



CORPORACION
NACIONAL PARA EL DESARROLLO

PPPs in Uruguay: Institutional design and capacity strengthening.

Geneva, February 2011

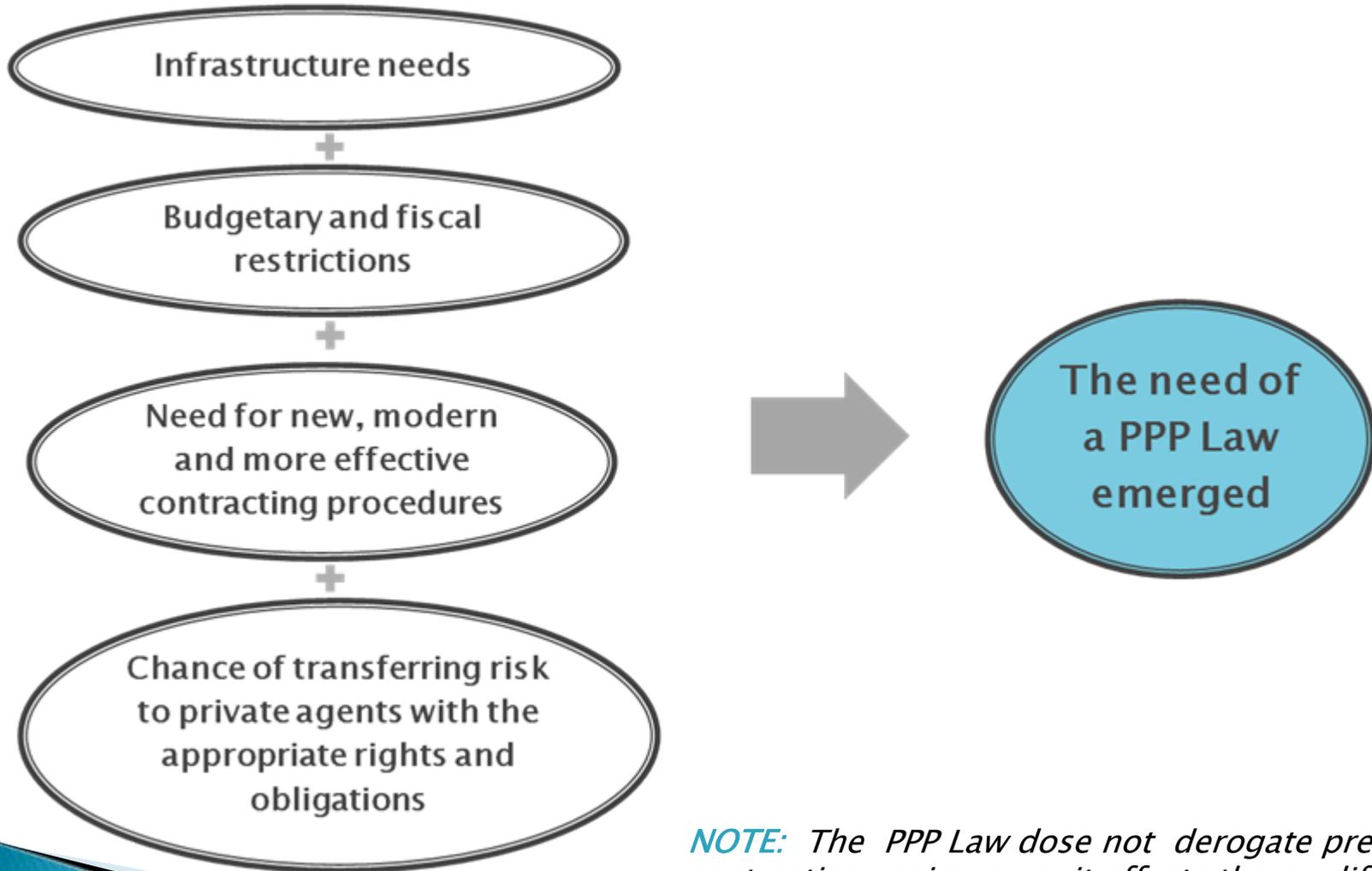


Index

1. Why Uruguay needed a PPP Law?
2. PPP Law elaboration process
3. Objective of the PPP Law
4. Contracting procedure
5. Institutional frame
 - i. Ministry of Economics and Finance
 - ii. National Development Corporation
6. International Cooperation



1. Need for new tools



NOTE: *The PPP Law dose not derogate previous contracting regimes nor it affects the modifications the government is planning on the actual Public Purchases System.*



1. Need for new institutions

Why the need to strengthen institutional support for Infrastructure?

