

Bauska Bypass Open Day

- Roads Public-Private Partnerships

Overview in Europe and in the Latvian context

11th June 2025



PPP Features

Paying for a **service** not an asset



Defining **outputs** not inputs



Whole **life cycle** cost of the project



Transferring **risk** to the **private sector**



Payments made to the **private partner**



Possible application of **private financing**



Two main “standard” PPP models in use typically applied to roads projects

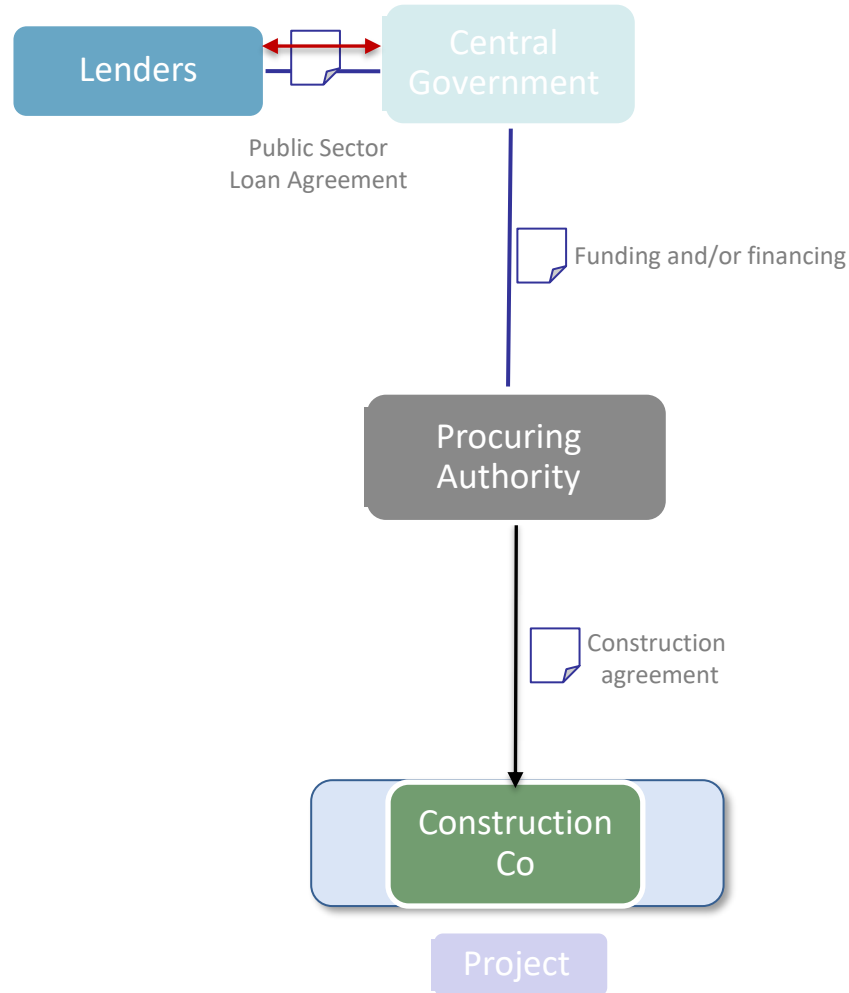
- User-pay structure

- Users pay the private partner for services e.g. toll roads, ports, trams, metros, buses
- Private sector bears risk of demand for service
- May involve some public subvention or support
- Penalties for poor performance

