



Public-private partnerships and fiscal risks

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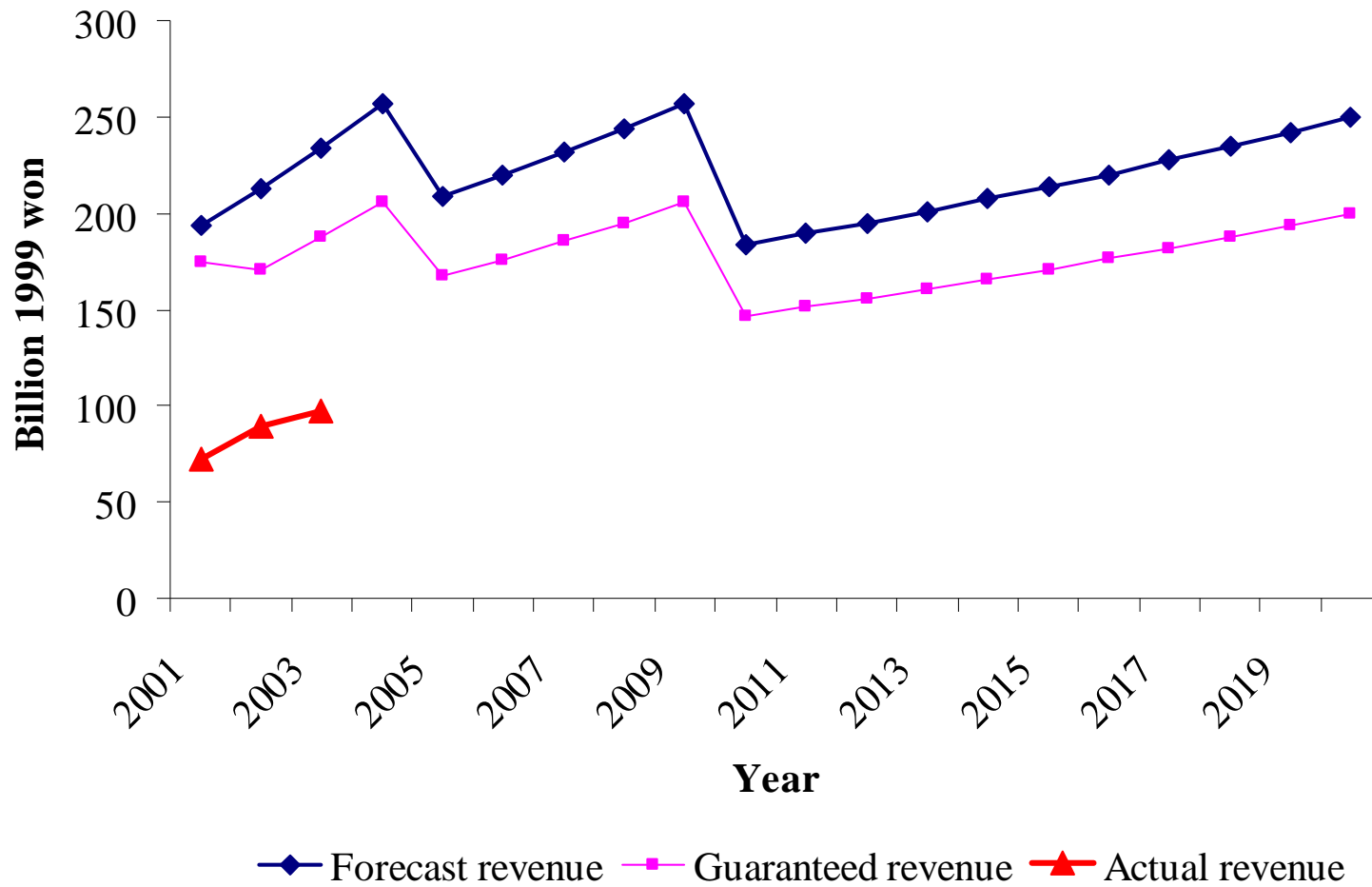
PPPs

- ④ Highway PPPs: privately financed roads in which the government either provides all the revenue or backs up toll revenue with subsidies or guarantees
- ④ Shadow tolls: Britain and Portugal
- ④ Annuity or availability payments: India and central Europe
- ④ Debt guarantees: Poland's A2 motorway
- ④ Exchange-rate guarantees: Chile and Colombia
- ④ Revenue guarantees: Korea's Incheon airport expressway
- ④ Guaranteed tolls

Promise and problems

- ④ Promise compared with public finance: new finance, transfer of risk, and incentives for efficiency
- ④ Promise compared with pure private finance: more doable, less costly for the country?
- ④ Problems: government assumes liabilities that it struggles to measure, monitor, and manage

