



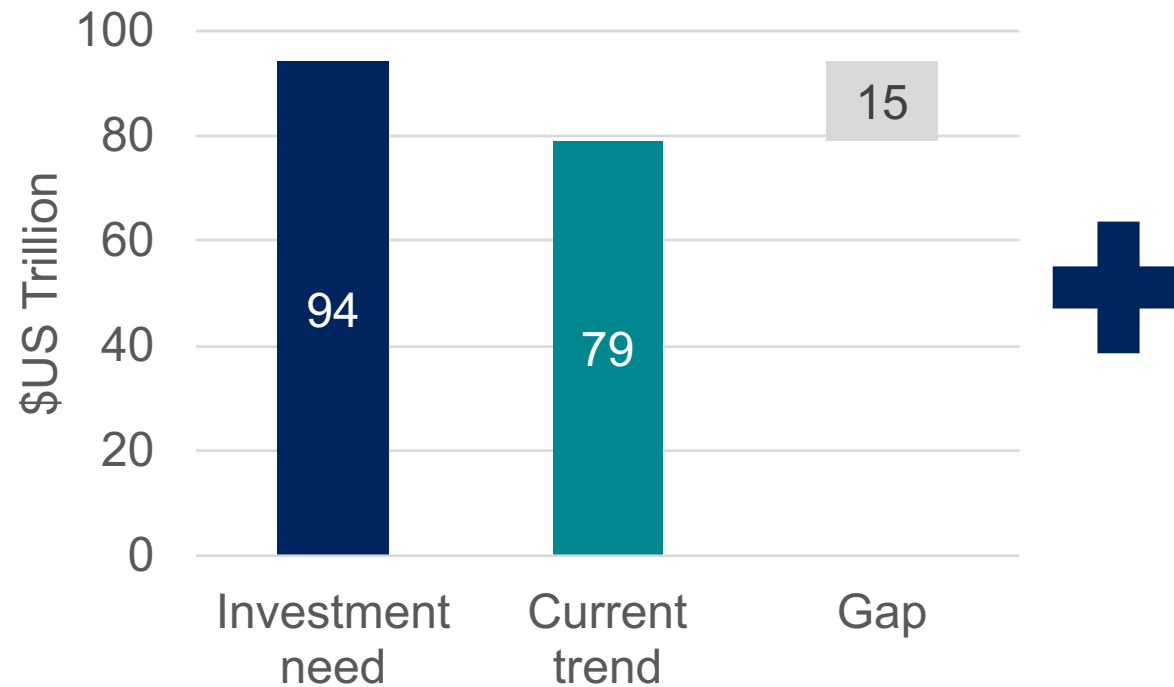
PPPs - Czech Infrastructure

Lessons Learned & Future Outlook



Large and growing infrastructure needs, lower public capacity to finance and fund that infrastructure

GI Hub forecasts of Global Infrastructure Investment 2016 – 2040 (public and private)



Source: GI Hub

Forecast of Czech Republic Government expenditure

	2018	2020
Expenditure (% of GDP)	39.5%	38.7%
Debt to GDP	33.1%	30.9%
Budget deficit (% of GDP)	1.3%	1.7%