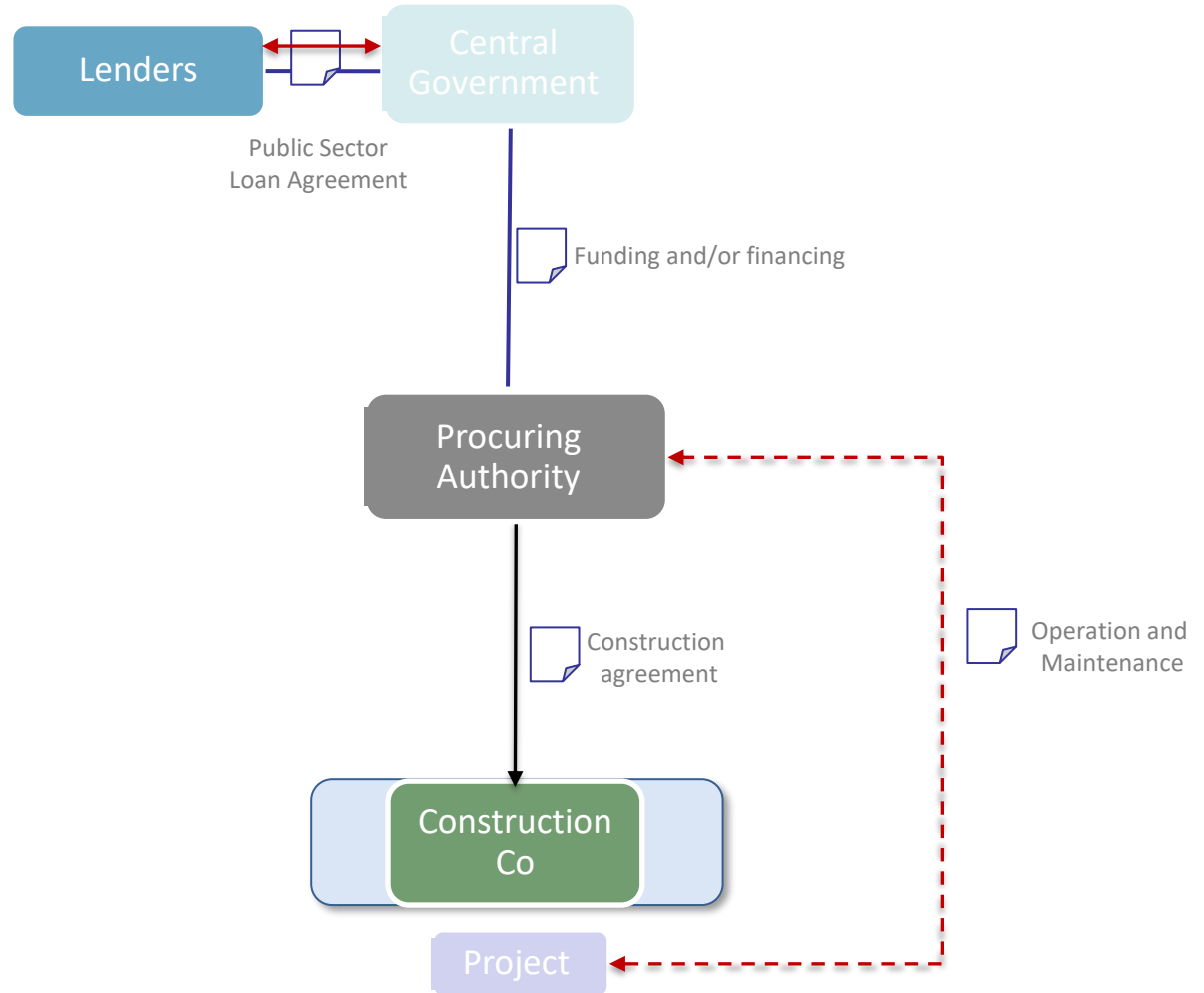
- Government-pay structure

- Government makes regular payments to the Partner once the asset is built
- Payments are based on availability or demand
- Financial deductions and penalties for poor performance and/or **non-availability** of the asset

