Public Private Partnerships: An Analysis in the Italian Context

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Abstract

‘Public-Private Partnerships (PPPs) combine the resources of government with those of private agents (business or not-for-profit bodies) in order to deliver societal goals’ (Skelcher, 2005:347; Amatucci et al., 2010; Bovaird, 2004; Zhang, 2005). There are a lot of forms taken by PPPs that give rise to a series of ideological and managerial choices. Main sets are linked to (Linder and Rosenau, 2000):

- the relationship between private and public actors,
- the costs and benefit of each solutions,
- the degree to which businesses and not-for-profits should substitute the government.

The aim of this paper is to analyze the application of Public Private Partnership (PPP) in Italy. The paper would like to study weakness and strength of these partnerships. 

This is a descriptive paper based on secondary data. The research defines and describes the importance of PPPs in a period of financial difficulties for national and local governments, with a special focus on Italy experiences.

Partnership between public and private haven’t a large diffusion in Italy and don’t concern big or national structure but local structure like cemeteries, local stadium for swimming competition, little harbor for private ships.

PPPs in Italy context require important reflections because there isn’t a high level of collaboration between private and public actors, for many reasons. For example, one of the main cause is represented by a very low level of preparation of local offices and the consequent difficulties of public local actor to manage the partnership.

Keywords:
Introduction

‘Public-Private Partnership (PPPs) combine the resource of government with those of private agents (business or not-for-profit bodies) in order to deliver social goals’ (Skelcher, 2005: 347). PPPs give rise to a series of ideological and managerial choices, linked to (Linder and Rosenau, 2000):

- the relationship between private actors and state,
- the extent to which business and not-for-profits should substitute for government, and
- the costs and benefits of different public-private solutions.

‘Some regard PPPs as “the” answer to many economic growth and development problems facing state and local governments today, while others express varying degrees of skepticism about their attractiveness and effectiveness. Nonetheless, most seem to agree that PPPs will likely remain an important approach to designing and implementing economic development strategies’ (Mullin, 2002).

While PPPs are not new to public government economic development scene, academic interest in their use and effectiveness as economic development tools appears to have increased in the past decades.

History indicates that there has always been some degree of cooperation between the public sector and the private sector (Wettenhall, 2005). The stories of private contracting in the public sphere are numerous:

- in Imperial China around the time of birth of Christ, public government and private enterprises were both involved in salt and iron mining, with movement between them (Gernet, 1982: 140);
- the mixing of public and private initiatives was vital to England’ rise as a major sea power; 82 percent of Sir Francis Drake’s fleet, which successfully conquered the Spanish Armada in 1588, were private contractors to the Admiralty;
- enterprise “played no small part in the launching of the East India Company and the financing of the Virginia Plantation” (Andrews, 196: 230);
- down to 1700 The Spanish empire was built on such private-public mixes, in fact “Spanish government relied principally on private contractors to supply both soldiers and ships” (Wettenhall, 2005: 28);
- when the great Sidney Harbor Bridge was built in the early 1930s common sense ensured that the central span was built under contract by one of the world’s leading private bridge construction firms; the massive approaches were, however, constructed by the New South Ways Public Works Department (Wettenhall, 2005: 33);
- during the 1970s, the French and British governments tried but failed to achieve an agreement on public construction and management of a
Channel tunnel. This was one of the main reasons why the tunnel instead came to be a privately financed and operated construction;
- there is a massive public-private mixing also in the planning and management of the events such as international exhibitions and trade fairs and the Olympic Games;
- Tony Blair government, for example report a commitment of £35.5 billion by the U.K. government for 563 private finance initiative (PFI) deals (Edwards et al., 2004).

This paper is structured as follows. First, we define the research methodology (aims, value and limitations). Second, starting from Hodge and Greve (2007) paper, we realize a literature review on this topic. Third, we define different models and characteristics of each category. After then we present PPPs in Italy with a specific focus on trends and. The article ends with a brief discussion on evaluation observations and implications.

