

**PPPs in France :**  
**Learning from experience, learning from the**  
**financial crisis**

Jean-Philippe Duranthon  
General inspector  
French ministry of sustainable development

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# summary

I. PPPs in France : a long experience

II. A necessity in spite of the financial crisis

# summary

## I. PPPs in France : a long experience

- 1/ 3 main periods
- 2/ 2 different legal instruments
- 3/ several important projects

## II. A necessity in spite of the financial crisis

# I. A long experience

## 1/ 3 main periods

- 19<sup>th</sup> century : the railway network
- After 2nd WW : the highway network
- End of 90s : the renewal

# I. A long experience

## 2/ 2 legal instruments

- « Concessions » = the regular instrument  
loi Sapin January, 1993
- « Contrat de partenariat » = the new instrument  
2002-2003 : sectorial laws (hospitals, jails...)  
2004 : law of general application  
2008 : improvement of the law after 4 years of implementation

# I. A long experience

## 2 Main differences between these 2 legal mechanisms

- Who takes the commercial risk ?
- How the company is paid ?

« Contrat de partenariat » only if :  
urgency / complexity / economic advantage

# I. A long experience

## 3. Several important projects

- \* a communication network for trains : GSM-R
- \* high speed train network : Sud-Europe-Atlantique, Bretagne-Pays-de-Loire, Nîmes-Montpellier....
- \* direct and fast airport railway link : CDG-express
- \* canal between Seine river and north of France
- \* new ministry of Defense, hospitals, jails...
- \* many projects of the local authorities

# summary

I. PPPs in France : a long experience

## II. A necessity in spite of the financial crisis

1/ New difficulties

2/ PPPs are even more necessary

3/ The advantages of the PPPs remain valid



# II. Impact of the financial crisis

## 1/ New difficulties

- Lower return of investment (cost of raw materials, traffic forecasts,...)
- Less liquidity : smaller individual tickets (100 M€ ?)
- Reevaluation of risks
- Difficulty to find long term loans
- Higher spreads
- New gearing
- Need of state guarantee

## II. Impact of the financial crisis

### Decisions of the public authorities

- French government

2 laws in February, 2009 :

- involvement of a state-owned financial company (Caisse des Dépôts) as investor in new projects
- state guarantee possible (until the end of 2010)
- increased legal flexibility

- Europe

- higher involvement of the EIB

## II. Impact of the financial crisis

### **2/ PPPs are even more necessary**

- In order to boost the economic recovery
- In order to improve the « green economy »  
(« Grenelle de l'environnement »)
- The States want to promote these policies but have not enough money to finance all the projects alone (60 billions € needed in 10 years in France ?)

## II. Impact of the financial crisis

### **3. The advantages of PPPs remain valid**

- better definition of projects
- better control of risks ; fixed prices
- Modernizing the administration and the public bodies ; focusing the administration on its main functions

## II. Impact of the financial crisis

### New interests after the crisis :

- Higher selectivity among categories of projects  
(economic sectors, green/brownfield,..)
- Keen selection of projects
- Repartition of risks between the partners is a key issue
- Smaller individual tickets for lenders

But

for the sponsors and the lenders :

**No major return without risk**

# II. Impact of the financial crisis

## Issues of complexity

- Agreements with local authorities
- Structure of the partnership
- Sponsors and lenders
  - they do not share the same interests (who gets the risks ?)
  - what is the good gearing ?
  - financing must be adapted to the 3 periods of the project : building / ramp up / operation
- Contractual rules

# II. Impact of the financial crisis

## Issues of governance

- Rationality of decisions  
criteria of the choice between the bidders
- Transparency  
commission
- Dialogue

# Conclusion

- Long and diversified experience
- Positive results
- Necessary even after the financial crisis