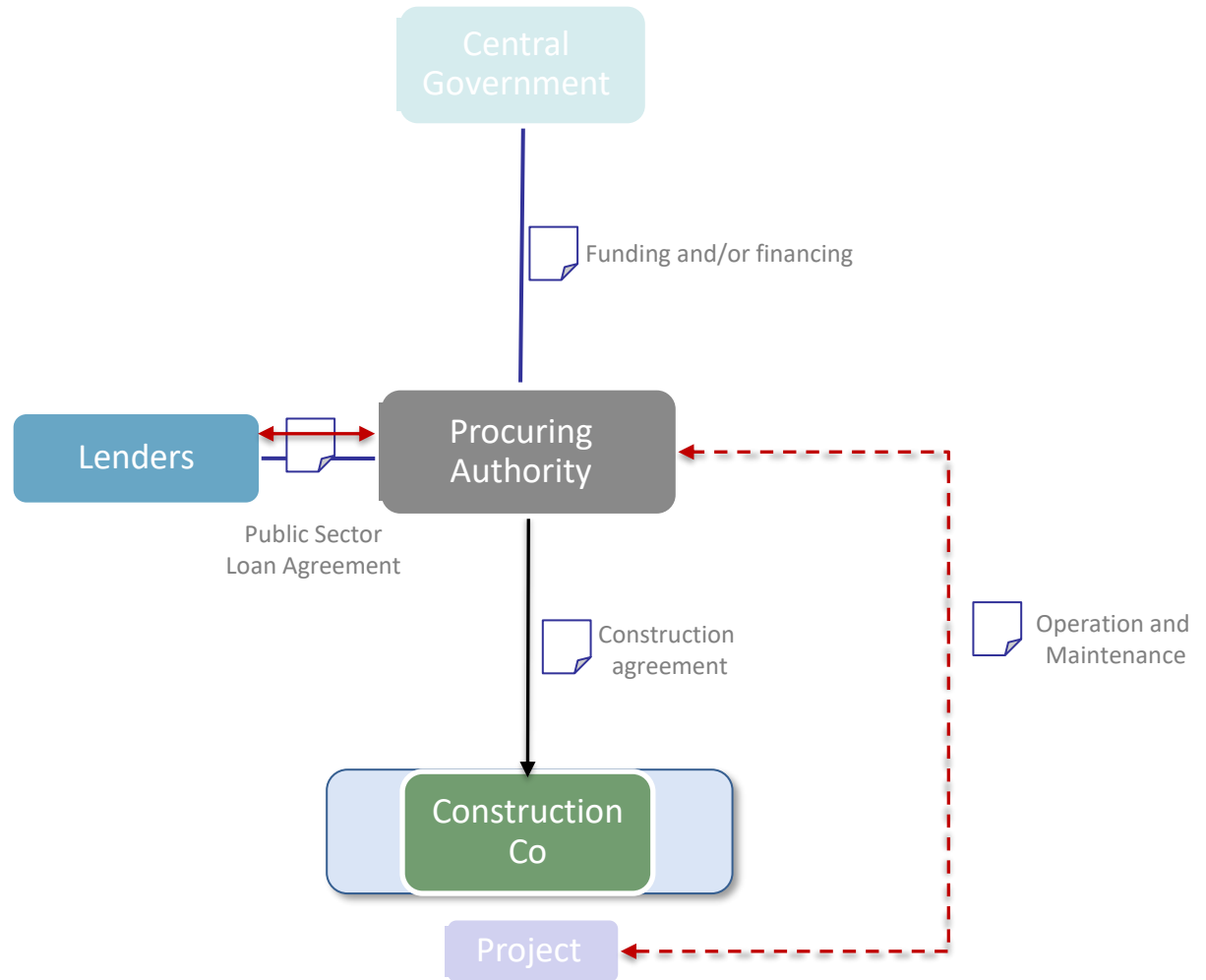
Traditional Public Sector Roads Model



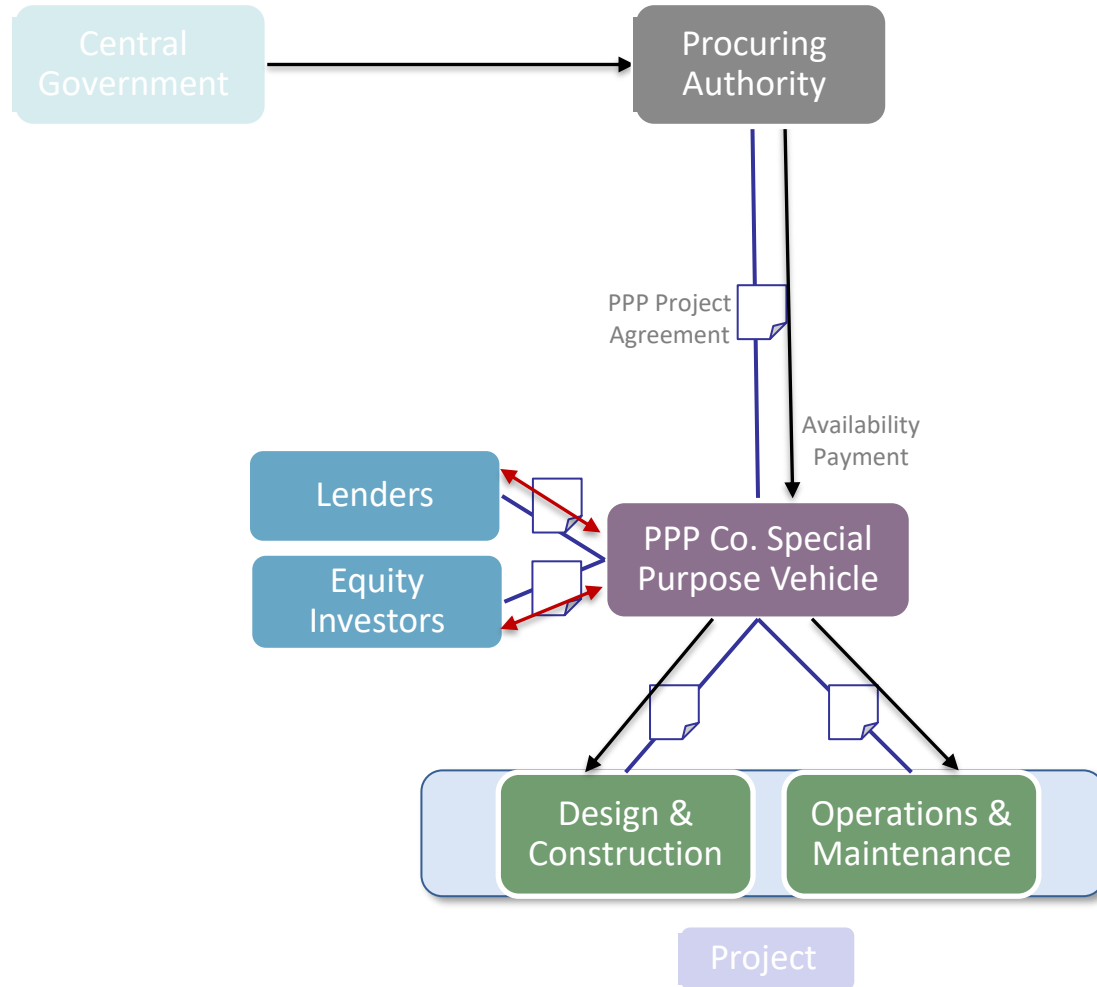
