



PPP projects in light of EU financing

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New Hungary Development Plan:

Overall objectives:

Increased employment

- increasing supply: health, skills, motivation
- more jobs;
- improved co-ordinates between supply and demand

Economic growth

- Higher added value
- Unlocking economic potential
- improving the business environment: not to hinder economic development



Horizontal goals

Sustainability

- economic
- environmental
- social

Cohesion

- decreasing territorial differences
- equal opportunities for disadvantaged groups



Regional development

NUTS-II. level: **7 statistical regions**, set up in 2000 to receive the EU regional funds:

- Regional competitiveness and employment objective: Central Hungary,
- Convergence Objective: 6 regions

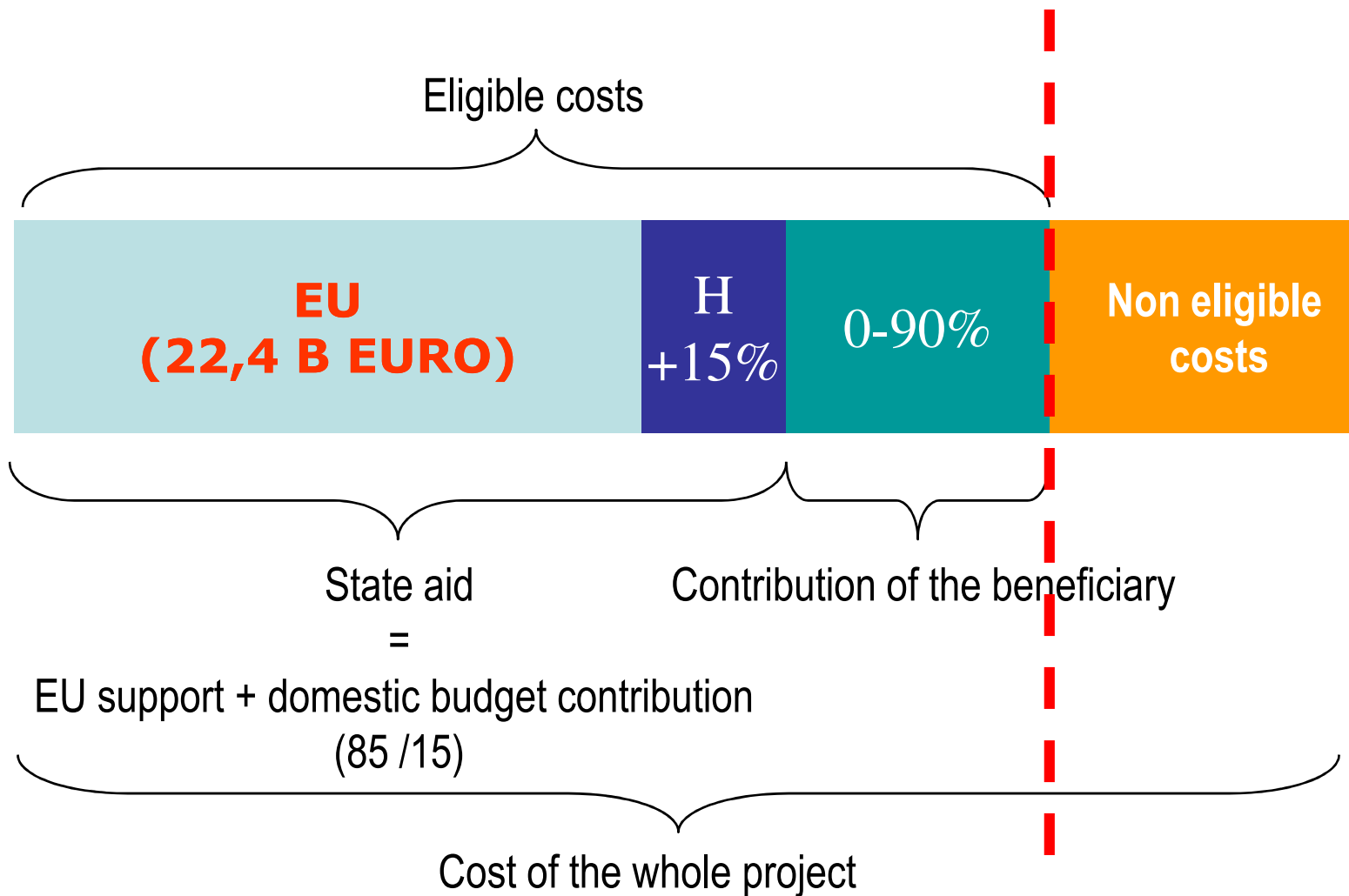


Principles of using the funds

- Rational re-shaping of existing structures,
- Reduction of GDP-redistribution – budget expenditures shouldn't grow as a consequence of the developments
- Instead of substituting private capital attracting it
- Balanced public and private interests
- Ownership based approach



Structure of the Project Budget



Operational Programmes (in B Euro)

<i>Operational programmes</i>		<i>Fund</i>	<i>Total</i>	<i>Percentage</i>
<i>Economic Development OP</i>		<i>ERDF</i>	2,5	10%
<i>Transport OP</i>		<i>CF+ERDF</i>	6,2	25%
<i>Environment and Energy OP</i>		<i>CF+ERDF</i>	4,2	17%
<i>Social Renewal OP</i>		<i>ESF</i>	3,5	14%
<i>Social Infrastructure OP</i>		<i>ERDF</i>	1,9	8%
<i>State Reform OP</i>		<i>ESF</i>	1,5	0,6%
<i>E-Administration OP</i>		<i>ERDF</i>	0,36	1,4%
<i>ROPs</i>	<i>West-Transdanubia OP</i>	<i>ERDF</i>	0,5	1,9%
