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# Introduction to PPP risks, procurement, funding and financing

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# PPP success factors

## Principles of Good Governance in PPPs:

- **Cooperative risk sharing and mutual support**
- **Transparency in partner selection – open procurement**

## Funding and financing PPPs



# Risk sharing: Common misconceptions

**PPPs provide assets to governments at no risk and no cost**

**No!  
Governments must assume some risk and offer some subsidy.**





# Risk sharing in PPPs

- **Risk sharing key to PPP success** - all contracts in which the public sector procures goods or services from the private sector require some consideration of risk allocation, and the only difference with PPPs is the length of the contract (25-30 years).
- **No science to allocating risks:** any risks that are not allocated appropriately within the contract can be costly to rectify at a later stage. Therefore, it is important to get it right from the outset.



# The Risk Cycle



# PPP procurement: Common misconceptions

**PPPs ...no tender required...**

**No!**  
Competition allows for the best partner and the best project.





# PPP Procurement

## Key procurement principles:

- Open and transparent
- Opportunities should be made public
- Non-discrimination
- Zero tolerance to corruption
- Choosing the right partners





# PPP Procurement

## Key stages in PPP procurement

- Generate market interest
- Tender
- Preferred bidder
- Contract award
- Contract management







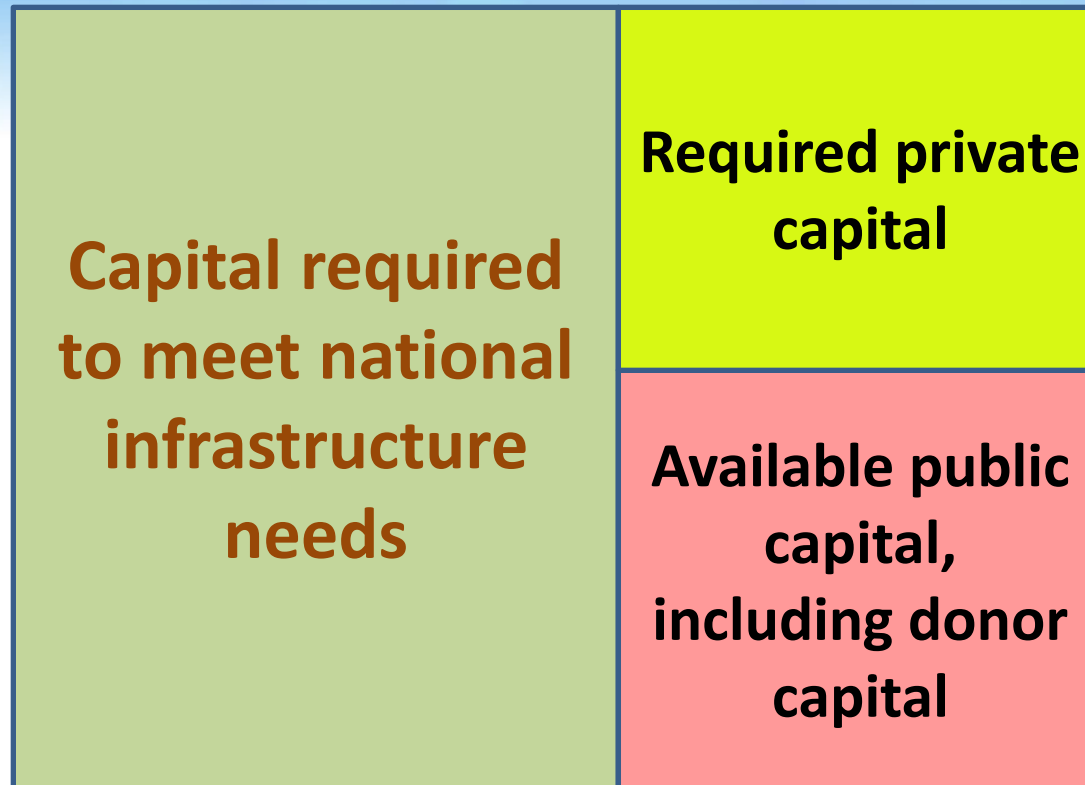
# Affordability: Funding and Financing PPPs

- Once the needs and the priority areas have been appraised, the Government will know the level of capital required to build the infrastructure
- Demand for capital is greater than the amount of available public capital – funding gap
- One way to fill the funding gap is by attracting private capital





# Affordability: Funding and Financing PPPs



“Funding Gap”





# Affordability: Funding and Financing PPPs

- A key question: how much capital can the Government afford? (tax payers' and borrowed capital)
- Funding solution will be a mix of public capital and private capital
- Public capital is called “Funding”
- Private capital is called “Financing”





# Thank you for your attention!

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