**Research Methodology**

_Aims and Research Value_

This research is based on secondary data (United Nations, 1998; Infopieffe, 2012) and aims to describe the phenomenon of PPPs in Italy. With different scholars (Miranda and Lerner, 1995; Linder and Rosenau, 2000; Capasso, 2002) supporting that PPPs can be a tool to develop systemic competitiveness in a specific area, this paper represents an overview of the state of Public-Private Partnership in Italy. The research’s objectives are:

1. to describe different PPPs models,
2. to analyze and understand the role of PPPs in Italy.

The research provides a context of prescriptive actions and processes, while offering also a valuable theoretical basis for empirical development and practical application.

*Research Limitations and Further Research*

This is a descriptive paper. Its limitations are a consequence of its real nature i.e. the fact that it is a secondary data based research and a largely conceptual one. Consequently, further research should firstly empirically test this research’s findings.
Literature Review

Scientific (Linder and Rosenau, 2000; Van Ham and Koppenjan, 2001; Capasso, 2002; Skelcher, 2005; Hodge and Greve, 2007; Amatucci, 2009, 2010) and institutional (European Commission, 2004a, 2004b; OECD, 2010; United Nations, 1998) literature on the PPP has increased significantly over the years, to confirm a growing interest on this particular theme.

The European Commission (2004a), for example, distinguishes two types of PPP:

- PPPs of a purely contractual nature, where the partnership is based solely on contractual links and may fall within the scope of European Directives on public procurement;
- PPPs of an institutional nature. These PPPs involve cooperation within a distinct entity and may lead to the creation of an ad hoc entity held jointly by the public sector and the private sector or the control of a public entity by a private operator.

We have various definition of PPP. A PPP, for instance, may be defined as a cooperations of some sort of durability between public and private actors in that they jointly develop products and services and share risks, costs and resources that are connected with these products (Van Ham and Koppenjam, 2003), or a an arrangement where government states its need for capital-intensive, long-lived infrastructure and the desired facility is built using a complex combination of government and (mostly) private financing and then operated by a private entity under a long-term franchise, contract or lease (Savas, 2000). OECD (2010) defines PPP as a long term agreement between the government and a private partner where the service delivery objectives of the government are aligned with the profit objectives of the private partner. However, one of the most interesting definition of PPP was provided by Schneider and Davis (2007: 2):

‘A contractual arrangement between a public or governmental agency and a private entity that facilitates greater participation by the private entity in the delivery and operation of an infrastructure project, facility or service. Typically, within the transport sector, such an arrangement involves one or more aspects of the funding, financing, planning, design, construction, operation and maintenance of a transportation facility. Within the commonly utilized context of financing and/or delivering projects, a public-private partnership is an approach or mechanism that is utilized to move the funding process from a single strategy of governmental aid through grants to regional and local authorities, to a more diversified approach involving increased utilization of private capital markets’.

However, scholars have been divided in their thinking about PPPs. Some see it a new governance tool that will replace the traditional method of
contracting for public services through competitive tendering. Others see PPPs as a new expression in the language of public management, one intend to include older, established procedures of involvement of private organizations in the delivery of public services (Linder and Vaillancourt Rosenau, 2000). Yet others view PPPs as a new way to handle infrastructure projects, such as building tunnels and renewing harbors.

Hodge and Greve (2007) argue that ‘the greatest divide seems to be between researchers who view Public-Private Partnerships as a toll of governance and those who think it is a “language game”’ (Teiseman and Klijn, 2001; 2002) (Hodge and Greve, 2007: 546). These authors examine PPPs with a double point of view:

- as Organizational and Financial Arrangements,
- as a language Game.

**PPPs as Organizational and Financial Arrangements**

An important part of scholars sustain that PPPs are established because there are benefit both for private and public sectors. Linder and Vaillancourt Rosenau (2000) sustains that the public and private sectors have specific qualities, and if those values are combined the end results will be better for all. Cooperation and risk sharing are the major considerations for both sectors in combining these qualities.