Source: Czech Republic Ministry of Finance



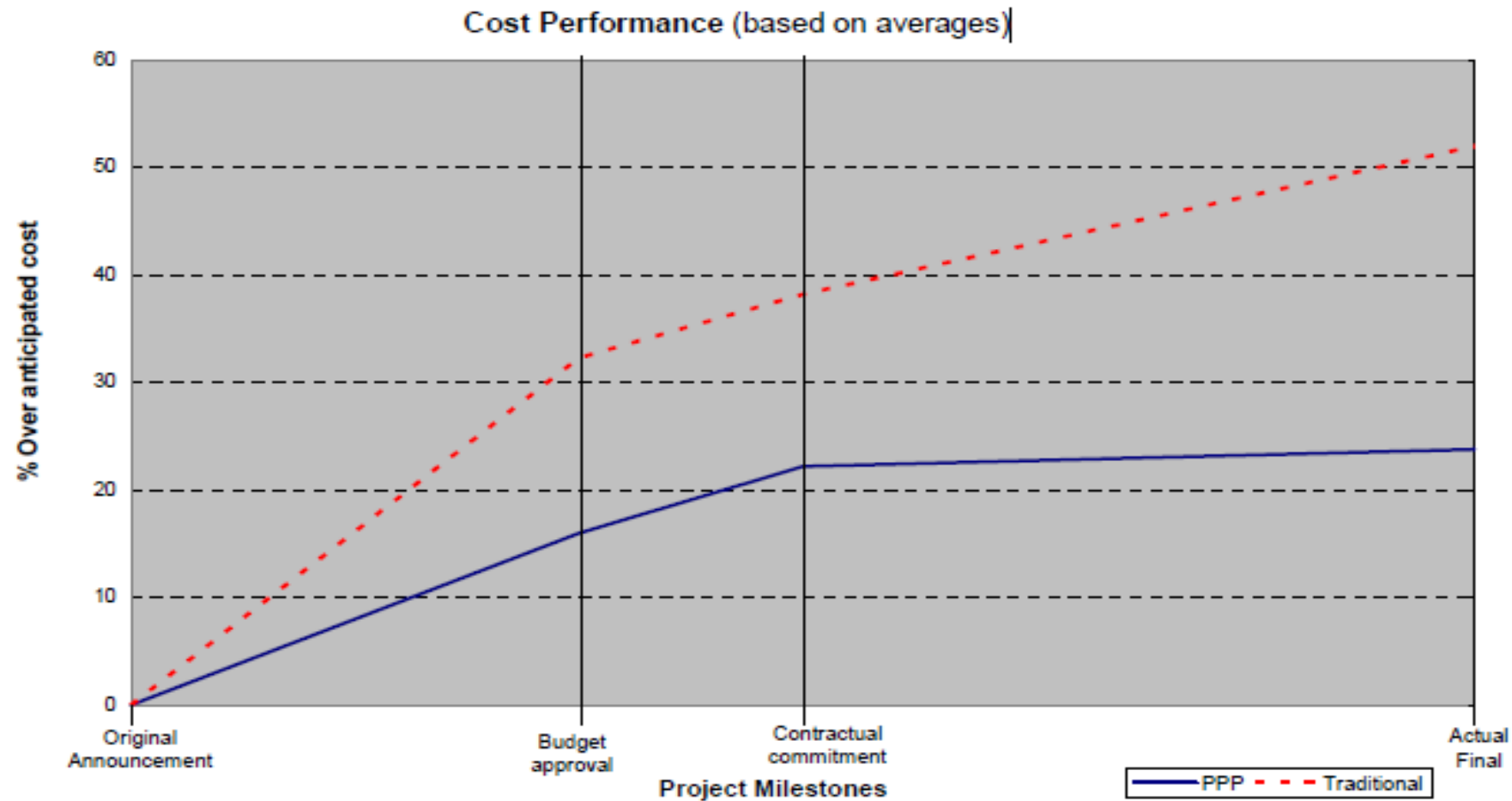
PPPs vs Traditionally Procured Infrastructure Projects

Study of 67 projects in the following categories:

- Social infrastructure projects 32 projects
 - Transport projects 23 projects
 - Sustainability (water, energy & waste) 8 projects
 - Information Technology (IT) 4 projects
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- Australian wide University of Melbourne study statistically analysed and compared the project data set of Traditional and PPP projects
 - Time and cost parameters were normalised such that projects of differing contractual value and project duration could be benchmarked