*Increase the
level of
investment in
infrastructure*

- With few exceptions, investment has been concentrated in the public sector. Private investment in Uruguay is below the levels of other countries in the region (0.5% of GDP).
- The public sector should therefore be trained to make the necessary investments in the most efficient and effective way.
- Build the needed infrastructure properly requires previous studies, providing guarantees to funders and building initiative and response capacity in the public sector.
- Favorable macroeconomic conditions and institutional strength of the country favors private investments.
- Need to strengthen the institutional support to carry out Public-Private Partnership (PPP) initiatives successfully.



2. PPP Law elaboration process

In the process of drafting the Law, we examined various international models in order to review the main lessons learnt

United Kingdom- Australia - Canada

- Legal System: Common Law
- Regulation by contract given there is no legal framework of reference
- Importance of the contract motivates the use of competitive dialogue to avoid cost overruns

Spain - Chile - Latin America

- Legal System: Civil Law
- Regulation by law. Extensive and regulatory laws limit the size of the contracts
- Preferred use of open tendering given that the complexities are regulated in the law.



3. PPP Law Objective (2011)

Main Objective of the PPP Law:

Provide a framework for private investments in infrastructure development and related services as a tool to improve the existing infrastructure of the country and promote thereby economic growth. All this without compromising quality or cost and without affecting fiscal stability.

The articles comprised in the law regulate most of the necessary elements to ensure the success of the PPP contracts. Some of them are adequately addressed in the Law itself, while others refer to a subsequent regulatory decree or to the contracts themselves.



4. Contracting Procedure

PLANNED CONTRACTING PROCEDURE FOR PUBLIC/PRIVATE INITIATIVES:



Other important aspects of the PPP Law:

- ✓ Arbitrage
- ✓ Competitive Dialogue
- ✓ Renegotiation
- ✓ Step in rights

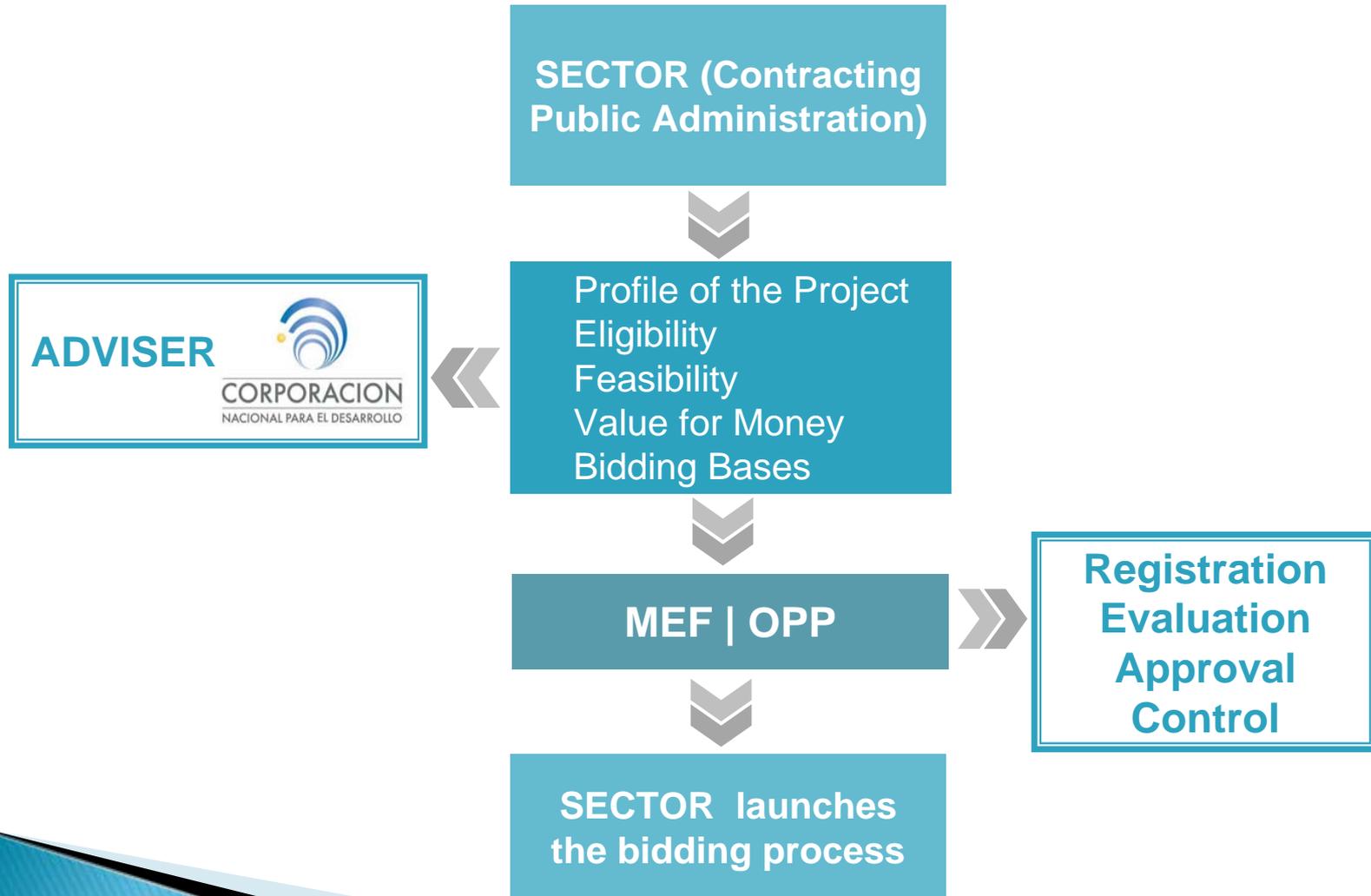
MEF = Ministry of Economics and Finance

OPP = Office of Budgeting and Planning

VFM = Value for Money



5. Institutional Framework





5.i MEF Role: PPP Unit

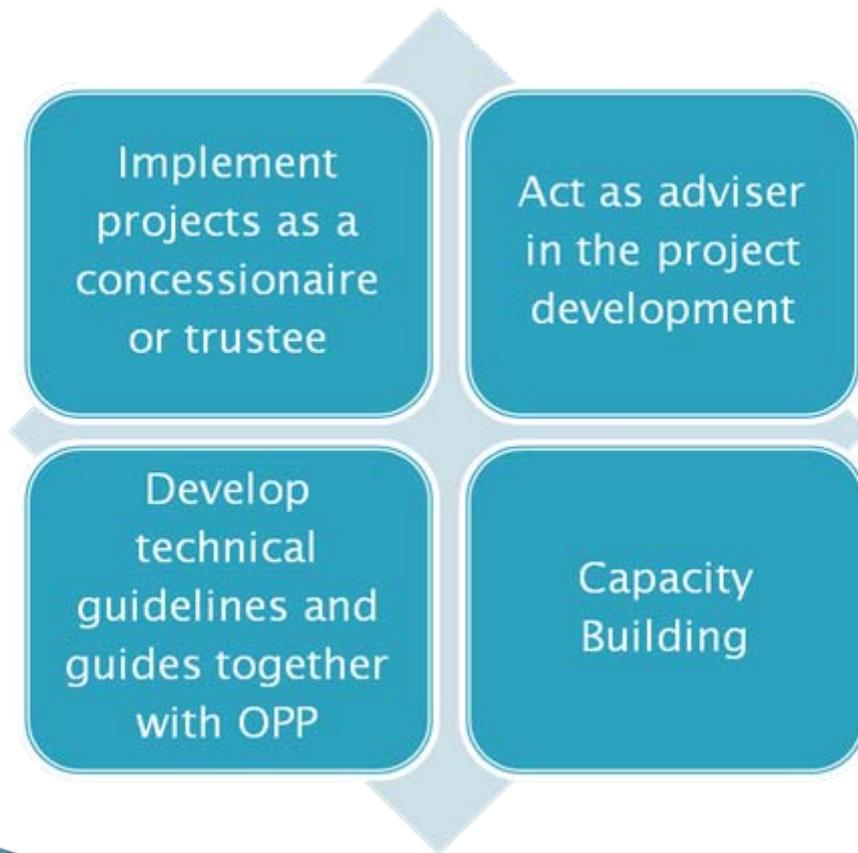
MEF's tasks relating to the project cycle:

- ▶ Prepare studies from which the macroeconomic parameters for the analysis of projects will be obtained (Macroeconomic Assessment).
- ▶ Evaluate, review and optimize the economic and financial viability of each PPP project. (PPP Unit).
- ▶ Check the global fiscal feasibility and consistency with other fiscal targets (Budget Unit).
- ▶ Analyze the debt sustainability and elaborate debt strategies linked to PPP projects (Single Debt).
- ▶ Monitor the financing process of PPP projects by the private sector / monitor the capital markets evolution (Debt Unit).
- ▶ Align fiscal statistics and financial reporting according to international standards (Budget Unit and Macroeconomic Assessment).
- ▶ Generate a PPP registry containing the information for each PPP project in every step of the process (PPP Unit).