Van Ham and Koppenjan (2003: 598) focalise their attention on cooperation. PPPs are a:

‘Cooperation of some sort of durability between public and private actors in which they jointly develop products and services and share risks, costs, and resources which are connected with these products’.

This definition emphasize three important element:

- cooperation of durability, because collaboration can’t take place only in short terms;
- risk sharing, because both parties have to bear parts of the risks involved;
- parts must jointly realize something and both stand to gain from mutual effort.

PPPs can concern infrastructure projects: ‘in this sense refers to an arrangement where government states its need for capital-intensive, long-lived infrastructure and the desired facility is built using a complex combination of government and (mostly) private financing and then operated by a private entity under a longterm franchise, contract, or lease’ (Savas, 2000: 7). There are different types of arrangements that ‘include BOT (build-own-transfer), BOOT (build-own-operate-transfer), as well as so-called sale-and-lease-back
arrangements, whereby local governments sell their buildings and then rent them back on a 20- or 30-year contract from a financial organization’ (Hodge and Greve, 2007: 546).

A wider interpretation of partnership that keeps the organizational aspect but sees it in interorganizational terms is to consider policy networks as special arrangements for public – private cooperation. There is a massive literature on policy networks and governance (e.g. Börzel 1998; Klijn and Koppenjan 2000). These scholars emphasize the intermingling and cooperation of public and private actors in interorganizational settings.

On these statement it is possible to define at least two dimensions for PPPs. The first one is a financial dimension - ‘How are public and private actors engaged financially in PPPs?’ (Hodge and Greve, 2007: 547) - the second one is organizational dimension - ‘How tightly organized are public actors and private actors?’ (Hodge and Greve, 2007: 547) (Figure 1).

**Figure 1. A Typology of PPPs based on Financial and Organizational Dimensions**

<table>
<thead>
<tr>
<th>Finance/Organization</th>
<th>Tight Organizational Relationship</th>
<th>Loose Organizational Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tight financial relationship</td>
<td>Joint-venture companies</td>
<td>BOOT, BOT, Sale-and-lease-back</td>
</tr>
<tr>
<td></td>
<td>Joint stock companies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Joint development projects</td>
<td></td>
</tr>
<tr>
<td>Loose financial relationship</td>
<td>Policy communities</td>
<td>Issue networks</td>
</tr>
</tbody>
</table>

Source: Hodge and Greve, 2007

There are also many other uses for the PPP concept. Public-Private Partnership concept seems to encompass at least five families of arrangements (Hodge and Greve, 2007):

- Institutional cooperation for joint production and risk sharing. For Teiseman and Klijn (2005) and Van Ham and Koppenjan (2003) an example of this arrangement is the Netherlands Port Authority;
- Long-term infrastructure contracts that emphasize tight specification of outputs in long-term legal contracts. Many scholars – Ghobadian et al. (2004), Grimsey and Lewis (2005), Berg et al. (2002), Osborne (2000) – think that United Kingdom is an example of this agreement;
- Public policy networks in which loose stakeholder relationships are emphasized (Vaillancourt Rosenau, 2000);
- Civil society and community development in which partnership symbolism is adopted for cultural change. For Osborne (2000) Hungary and other post communist Nations are an example;
• Urban renewal and downtown economic development. Bovaird (2004) underline that in the United States these measures are pursued.

It is clear that these PPP families cover a large group of governance typologies. Each of these PPP families also has implications different from those of traditional contracting arrangements: ‘longer-term impacts, a larger potential role in infrastructure decision making, bigger financial flows, and greater capacity for risks to be shifted to either side of the partnership. And each may have different accountability implications to ensure that this form of governance maintains public accountability at a high level’ (Hodge and Greve, 2007: 547).