Traditional Public Sector Roads Model



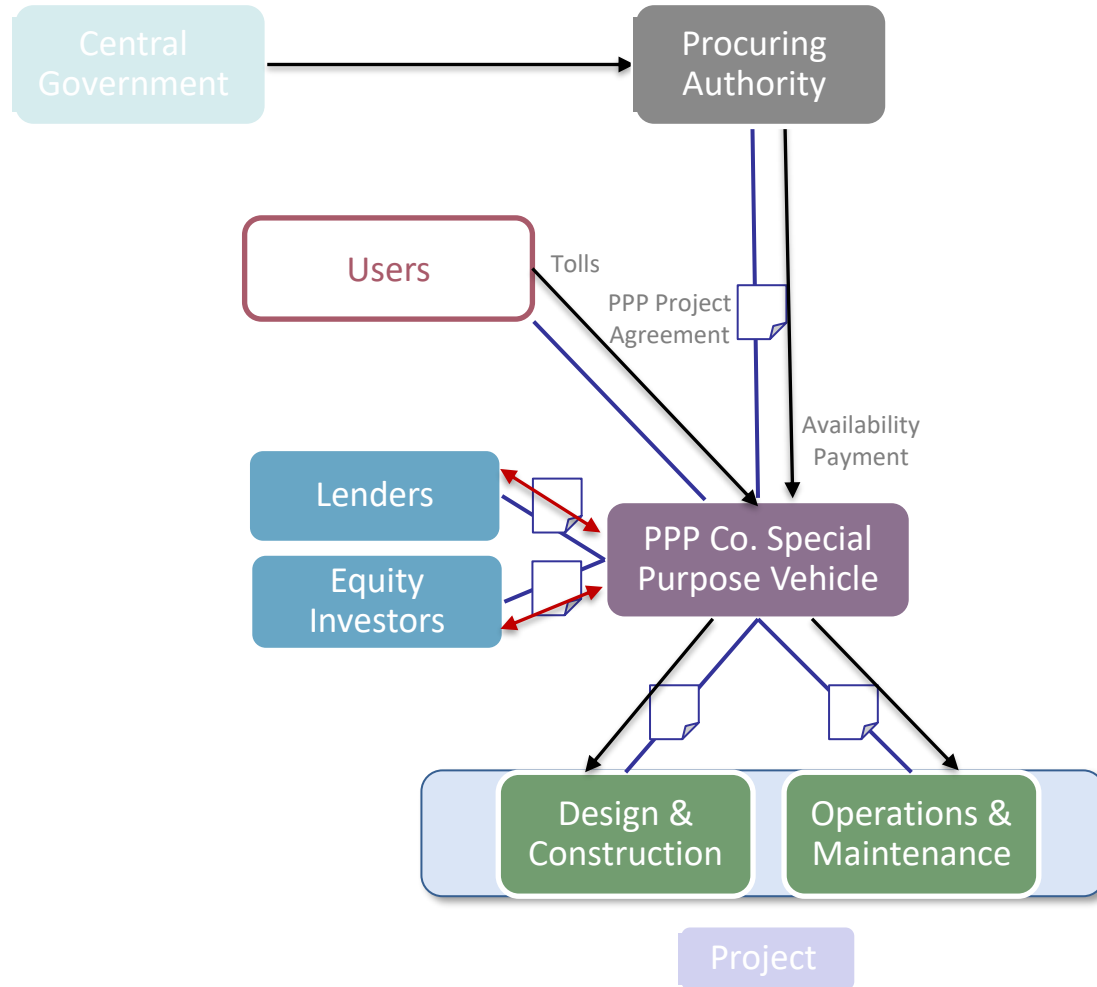
Traditional Public Sector Roads Model



Availability-based PPP Roads Model



Concession-based PPP Roads Model



Why use Public-Private Partnerships?