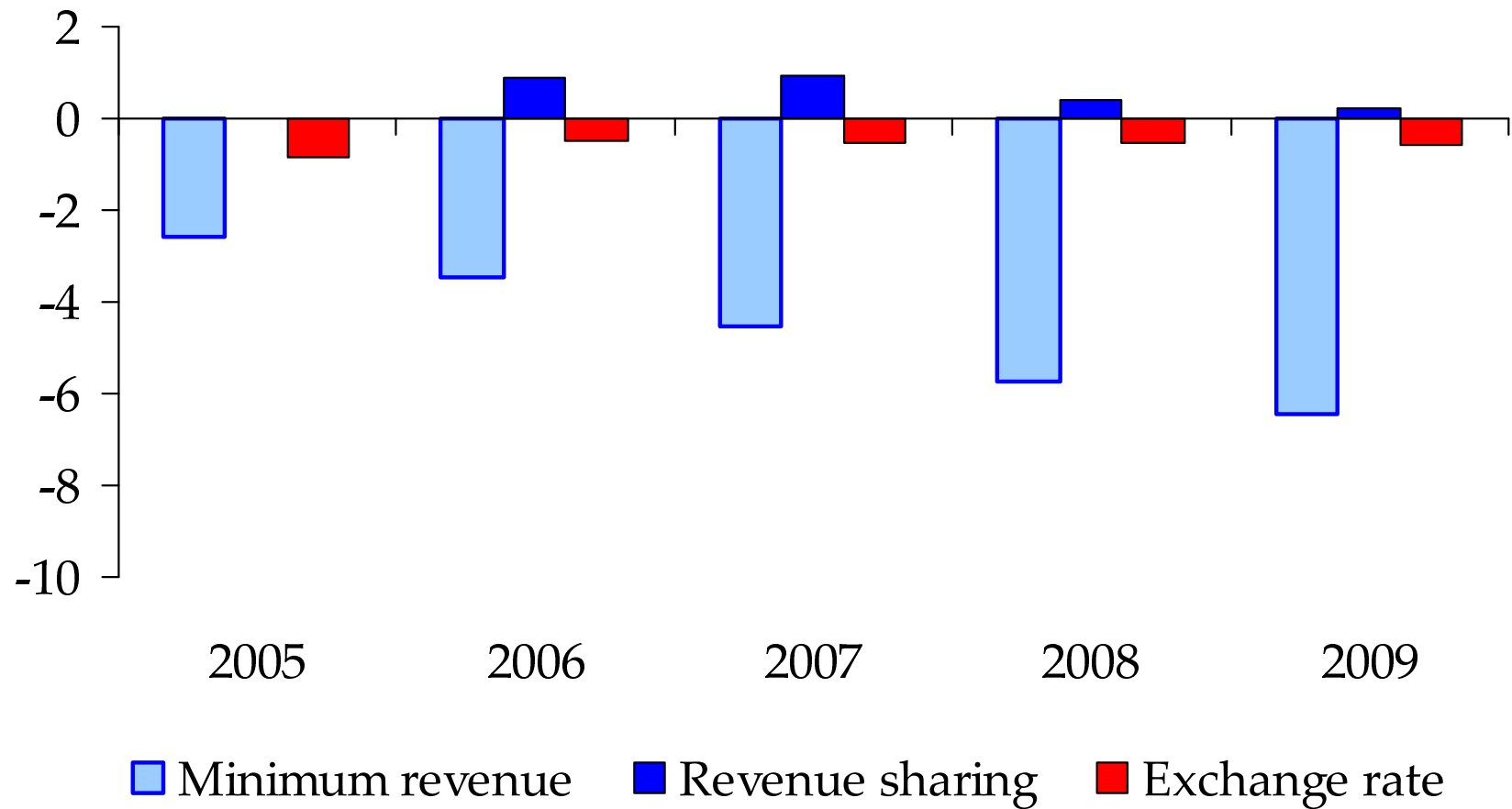
Payments can be large: The Incheon airport expressway in Korea



The predicament and the way out

- ④ Some officials may want to use guarantees and promises of availability payments to bypass fiscal rules
- ④ Others may want to avoid *all* off-balance-sheet liabilities
- ④ To make good choices, governments need
 - Understanding of when government risk bearing adds value for the country
 - Ability to measure nonstandard liabilities
 - Public financial management that monitors off-balance-sheet liabilities and creates appropriate “fiscal space”

Chile's reporting of the expected costs of guarantees (billion pesos)



Chile's reporting of the outstanding liabilities (billion pesos)

	Revenue	Exchange rate	Total
Santiago-Los Andes	3.1		3.1
Camino de la Madera	- 1.3		-1.3
Los Vilos-La Serena	2.3	3.2	5.7
N	N	N	N
Total	128.6	10.6	139.2