**PPPs as a Language Game**

The alternative view of PPPs is as a language game: in other words PPPs is a game designed to obscure other strategies and purposes. One such purpose is privatization and the encouragement of private providers to supply public services at the expense of public organizations themselves. Privatization proponent Savas (2000) openly admits in his book that “contracting out” and “privatization” are expressions that generate opposition quickly and that expressions such as “alternative delivery systems” and now “public – private partnerships” invite more people and organizations to join the debate and enable private organizations to get a market share of public service provision. As a result many scholars (Teiseman and Klijn, 2002; Linder and Vaillancourt Rosenau, 2000 and Savas, 2000), agree that the use of the term public – private partnerships must be seen in relation to previous such as “contracting out” and “privatization”.

Viewed from this perspective, researchers should be careful about how they approach the empirical analysis of PPPs. Analyzing the language game and how governments deliberately change discourse in the pursuit of getting policy votes from more supporters has always been central to public policy analysis, and a number of researchers have dealt with the language of public management reform and how new practices are introduced through the construction of meaning (Clarke and Newman, 1997). ‘There is no doubt that PPPs have become a favorite expression when describing new institutional arrangements for governments’ (Hodge and Greve, 2007: 547-548). The British Blair government is famous for putting an emphasis on PPPs. The language question is an issue of some significance. If partnerships are characterized historically to encompass the breadth of past government – business relationships, they bring with them the aura of almost all economic wealth-creating activities. Though advocates are quick to be associated with such positive outcomes, they are also quick to selectively carve out what today constitutes the PPP policy arena in local jurisdictions. Of course, language games are at the heart of all public policy debates. But the pursuit of such language games in the PPP arena can lead, for example, to the amusing situation in which two governments on opposite sides of the globe see PFI-type
PPPs in opposite ways. Consider the long-term infrastructure contract family of PPPs exemplified in the United Kingdom’s family PFI policy. In Victoria, Australia, such PPPs are argued to have nothing to do with privatization and are vigorously separated from this policy. In the United Kingdom, however, the Treasury sees the two as inherently connected and speaks of PPPs as directly equivalent to privatization. In other words, the same PPP phenomenon is thus being framed in two opposite ways for local political gain.

So, PPPs are a big container of many families. ‘It is not a simple matter to judge whether PPPs are (1) the next chapter in the privatization story; (2) another promise in our ongoing attempts to better define and measure public sector service performance; (3) a renewed support scheme for boosting business in difficult times; or (4) a language game camouflaging the next frontier of conquering transaction merchants, legal advisors, and merchant bankers pursuing fat commissions’ (Hodge and Greve, 2007: 548).

**PPPs Models**

A wide spectrum of PPP models has emerged. These models vary mainly by:

- Ownership of capital assets;
- Responsibility for investment;
- Assumption of risks; and
- Duration of contract.

The PPP models can be classified into five broad categories in order of generally (but not always) increased involvement and assumption of risks by the private sector. The five broad categories are (Figure 2):

- Supply and management contracts;
- Turnkey contracts;
- Affermage/Lease;
- Concessions;
- Private Finance Initiative (PFI) and Private ownership.

It’s possible to define different variants for each model (Figure 3).
**Figure 2. Models of PPPs**

![Diagram showing Models of PPPs](image)