Public sector can
focus on **services**

Innovation in
design, construction
and service delivery

Greater certainty of
**on-time
delivery** once
contracts are signed

Mobilizing private
sector **capital**

Integration of
design, construction
and services

Better **long-
term
maintenance**
of assets

Widening the
market to **global
private sector
providers**

Better **quality
and
consistency of
service** delivery

Better long-term
**management
of risks**

Access to **third
party scrutiny**

Greater visibility
and **certainty
of whole-life
costs**

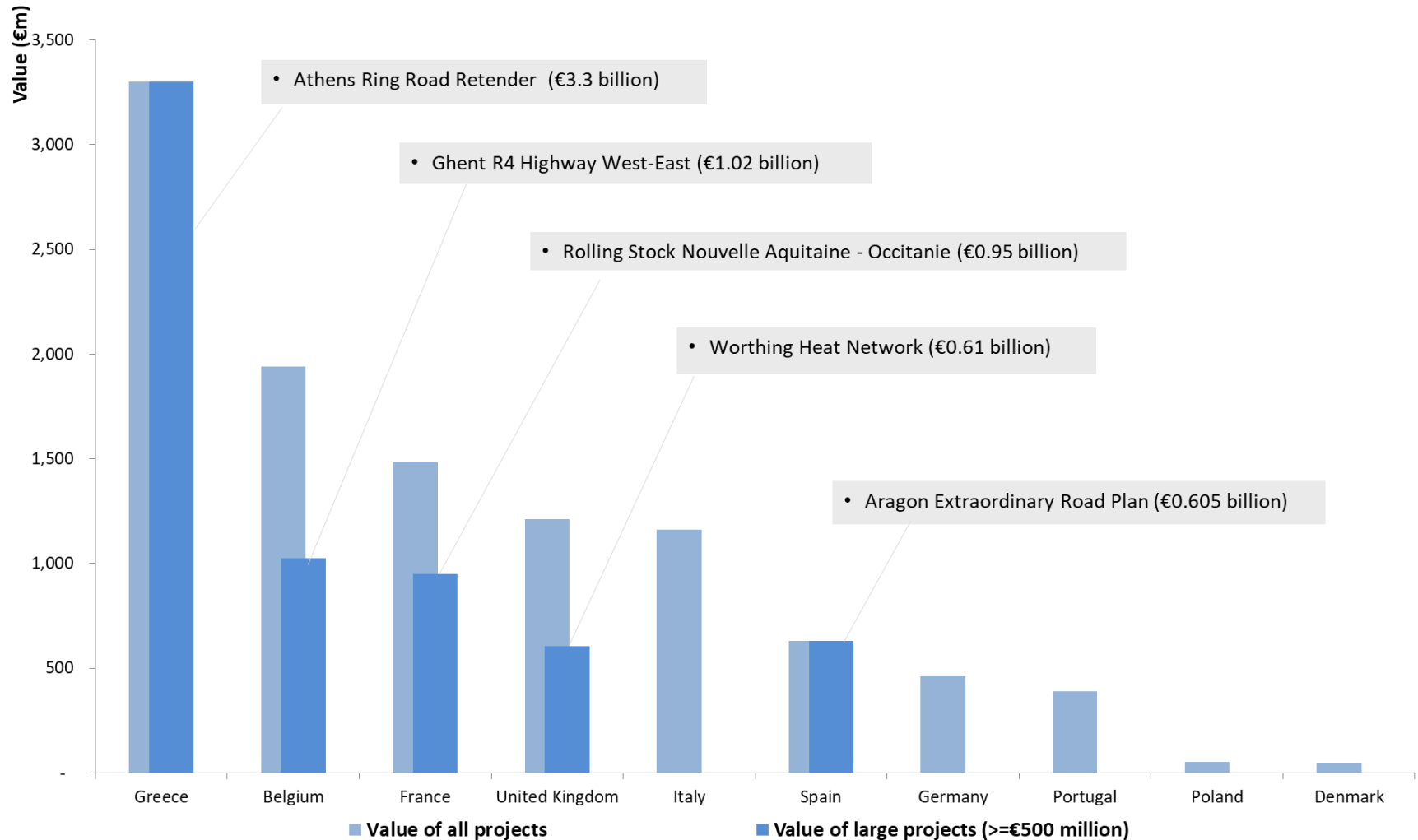
Matching long-
term benefits to
long-term funding

