Capturing and Creating Value in Transport Investments

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• Trends of PPPs in Indonesia

• Trends of PPPs worldwide

• Benefits and limitations of PPP agreements in transport

• Collaborative approach of transport investments

• The role of the public sector

• EU collaborative investment approach between public and private sectors

• The Portfolio Model
PPPs in Indonesia

Transport Sector:
Tot. Investment: 6.491 Billion; N. Projects: 35

Road Sector:
Tot. Investment: USD 4.972 Billion
N. Projects: 28

Ports:
Tot. Investment: USD 1.519
N. Projects: 7

Source: The World Bank

Total Investment:
USD 77.795 Billion

Total Number of Projects: 124
Over the last 25 years more than 7000 PPP projects have been developed. Transport projects are the largest number of projects.

The OECD estimated global infrastructure requirements to 2030 is around USD 50 Trillion.
Benefits and Limitations of PPPs in Transport

PPPs are a means to extend or leverage better budget funding through efficiency gains

Sharing of investment, risk, responsibility, and reward

Achieve better value for money of the project

Increase efficiency in provision and operation (competition and contestability features)

High costs for contracts and risk transfer in relation to the capital cost of the project

Private sector will do what it is paid to do and no more

Difficulty internalising positive externalities (more brownfield projects than greenfield)

Complex and innovative projects with high risk and uncertainties, exposed to renegotiation
In general, public and private financial deals do not kill, but they must be well-structured, otherwise they can cause considerable “pain” to careless public promoters.
Government’s role no longer consists simply of close supervision and control, define and contractually stipulate the tasks for the private sectors and intervene if the private sector fails to meet its obligations.

The Government must shape the framework conditions for the investment and development of transport in such a way that collaboration and cooperation between public and private sectors operate smoothly under high ethical and integrity conduct.
NEW FORMS OF PUBLIC AND PRIVATE COLLABORATION

The rationale and needs of PPP agreements differ from project to project and from country to country

ALLIANCE CONTRACTING

COMPETITIVE DIALOGUE

INTEGRATED PROJECT DEVELOPMENT

LAND VALUE FINANCE

MARKET FINANCE (pensions funds, sovereign wealth funds, insurance companies, mutual funds etc.)

MULTILATERAL DEVELOPMENT BANKS (EIB, WB, EBRD, ADB)
Collaborative approach of transport finance as a way to pool resources, improve efficiency and productivity and economies of scale, and deliver the best and most innovative infrastructure to our society.

We can identify through the presence of 6 Cs what we interpret as a collaborative approach:

1) Cooperation;  
2) Competition;  
3) Contestability;  
4) Coordination;  
5) Communication/Connection;  
6) Co-creation and co-sharing.
INVESTMENT PLAN FOR EUROPE

EU guarantee

€16 bn*

Europeaimed Investment Bank

€5 bn

EUROPEAN FUND FOR STRATEGIC INVESTMENTS

€21 bn

Long-term investments
circa €240 bn

SMEs and mid-cap firms
circa €75 bn

x 15

x 15

circa €315 bn**
total extra over 2015/17
Structure of the EIB JESSICA Initiative

- **EUROPEAN COMMISSION**
  - Structural Fund Grants

- **OTHER INVESTORS**
  - (Public & Private)

- **MEMBER STATE or REGION**
  - via a designated Managing Authority

- **CITIES**

- **URBAN DEVELOPMENT FUND**
  - Investment (equity, loan or guarantee)
  - Loans
  - **Projects forming part of an Integrated Plan for Sustainable Urban Development**

- **Holding Fund**
  - Optional

- **International Financing Institutions/ Banks**
We seek to invest in transport to optimise resources and create and capture value chains.

We are therefore required to re-design our transport projects, linking innovation in financial models, technology and management.

To cover the entire risk spectrum of the project, different forms of capital will be necessary: involving not only bank finance, loans and equity but also impact financing in order to reduce the risk profile of the project and create awareness among different stakeholders.
Thank you

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