*Source: United Nations, 2011*

**Figure 3. Variants of PPPs Models**

<table>
<thead>
<tr>
<th>Broad category</th>
<th>Main variants</th>
<th>Ownership of capital assets</th>
<th>Responsibility of investment</th>
<th>Assumption of risk</th>
<th>Duration of contract (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply and management contract</td>
<td>Outsourcing</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>1-3</td>
</tr>
<tr>
<td></td>
<td>Maintenance management</td>
<td>Public</td>
<td>Public/Private</td>
<td>Private/Public</td>
<td>3-5</td>
</tr>
<tr>
<td></td>
<td>Operational management</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>3-5</td>
</tr>
<tr>
<td>Turkkey</td>
<td>Affirmage</td>
<td>Public</td>
<td>Public</td>
<td>Private/Public</td>
<td>1-3</td>
</tr>
<tr>
<td></td>
<td>Lease</td>
<td>Public</td>
<td>Public</td>
<td>Private/Public</td>
<td>5-20</td>
</tr>
<tr>
<td>Concessions</td>
<td>Franchise</td>
<td>Public/Private</td>
<td>Private/Public</td>
<td>Private/Public</td>
<td>3-10</td>
</tr>
<tr>
<td></td>
<td>BOT</td>
<td>Public/Public</td>
<td>Private/Public</td>
<td>Private/Public</td>
<td>15-30</td>
</tr>
<tr>
<td>Private ownership of assets and PFI type</td>
<td>BOO/DBFO</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Indefinite</td>
</tr>
<tr>
<td></td>
<td>PFI</td>
<td>Private/Public</td>
<td>Private/Public</td>
<td>Private/Public</td>
<td>10-20</td>
</tr>
<tr>
<td></td>
<td>Divestiture</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Indefinite</td>
</tr>
</tbody>
</table>

*Source: United Nations, 2011*

**Supply and Management Contracts**

A management contract is a contractual agreement for the management of a part or whole of a public enterprise by the private sector. Management contracts allow private sector skills to be brought into service design and delivery, operational control, labor management and equipment procurement. However, the public sector retains the ownership of facility and equipment. The private sector is assigned specified responsibilities concerning a service. For private sector there isn’t a commercial risk. The private contractor is paid a fee to manage and operate services. Usually, the contract period is short (three-five years, normally). But the period may be longer for large and complex operational facilities such as a port or an airport.
**Turnkey**

Turnkey is a traditional public sector procurement model for infrastructure facilities. Generally, a private contractor is selected through a bidding process. The private contractor designs and builds a facility for a fixed fee which is one of the key criteria in selecting the winning proposal. In this case contractor assumes risks involved in the design and construction phases. The scale of investment by the private sector is generally low and for a short-term. In this type of arrangement, there isn’t strong incentive for early completion of the project. This type of private sector participation is also known as Design-Build.

**Affermage/Lease**

In this category of agreement, the operator (the leaseholder) is responsible for operating and maintaining the infrastructure facility (that already exists) and services, but generally the operator is not required to make any large investment. However, often this model is applied in combination with other models such as build-rehabilitate-operate-transfer. In such a case, the contract period is generally much longer and the private sector is required to make significant investment. The difference between affermage and a lease is technical. Under a lease, the operator retains revenue collected from users of the facility and makes a specified lease fee payment to the contracting authority. Under an affermage, the operator and the contracting authority share revenue from consumers. In the affermage/lease types of arrangements, the operator takes lease of both infrastructure and equipment from the government for an agreed period of time. Generally, the government undertakes investment risks, but operational risks are transferred to the operator. However, as part of the lease, some assets also may be transferred on a permanent basis for a period which extends over the economic life of assets. Fixed facilities and land are leased out for a longer period than for mobile assets. Land to be developed by the leaseholder is usually transferred for a period of 15-30 years.

**Concessions**

In this form, the government defines and grants specific rights to a private company to build and operate a facility for a fixed period of time. The government may maintain the ultimate ownership of the facility and/or right to supply the services. In concessions, payments can take place both ways: concessionaire pays to government for the concession rights and the government may pay the concessionaire, which it provides under the agreement to meet certain specific conditions. Usually, such payments by the government may be necessary to make projects commercially viable and/or reduce the level of commercial risk taken by the private sector, particularly in a developing or untested PPP market. Typical concession periods range between 5 to 50 years.
In a Build-Operate-Transfer or BOT type of concession- (and its other variants namely, Build-Transfer-Operate (BTO), Build-Rehabilitate-Operate-Transfer (BROT), Build-Lease-Transfer (BLT) - the concessionaire makes investments and operates the facility for a fixed period of time after which the ownership reverts back to the public sector. In a BOT modal, operational and investment risks can be transmitted to the concessionaire. However the government has explicit and implicit contingent liabilities that may arise due to loan guarantees and sub-ordinate loans provided, and default of a sub-sovereign government and public or private entity on non-guaranteed loans. By retaining ultimate ownership, the government controls the policy and can allocate risks to parties that are best suited to assume or remove them. The concessionaire’s revenue in a BOT project comes from managing and marketing of the user facilities and renting of commercial space where possible. Concessions for BOT projects can be structured on either maximum revenue share for a fixed concession period or minimum concession period for a fixed revenue share, a combination of both, or only minimum concession period.