PPPs vs Traditionally Procured Infrastructure Projects



Source
University of Melbourne
PPP Benchmarking Study



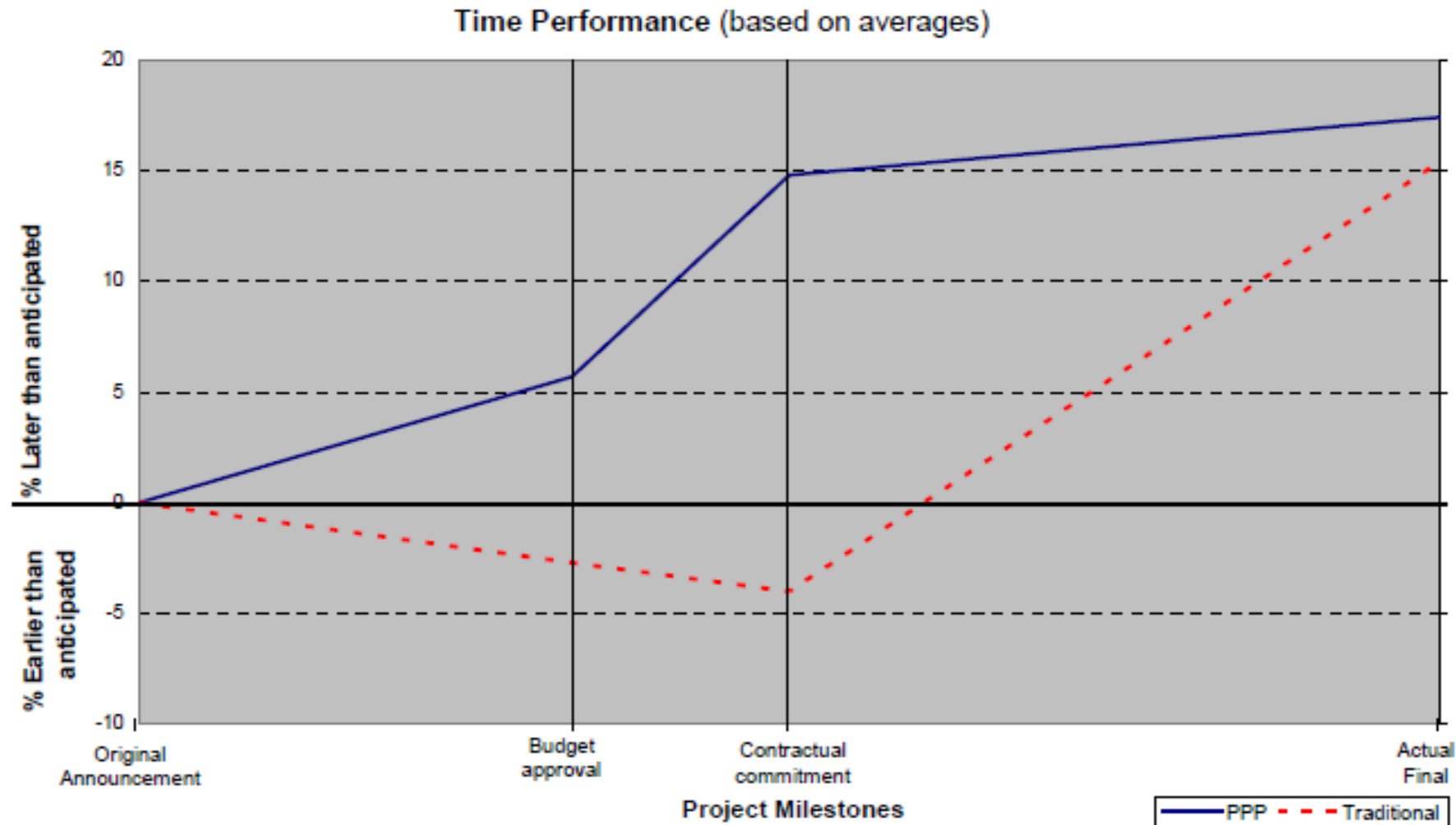
PPPs vs Traditionally Procured Infrastructure Projects

Key Conclusions with respect to Cost:

- PPPs delivered projects for a price that is far closer to the expected cost than if the project was procured in a traditional manner.
- PPPs performance 31.5% better than traditional projects against budget
- PPP contracts had an average cost escalation of 4.3% post contract execution compared to Traditional projects that had an average cost escalation of 18.0% for the same period.
- PPP projects provide far greater cost certainty than Traditional contracts and there is little variation in cost of a PPP project after the contract is signed.



PPPs vs Traditionally Procured Infrastructure Projects



Source
University of Melbourne
PPP Benchmarking Study



PPPs vs Traditionally Procured Infrastructure Projects

Key Conclusions with respect to Cost:

- During the period prior to project execution, PPP projects are frequently delayed (average 14.8%).
- However, once PPP projects reach financial close there was only, on average, a further 2.6% delay to these projects (financial close to construction completion).
- Delay to achieving financial close compared to post financial close indicates that PPP contracts are well developed prior to release to market and changes after financial close are minimal.



PPPs vs Traditionally Procured Infrastructure Projects

Key Conclusions

Predictions of the duration to reach commissioning tend to be optimistic for traditional projects with estimates of duration being on average 18.1% early at budget and 19.4% early at contract execution when compared to the actual final outcome.

An average delay of 25.9% occurs during the construction phase of traditional contracts.

These delays may be due to:

- the initial optimism and/or required changes after contract signing to achieve Government's requirements,
- and/or due to uncertain contractual terms or risk allocation.



Advantages of PPPs

- Ensure the necessary investments into public sector and more effective public resources management;
- Most PPP projects are implemented on time and do not impose unforeseen additional public sector expenditure;
- A private entity is granted the opportunity to obtain a long-term remuneration in exchange for service performance;
- Private sector expertise and experience are utilised in PPP project implementation;
- Appropriate PPP project risks allocation enables efficient risk transfer and value for money to the public sector;
- In many cases assets procured under PPP agreements can be treated as off the public sector balance sheet.



