consulting services assignments valued at € 15 million to support 52 investment projects in the public sector. EBRD investments with IPPF backing are estimated at € 2.3 billion and are expected to reach a figure of € 6.7 billion in 17 countries.

A breakdown of the sectors covered by the IPPF reveals their range to be from water and wastewater (30%), urban transportation (28%), highways (16%), solid waste, irrigation, urban heating, and civil aviation to industrial area facilities management (2%).

[16] Infrastructure Project Preparation Facility (IPPF)

In Latin America, the Inter-American Development Bank and ALIDE set up the Regional Public-Private Partnerships (PPP) Working Group, whose efforts focus on: 1) PPP structuring; 2) Capacity building for PPPs; and 3) Financial and credit enhancement instruments. To that end, the working group participants started off by preparing action plans, sharing experiences and knowledge stemming from their best practices, and determining the state of the supply of financial instruments and the role of development banks.

The establishment and start of operations of the ALIDE-IDB PPP Working Group has been an important step toward defining development bank roles in PPP finance and structuring. Participants were given the opportunity to exchange ideas and give careful thought to the key issues that should be considered in order to be able to give PPPs the support they need. Even so, much still remains to be done in order to see that vision materialize. The next step will be to convert the priorities of the action plans into concrete activities that can be furthered by the IDB. Initiatives like that one are a good example of how banks that work to advance Latin America's development can collaborate even more closely to achieve common regional objectives by taking advantage of the opportunity to reflect on what must be done to reinforce the development of PPPs in the region. The following text offers more detailed information about the Regional PPP Working Group.

ALIDE-IDB REGIONAL WORKING GROUP ON THE DEVELOPMENT OF PUBLIC-PRIVATE PARTNERSHIPS (PPPS)

In response to the mandate handed down to the ALIDE General Secretariat at the Forty-eighth General Assembly to establish a working group, together with the IDB, in which national development banks could share experiences regarding their role in promoting PPPs, the two institutions called the first meeting of the working group in Washington, D.C. on April 30th and May 1st. One of the objectives of the workshop was to present the results of that first meeting and of the following actions to be taken.

At that meeting, the role of PPPs in Latin America and the Caribbean was acknowledged to be growing in both mature and infant markets. Between 2006-2015, US$ 361 000 million were invested in some 1 000 PPP projects, rising from US$ 8 000 million in 2005 to US$ 39 000 million in 2015. It could be noted, furthermore, that the focus of attention is moving in mature markets toward innovative sectors (education, hospitals, and electricity, etc.), and that in the less developed markets, the legal and institutional environment is being improved, as pilot projects are being developed and implemented.

Several different countries were seen to have shown that development banks can play an important role in supporting PPPs. Cases in point are: Banco de Inversión y Comercio Exterior S.A. (BICE) and Banco de la Nación, of Argentina; Banco do Brasil, Banco Nacional de Desenvolvimento Econômico e Social (Bndes), Caixa Econômica Federal, of Brazil; Financiera del Desarrollo (Findeter), Financiera de Desarrollo Nacional (FDN) and Bancoldex, of Colombia; Banco Popular y de Desarrollo Comunal (BPDC) and Banco Nacional de Costa Rica; Banco de Desarrollo de Ecuador (BDE); Banco Hondureño para la Producción y la Vivienda (Banhprovi); Development Bank of Jamaica Limited; Banco Nacional de Obras y Servicios Públicos (Banobras), Banco Nacional de Comercio Exterior (Bancomext) and Nacional Financiera (Nafin), of Mexico; the French Development Agency (AFD), of Paraguay (¿??); Corporación Financiera de Desarrollo (Cofide), of Peru; and Banco de la República Oriental del Uruguay (BROU).

Development Banks, with their special skills and experiences, are uniquely equipped to support PPPs because: 1) they are intimately acquainted with local financial markets, including the barriers to PPP investments, existing financial instruments and available instruments for credit enhancement; 2) they have longstanding relationships with commercial banks and finance institutions; and 3) they are in a privileged position to accede to local financial markets, recommend measures for enhancing bank use, and acting as intermediaries between the contractor and the financing market.