Private Finance Initiative

In the Private Finance Initiative (PFI) model, the private sector remains responsible for the design, construction and operation of an infrastructure facility. It could be possible that public sector unrestraint the right of ownership of assets to the private sector. In this model, the public sector purchases infrastructure services from the private sector through a long-term agreement. PFI projects, therefore, bear direct financial obligations to the government in any event. In addition, explicit and implicit contingent liabilities may also arise due to loan guarantees provided to the lenders and default of a public or private entity on non-guaranteed loans. In the PFI model, asset ownership at the end of the contract period is generally transferred to the public sector. Setting up of a Special Purpose Vehicle (SPV) may not be always necessary. A PFI contract may be awarded to an existing company. For the purpose of financing, the lenders may, however, require the establishment of an SPV. The PFI model also has many variants. In a PFI project, as the same entity builds and operates the services, and is paid for the successful supply of services at a pre-defined standard, the SPV-private company has no incentive to reduce the quality or quantity of services. This form of contractual agreement reduces the risks of cost overruns during the design and construction phases or of choosing an inefficient technology, since the operator’s future earnings depend on controlling the costs. The public sector’s main advantages lie in the relief from bearing the costs of design and construction, the transfer of certain risks to the private sector and the promise of better project design, construction and operation.
PPPs in Italy: Features, Trends and New Dynamics

PPPs was introduced into the Italian legislation (framework law regarding public works) in 1998 through the so called Merloni Law. For this reason PPP in Italy is a very recent practice, however from 2002 to 2012 there was a significant positive trend in the adoption of PPPs (Figure 4).

Figure 4. PPPs in Italy

Most of the Italian PPP contracts have been mainly used in sporting facilities, transportations, urban developments (Figure 5 and Figure 6).

Figure 5. PPPs projects for Industrial Sectors

Source: Infopieffe, 2012
Lombardia, Veneto, Campania and Toscana are principal area of PPPs projects. Particularly Lombardia was the region with the largest number of projects (440) followed by Campania, Toscana, Piemonte, Emilia Romagna (Figure 7). The remained regions do not exceed 220 number of projects.

On the top list for business volume ranks Veneto (about 2.5 billion euro), followed by Toscana, Campania and Lombardia (Figure 8). The remained regions do not exceed 505 million euro.
Over the years, there have been several case studies related to PPP. However, there are some examples that are particularly interesting for the particular methods that characterize them. In particular, they are very interesting attempts by some Italian municipalities aimed to reformulate the management of urban regeneration testing new formats of private sector involvement.

Among these, we can cite the conversion of the railway depot areas in Milan, which has been the subject of a long-lasting dispute between the Municipality of Milan and the asset manager company (RFI) of the National Railways Group (FS).

Since 2006, a joint process of planning and design started and the leadership of the City Council promoted the signing of a contract framework. The package features, in particular, a master plan devised as a comprehensive framework for separate development projects and an agreed work schedule for both parties. In turn, RFI swapped its properties concerned (about 2 million sqm) to a special-purpose vehicle called “Sistemi Urbani”, while the Municipality of Milan managed to obtain financial support from the Lombardy Region for transport-oriented investments in the selected sites (Codecasa and Ponzini, 2011).