5.ii CND Role

4 mayor CND tasks:



CND can also:

- ✓ Advise the Executive in the identification and prioritization of PPP projects
- ✓ Provide the contracting public administration agency coordination of their activities related to PPP projects



5.ii CND Role: Implementation

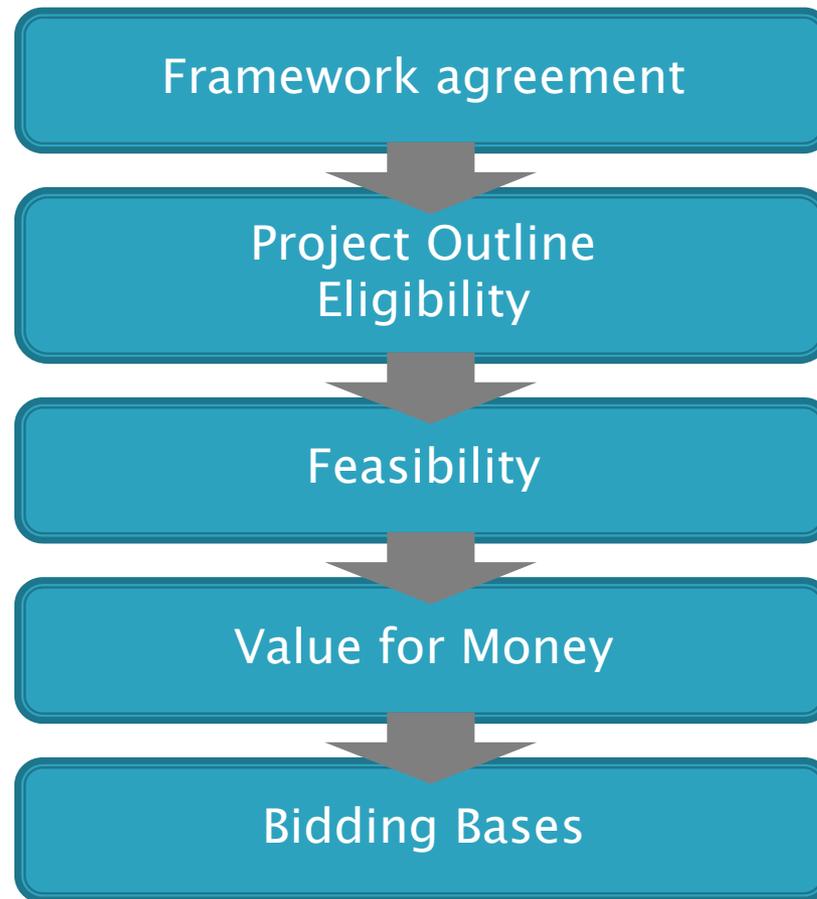
- ✓ The law authorize CND to create or acquire any kind of commercial companies as well as financial instruments for the better development of PPP projects.
- ✓ This will require authorization from the Executive and have a limited investment amount.
- ✓ CND already has similar experiences: CVU and CFU





5.ii CND Role: Advice

It advises the Public Administration in the following stages:





5.ii CND Role: Capacity Building

Activities:

- ✓ Signing of a technical cooperation agreement with the Polytechnic University of Madrid for its guidance, advice and training.
- ✓ Recruitment of experts to elaborate best practice manuals and methodological guidelines in order to guide the Public Administration in the PPP process
- ✓ Visit of successful PPP experiences: Chile, Peru, Spain, UK among others.
- ✓ Participation in international PPP seminars and courses



6. International Cooperation: BID/FOMIN

Component 1:

Legal Framework Support

Help and promote the PPP Law and its reglamentary decree

Component 2:

Strength Local Capacity

Build local capacity in the involved institutions and standardize processes

Component 3:

Identify a Medium Term Project Pipeline

Identify infrastructure needs and possible PPP projects

Component 4:

Financial Instruments Development

Design and implement financial instruments

FOMIN CONTRIBUTION: US\$ 1.213.486

LOCAL CONTRIBUTION: US\$ 1.219.400

6. International Cooperation: WB/CAF/IUK

- ▶ **Andean Development Corporation**
 - Chilean expert advice for the project: Unit of Persons Deprived of Liberty
 - Counterpart: CND

- ▶ **World Bank**
 - Study on “Financing PPP Projects in Uruguay”.
 - Counterpart : MEF

- ▶ **Infrastructure UK**
 - Advice on the setting up of the PPP Unit and on the evaluation of the first projects
 - Counterpart : MEF



Infrastructure UK



CORPORACION

NACIONAL PARA EL DESARROLLO

Thank you!