	<i>Central Transdanubia OP</i>		0,5	2 %
	<i>South-Transdanubia OP</i>		0,7	2,8%
	<i>South-Great Plain OP</i>		0,75	3,0%
	<i>North-Great Plain OP</i>		0,98	3,9%
	<i>North-Hungary OP</i>		0,90	3,6%
	<i>Central Hungary OP</i>		1,5	5,9%
<i>Implementation OP</i>		<i>CF</i>	0,32	1,3%
<i>NSRF total</i>			25	100,00%
<i>ETC</i>			0,39	



Potential PPP investments I.

- Transport development: motorway supply, railway network development, public transport
- Environmental sector: waste-, wastewater, management, drinking water supply
- Brown-field investments
- Renewable energy
- Thermal water
- Education: university developments (campus development, dormitories)
- Health care
- Justice infrastructure (prisons)



Potential PPP investments II.

- Urban development: public transport, multi-functional cultural, congress centres
- „Pole-projects“: for competitiveness related infrastructure
- Inter-modal transport systems and logistics centres
- Etc. (according to the Operational Programmes adopted by EU)

2007-2013: Structural and Cohesion Funds will dominate the infrastructure market in eligible areas, support intensity 10%-100%



Challenges

- Different public procurement **procedure** and strategy of EU co-funded and of PPP projects
 - *Guidelines for Successful PPP*
 - *Green Paper on PPP and Community Law on Public Contracts and Concessions*
- **Limited institutional capacity** for complex procurement
- **Low level of experience**
- Lack of detailed **analysis of the key risks**,
- Detailed estimates of **revenues**, identification of the **resources and costs**
- **Conflict** between maximizing EU grant and
 - maximizing revenue generating elements
 - state aid rules



