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## Possibilities for Public Private Partnerships in Strategic Network Industries

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**New form of PPP in strategic infrastructure:  
“Monetization of present infrastructure  
based on concession rights”**

*Presented by mr sci **Izet Bajrambašić**, Assistant Minister  
in Ministry of Communications and Transport  
of BOSNIA AND HERZEGOVINA*

## Characteristic of strategic infrastructure

- Strategic infrastructure belongs to the network industry of energy, transportation and telecommunication.
- Usually, state owned present strategic infrastructure
- High financial value.
- There is no appropriate competition in utilization.
- Management does not meet required effectiveness and efficiency.
- High bureaucratic administration, etc.

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According financial management knowledge “monetization” mean convert each assets to money.



## State development position



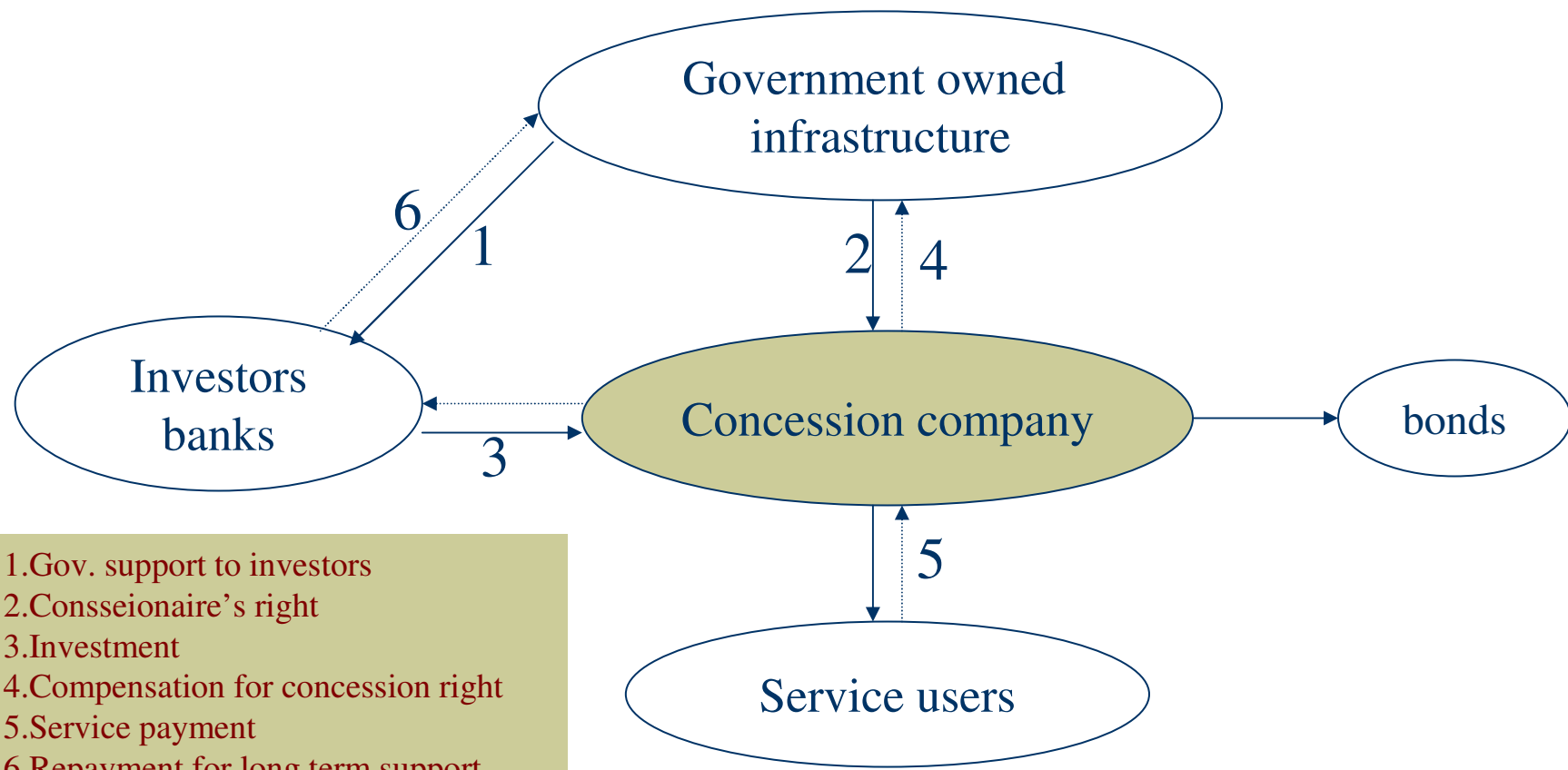
- Most states are financially constrained and don't have enough financial resources for social and economic growth,
- Most states are looking for way to privatize strategic infrastructure forgetting bad experience of some other states.
- Global financial (investment) crisis urgently demands safe projects (low risks or risk free projects).

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- Many state governments want to and have to provide financial support to the financial sector (investors) expecting better real economy development
  - Sometimes by using budget they take risk to reduce financial resources for other sectors and citizen needs
  - Questions are as follows: how to start new investment cycle and keep the investments safe, how and when will the state recover the resources given to the financial sector?

## Monetization vs. privatization

- State owned strategic infrastructure can be in a market competition (concessionaire),
- Reduction of public costs and obligations,
- More efficient management and higher quality service,
- Without influence of current policy on business.
- No change owner.
- Current and future relationship based on PPP contract...

State governments can open safe investment cycle (risk low) by using present infrastructure (assets) as basis for the cycle.





## CONCESSION COMPANY

(Special Purpose Vehicle – **SPV**)

- the heart of the cycle (“project financing”)
- independent legal entity
- off balance sheet
- consists of consortium shareholders
- finance and operate the facility for fixed period



## Interests of participants in present infrastructure monetization process

Government: supports financial sector, improves infrastructure management, reduces public costs, immediately refunds transferred money, opens new safe investments...

Investors: having financial support from the government, having safe projects, proceeds with its operative work...

Concessionaires: having new safe and long-term projects...

Users: new and high quality service for the same price, possibility of safe investments (bonds)...





## Targets of monetization of strategic network infrastructure



1. New FDI,
2. New financial resource for initiative and development plan of state,
3. Preparation of new projects for development of infrastructure and some sectors of real economy,
4. Support priority sectors (education, health, agriculture, export industry...),
5. New investment directly influence to reduction of unemployment and social expenditures...



**Thank you very much**

**Email:** [izet.bajrambasic@mkt.gov.ba](mailto:izet.bajrambasic@mkt.gov.ba)