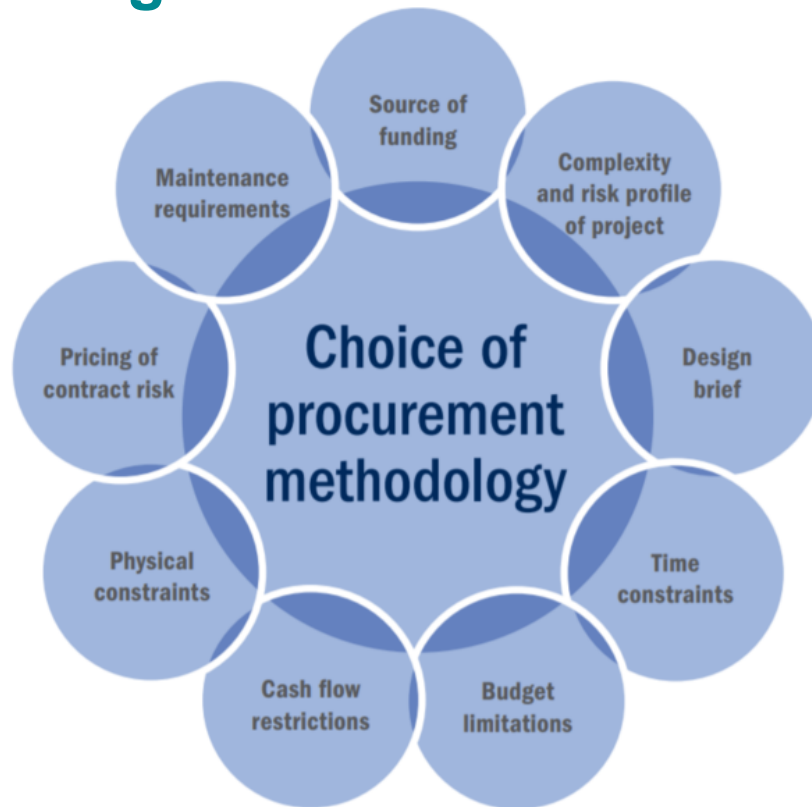
Disadvantages of PPPs

- Infrastructure or services delivered could be more expensive given higher service quality specifications;
- PPP project public sector payments obligations postponed for the later periods can negatively reflect future public sector fiscal indicators;
- PPP service procurement procedure is often longer and more costly in comparison with traditional public procurement;
- PPP project agreements tend to be long-term, complicated and comparatively inflexible because of the impossibility to envisage and evaluate all events that could influence the future activity.



Procurement Method Decision – no typical answer

Range of considerations



- Determined based on ‘best fit’ to project characteristics and market context
- Maitland-Whittingham Third Rail Line
 - Alliance model selected to minimise operating disruption while meeting short timeframes
- M7 Motorway
 - PPP model given stand-alone commercial viability and that private sector is faster