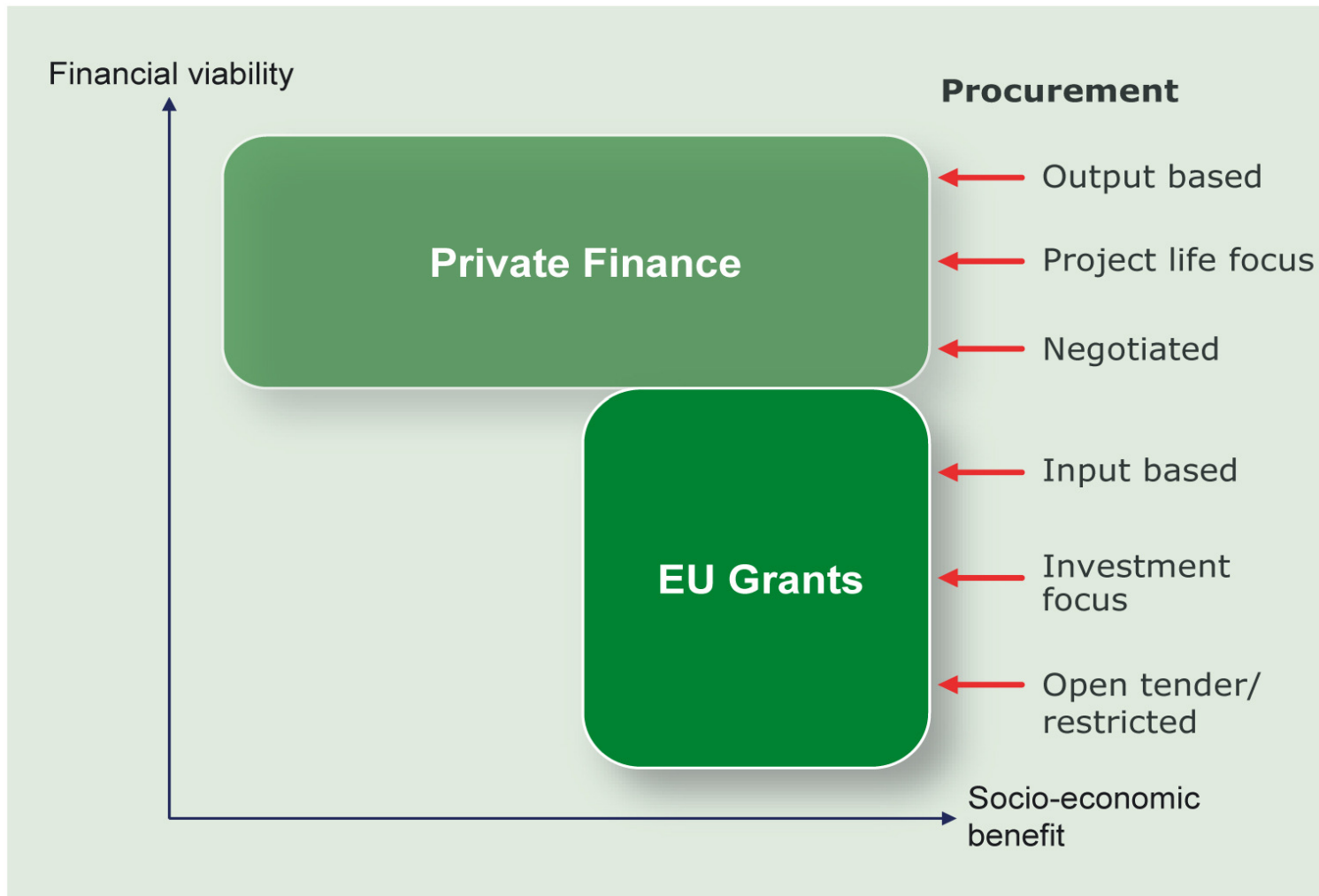
Case studies show feasibility

- Several different solutions exist
- Competitive Dialogue might be the good procurement process
- Precise financial planning is crucial
- Legislation has to follow the experiences



Socio-economic benefit v. financial viability

Challenges in combining PPP and EU funding



Source: COWI



EU financing and PPP in Hungary

In favor:

- to meet help the environmental Acquis
- Higher quality/cost ratio can be achieved
- May ease short term budgetary constrains

Against:

- Large transaction costs
- Existing experiences under assessment
- Risk of budgetary burden for the long run

Conclusion: further examination is needed,
possibilities are open in the later phase of
implementation

JASPERS may help explore PPP opportunities



Thank you for you attention

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