

GOOD PEP STRUCTURING IS HARDER THAN FINANCING

Angelo dell'Atti, IFC's General Director of Private Enterprise Partnership – Infrastructure for Southeast Europe in an interview with *Utilities*

Angelo dell'Atti is a director of the project „Private Enterprise Partnership – Infrastructure for Southeast Europe” at the International Finance Corporation. He has a broad experience in structuring and implementation of PPP projects, privatization and financing of infrastructure projects and has been involved in over 30 projects in more than 25 countries. Prior to joining the World Bank structure, Mr. Dell'Atti was International Finance Director at Suez-Lyonaisse des Eaux group. He has also worked for the EBRD and J.P. Morgan.

What is your role as manager of the PEP-SE (Private Enterprise Partnership for Southeast Europe) Project in the region and for Bulgaria in particular?

PEP-SE is a program of the International Finance Corporation, which in itself is a part of the World Bank Group. In principle the focus of the World Bank is on public entities, while the focus of the IFC is to develop financing and investments in the private sector. Differently from other multinational entities, in 1989 the IFC established a consulting unit of its own. We advise governments at national and local level on the issues of introducing private capitals in infrastructure management, development and investments. We are involved in over 100 projects worldwide, and we have participated in the advisory team in Latin America, Asia, Africa and Europe. Thus one of our projects is the concession of the water supply company in Bucharest, which I consider as a very positive example.

For some time we operated from our headquarters in Washington DC. However, in recent years it has become clear that it is really important to be closer to the region of our operation. That was the reason for launching the process of decentralization. We established one center in Dubai for the Middle East and North Africa, one in Johannesburg – for Africa, in Hong Kong - for Asia, and in Sofia – for Southeast Europe. Our Sofia office covers countries such as Croatia, Serbia, Bosnia, Montenegro, Albania, Macedonia, Bulgaria and Rumania.

Our role is to support the infrastructure development in the region through strong private sector involvement. In other words, we are looking for projects for which the government itself is seeking private sector involvement and where such an involvement would also make sense.

That does not necessarily imply privatization. Various forms of public-private partnerships are possible.

Has there been development in PPP in recent years?

Since our establishment in 1957 there has been a considerable development in understanding how the private sector can be involved in the provision of public services. And while in the past the representatives of the private sector thought they could replace without any problem public entities in the delivery of public services, lately it has become clear, both to them and to institutions such as ours, that there is more to it than meets the eye. Good balance shall be achieved between the capacity and capabilities of the private sector on the one hand, and those of the public sector on the other hand. And that is not an easy matter. The very term PPP has recently been adopted as a symbol of the new approach in offering public and utility services in infrastructure. That is our area of expertise. We cover all types of infrastructure ranging from transportation, railways, and airports to power distribution, power generation, including hydropower facilities, co-generation, and municipal level services such as water supply and sewerage, wastes, healthcare.

Last October we launched our operations in Sofia. As you have already been informed, we have an agreement with the Bulgarian Government with a special focus on the water sector. We have been negotiating with other governments in the region. Very often it turns out that it is not financing that is the problem for these industries. Quite often financing is relatively easy to access, especially in your case with the forthcoming EU accession of the country. What appears to be more difficult is the good structuring of a project. And the latter is crucial for securing the long-term sustainability of the project. Speaking about sustainability we mean a set of factors including the social aspect, the environment, obvious pricing, investments, technical and legal aspect, and one aspect that is really important – improved services to the citizens. It is very important that the users should be satisfied with the achieved results. International experience is extremely valuable in this respect and helps to assess the situation in any specific country, town or project. It is also very important to have a good regulatory framework and administration to monitor the method of company operation on a day-to-day basis.

How would you describe your working relations with the Bulgarian Government until now?

We find the approach of the government very positive.

We cooperate well with the MRDPW, which has staff with excellent expertise in that field. We also work well with the Ministry of Finance. Certainly, each infrastructure area has its own tough issues and specific features, and sometimes the past experience is relevant. Yet, in general, we have been working very well with the Bulgarian authorities.

Which are the next steps in relation to the water sector project, on which you have been working jointly with the MRDPW?

The objective of the program is to investigate various projects, which will then be offered on the market in search of private sector participation in them. To this end, we need to analyze the legislative framework. The latter is vital since it has a direct bearing on the outcomes. If you do not have a good legal framework, any project offered on the market is doomed to fail.

The next step would be to make a review of the local companies. We have already started to work on that in parallel to the legal framework overview. In this respect our task will be to see what improvements to the service are needed in view of enhancing the quality in compliance with the Bulgarian and the European requirements. In some cases it may turn out that it is most expedient for some regional water supply companies to join. The ultimate objective is to select one pilot company and offer it on the market.

All water companies are looking forward to the solution of the issue related to ownership of their assets. In your opinion, which is the best approach for Bulgaria in this respect?

That is an issue of crucial importance. It has a key bearing on the development of the water sector. That is why I cannot give you an answer right now. We are still in the process of weighing various factors, including past history. Regardless of the right decision in theory, we need to consider the actual situation since there are many aspects that need to be taken into account.

What are the lessons learned from recent experience related to concessions in Bulgaria?

Our experience shows that it is important to have straightforward and reasonable rules, as well as a clear distinction of responsibilities among various parties who should show good awareness thereof. Whenever each specific interest fails to be well balanced, a situation occurs that prevents progress and we have drawn a lesson from that.

When can we expect results from your work in Bulgaria and in relation to the launching of the mentioned pilot project on the market?

I wish I could tell you the specific date but I cannot do that.

Many things depend on our partners. We are advisors, but decisions are made at government level. I think that the overview of the legislation and the regulatory framework would take another six months. Only after all this that jointly with the local authorities at municipal level, we will be able to identify one pilot project and launch it for bidding. It is also equally very important how the investors will respond. They have seen what happened in Varna and Shumen. They see what is happening in Sofia. It is quite likely that Bulgaria would not be there first choice. Many other countries worldwide are offering attractive projects for operators and investors in that sector.

Therefore we should do so as to succeed in attracting the best companies, the best investors that have the required experience and knowledge of good management, and are able to offer the best services.