Another interesting case is the Darsena, an artificial canal in Ravenna is characterized by a particular mix of industrial conversion objectives, residential expansion and public space landscaping. The planning department of Ravenna, through preliminary talks with about 50 land owners, crafted a consistent development framework for the Darsena. These agreements also served as a consensual basis to test a mechanism of land-use rights transfer—sought as an incentive to draw real estate developers from the periphery of the city to the Darsena site. The Municipality of Ravenna has been targeting the City Darsena

Figure 8. PPPs Projects for Business Volume

Source: Infopieffe, 2012
with a series of joint planning procedures with the goal of earning financial aid from central and regional governments.

The Municipality was awarded with enough governmental grants to sustain an ambitious programme of public infrastructures and used it as leverage for private real estate investments within the newly established regulatory framework (Codecasa and Ponzini, 2011).

Recent data show an increase – in the second quarter 2012 – of demand for projects to be implemented with operations of the Public Private Partnership. The driving forces are the basic amenities, sports facilities and highways. Overall, the PPP market in Italy, between May and August 2012, is represented by 1086 initiatives, for a business volume of approximately € 3.2 billion reported at 595 contracts. Compared to the same period of 2011, the PPP market recorded a growth in the number (from 948 to 1,086 contracts; +15%) and the amount (from 2.9 billion to 3.2 billion, +11%). The growing interest in the operations of the Partnership for Public and Private is confirmed by the data on the incidence of this new market, the entire market for public contracts, which in the period May-August 2012 amounted to almost 20% share of number of contracts (+2.2% compared to 2011) and 36% for turnover (3.2 billion € 8.8 billion of total) a higher percentage of 7% compared to the same period of 2011.

Initiatives in the areas of essential services have been a total of 307 (compared to 200 the previous year) the amount of the alleged 729 million (compared to 594 million), of which 256 to just under 500 million related to network infrastructures for the production of electricity (mainly photovoltaic systems), public lighting, for the distribution of gas and water and telecommunications, and 39 to 184 million relating to construction operations cemetery (there were 31 to less than 100 million in the second quarter 2011). Initiatives in the field of sports facilities were 305 (a year were 264), more than a quarter of the total demand in the quarter turned almost exclusively held by the municipalities through the procedure of granting of services. Much less numerous but economically much more significant interventions in the transport sector, with 1.6 billion (52% of the market) for 4 races known amount of 15 races in total. Determining the two big tenders in Anas Spa: the management and maintenance the A3 Napoli-Salerno of 51.6 km, and the completion of the implementation of all the steps included in the agreement signed on 28 July 2009 between the Anas Spa and Autostrade Southern Spa, valued at over 799 million, the construction, management and maintenance of the motorway A21 Piacenza-Cremona-Brescia and branch to Fiorenzuola d’Arda (PC) of 88.6 km, including the completion the implementation of all the steps included in the agreement signed on November 7, 2007 between the Company and the Highways Anas Spa Centre Padane Spa, valued at € 683 million.

With regard to the economic dimension of the interventions, compared to 2011, there was a general increase of the initiatives of between one million and 10 million euro, compared to a decline of tenders for amounts less than one million and initiatives amount between 10 and 50 million euro. With regard to
the actions of amount exceeding EUR 50 million, the budget has two speeds: it reduces the number of races from 9 to 8 units, but increases the amount of 27% (from EUR 1.8 billion to € 2.2 billion) thanks to two big races Anas total value of approximately € 1.5 billion.

Looking at the geographical distribution of demand for works to be executed in PPP, Lombardy is confirmed in the ranking by number of regional competitions, with 174 interventions (16% of the national total). Follow, with wide separation, Emilia Romagna with 102 contracts and then the Campania with 100 contracts. The regional average of 54 interventions, is exceeded by nine regions out of 20 total (Figure 9 and Figure 10).

On the top list for business volume ranks Campania with 989 million, followed by a minimum separation from Lombardy with 929 million euro. Together, the two regions have held 61% of the national volume of business, but these values are due to the two big races over 500 million held by Anas Spa followed:

- Sicilia, with 311 million;
- Lazio, with 276 million;
- Emilia Romagna, with 157 million;
- Friuli Venezia Giulia, with 140 million.