The strategy for creating the Regional Working Group of Latin American and Caribbean Development Banks targets three spheres of action: 1) PPP structuring; 2) PPP capacity building; and 3) Financial and credit enhancement instruments. The Working Group participants, accordingly, in an initial effort, drew up action plans, shared experiences in and knowledge of their good practices, and identified the existing state of the supply of financial instruments and the role of development banks.


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• Financial instruments: the conclusion was reached that greater emphasis on credit enhancement mechanisms is needed. The financial instruments offered by development banks are limited to loans alone (19%), risk coverage in the form of guarantees alone (3%), and both of these (58%), while the rest offer none. The financial instruments considered most advisable for development banks to offer, according to the stage of development of the PPP market in the respective countries, were direct project finance (10%), capital funds development (17%), risk mitigation instruments (70%) and miscellaneous (3%).

• PPP structuring: It was deemed important to define the specific role of development banks. In this connection, participants pointed out that development banks should assume the roles, in PPP project structuring, of financial due diligence (9%), advisory assistance with project preparation (13%) and both (78%). As for the institutional changes their respective institutions would have to make in order to take on those roles, their conclusions were statutory changes (9%), organizational changes (34%), both of these (22%), miscellaneous (6%) and no changes (28%).

• Capacity development: Teams specializing in PPPs, in order to assume that role, need to make the most of their financial and legal capacities in project finance (30%), legal and contract structuring capacity (36%), capacity in specific sectors like transportation, energy, and so forth (18%), and other capacities (9%), while 6% consider that they already have the technical capacities necessary to carry out PPP projects and are effectively already doing so.

The prioritized themes in the Working Group's action plans include the following as to the three major aspects referred to above:

• Financial instruments: 1) capital market, financing and securitization instruments; and search for guarantee systems, given their experience in their core business; and 2) understanding how public and private banking instruments coexist, such as in the case of the stock exchange guarantee that today focuses on brownfield[17], while participants are of the opinion that earlier stages (greenfield or construction) should be considered; and how to attract more investment from commercial banks through guarantee and funding systems; and 3) define how instruments such as the infrastructure project risk matrix are evaluated and put into operation and determine what type of risks arise in each phase, how to deal specifically with them (i.e. timely payment guarantee) and implement specific guarantee systems similar to insurance (i.e. demand, market, social, and rate risks) and determine whether the possibility exists for addressing additional risks (in addition to the financial risks, like the right of way) in the projects.

Development banks with less experience in PPPs prioritized the following issues, in order of importance: 1) Making an inventory of the financial instruments available to the region's development banks and the advantages and disadvantages of each instrument, the areas of opportunity, conditions for success, and examples of practical cases, as well as determining how to define the most suitable ones, given the characteristics of each region or country; 2) Offering PPP training for working teams specializing in both their financing and their structuring; and 3) Benchmarking regulatory environments and experiences for development banks: Preparation of technical documents on financial instruments, analysis, implementation and successful/unsuccessful cases of PPP projects, a comparative table of development banks and a comparison of regulatory environments, by country.

• PPP structuring: 1) Define the role of the PPP unit within the development bank. How can the PPP unit be made financially sustainable? How can subnational governments be given support? The perceptions of the different stakeholders and small projects, and the diversification of the sectorial portfolio; and 2) Efficient risk mitigation and allocation in a PPP project. How can a good study be made of monetary value? How can the risks be assessed, prioritized, allocated and valued?

• Capacity building: 1) Define institutional and regulatory arrangements that are effective for the interaction between development banks and agencies with the contracting authorities that prioritize and approve the projects; 2) define the capacities needed to act at each project stage in the areas of human resources, institutional arrangements, and evaluation, structuring, bidding, financing and follow-up tools; 3) define the ideal balance between internal and external capacities; how to recruit, train and retain the teams effectively. What is the best way to pay the cost of maintaining capacity building? When and how should consultants be hired?; and 4) create a knowledge network within and between the region's development banks with similar approaches, in order to share information about successful cases and problems.

[17]A greenfield project is that which refers to a project's implementation from zero, or an existing project that is changed in its entirety. Brownfield projects are those where already existing facilities are put to use and modified, enlarged and/or upgraded after their acquisition by the new investors.

ALIDE
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