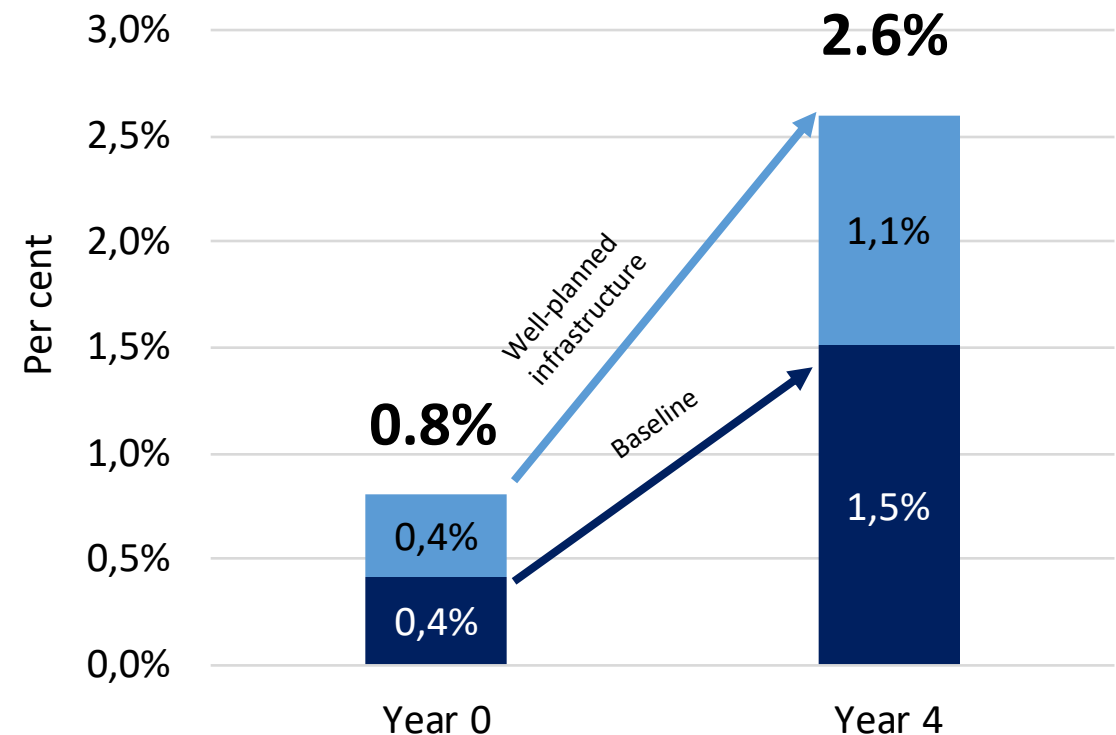
Source: Australia Government



Economic dividends from well-executed infrastructure

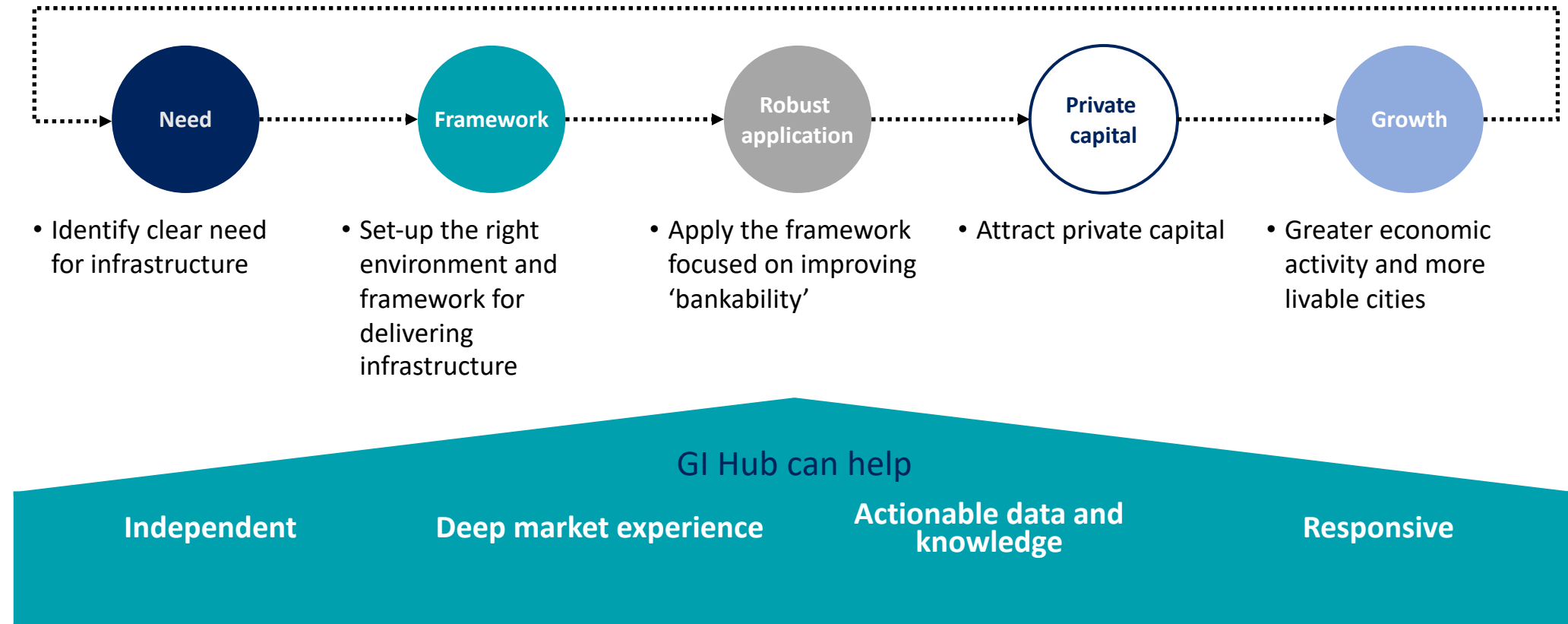
- Robust project assessment is essential
- Strong economic dividends in doing it well
- 1.1% GDP boost from implementing well-planned infrastructure

Increase in economic output from investing 1% of GDP in public investment



Source: International Monetary Fund, GI Hub analysis

Well-thought out infrastructure provides a cycle of prosperity





Děkuji

Please feel free to contact us with further questions:

+61 407 055 895

Daniel.Fedson@gihub.org