The remained regions do not exceed 65 million euro.

**Figure 9. PPPs Projects in Second Quarter 2012**
Conclusions

In 1994 and 1998 the Merloni law set the framework for using private sector contractors, only later a special PPP taskforce, UTFP, was created and its powers were reinforced in 2001. In addition to the administrative delay in defining the set of rules for the PPP, there are a lot of reasons that make the application and use of PPP less effective and efficient in Italy than in other countries.

In particular, with regard to the administrative issues, three main factors contribute to slow down the use of PPP: 1) the complexity of the administrative procedures and the distortions of competition due to the so-called “right of pre-emption”, which used to discouraged firms to participate to biddings; 2) the difficulty of regulating through contracts a proper allocation of risks, due to the “civil law” system in force in Italy; 3) the high administrative risk characterizing the adjudication procedures (Iossa and Antellini Russo, 2008).

With regard to the financial aspects, the main critical issue is the source of funding used for Italian PPP projects. The funding of PPP projects in Italy is generally granted by banks and rarely provided by capital market, by selling bonds or shares to investors (Etro, 2007). Using such a kind of funding gives disadvantages in comparison with other countries: the interest rate is about 10 - 11%, while in UK, for instance, the required spread on the risk-free rate is about 0,75 - 1% (Iossa and Antellini Russo, 2008). In addition to this, Italian banks tend to ask for traditional guarantees for the financing (Bentivogli et al., 2008) and this situation has been exacerbated by the recent financial crisis: nowadays, banks require greater spreads, reduced leverage and more
guarantees in order to grant a loan. In addition to this, the mean duration of the loan was reduced.

Finally, as for the Italian Government’s influence on the use of PPP there are still some shortcomings in the legislative regulation that does not allow the PPP to be used in an effective way. First of all, Italian law does not prescribe the estimation of Value for Money before the approval of a PPP project. Nowadays, the evaluation of the feasibility of a PPP project is simply based on the “Economic-Financial Plan” which is made by the private sponsor. Secondly, in Italy the SPV is normally formed by local or national Governments and/or public companies (Bentivogli et al., 2008), as a consequence the level of commitment of the private sector is quite minimized.

As noted above, the PPP operations are complex, in which there are elements traditionally managed separately, such as the design, construction, management. For this reason, their organization and management requires the development of specific assessment, economic and financial skills, to be integrated in technical and planning skills (engineering, architectural and plant) and managerial skills (Clarke and Newman, 1997).

In addition, we have to consider the legal skills, necessary for the management of contracts, for the selection of the private operator and negotiation, management and renegotiation of the contract. Project management is the glue of these skills, the element that makes it possible to realize a certain investments that generate economic and social value.

A more sustainable use of PPP for the construction of public investments urgently requires some investment of managerial, such as:

- improving the skills of project management and economic and financial, which support the government intend to start PPP operations;
- the launch of PPPs subject to assessments of feasibility, affordability and sustainability;
- the provision of appropriate documentation, including a specification of requirements and associated services required, especially with regard to quality standards;
- prediction of profitability, such as NPV and IRR for the evaluation of offers (especially with reference to the PF);
- the inclusion in the notice or in the contract of the risk matrix, in order to promote an efficient allocation of risk.

With regard to the legal system, it is necessary a greater awareness of the financial instrument and the establishment of a system of procedures that do not induce behavior distortions in the system, such as the use of PPPs to overcome the constraints of public finance.

As regards the private system, it is essential a greater attention to the real needs of the entity and a largest customization of operations, which sometimes represent the real replications of structures finance inefficient, aimed only to generate high yields and safe.
With regard to the returns of operations, we should highlight the need for careful evaluation systems more efficient by government, especially at this time in history when Great attention is devoted to the recovery of the Italian economy, including through infrastructure investment. The urgent need for infrastructure projects shall not reduce the focus on efficiency of operations, which must be aligned with the benchmark, in order to avoid the cost of the investment affects excessively on public budgets or users of the services.

References