Earlier
implementation of
infrastructure plans

**Off-balance
sheet** investment

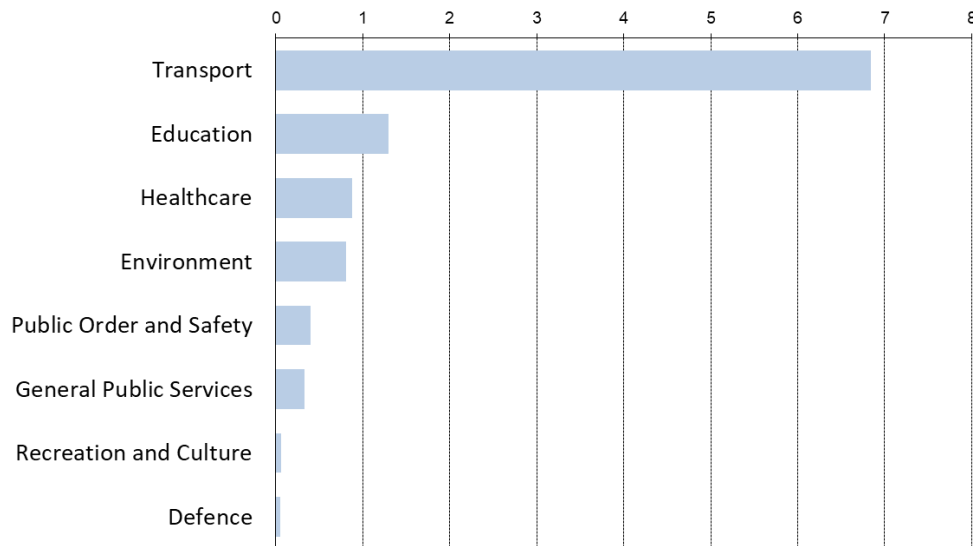
Roads PPPs in Europe - Analysis of market data

Largest PPPs in Europe in 2024

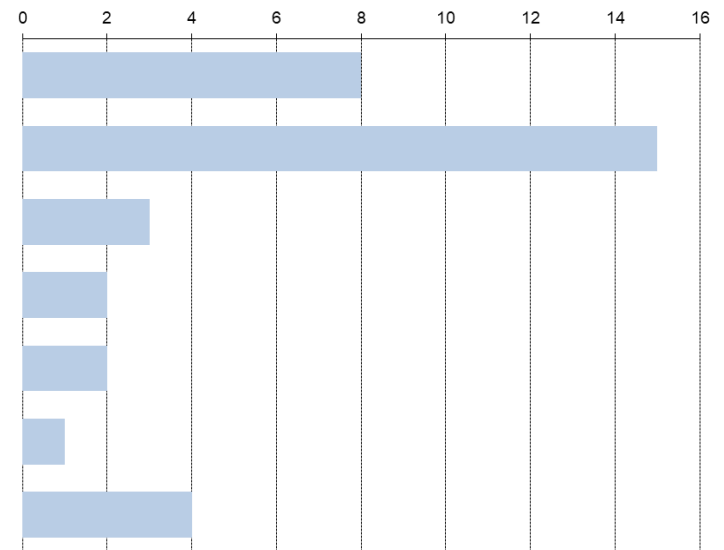


Large PPPs in Europe

Aggregate Value of Projects

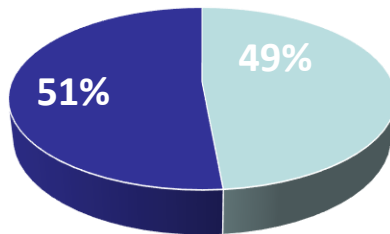


Number of Projects



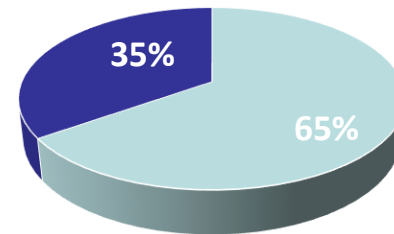
PPP model used across Europe

Availability versus Concession PPP 1996-2024



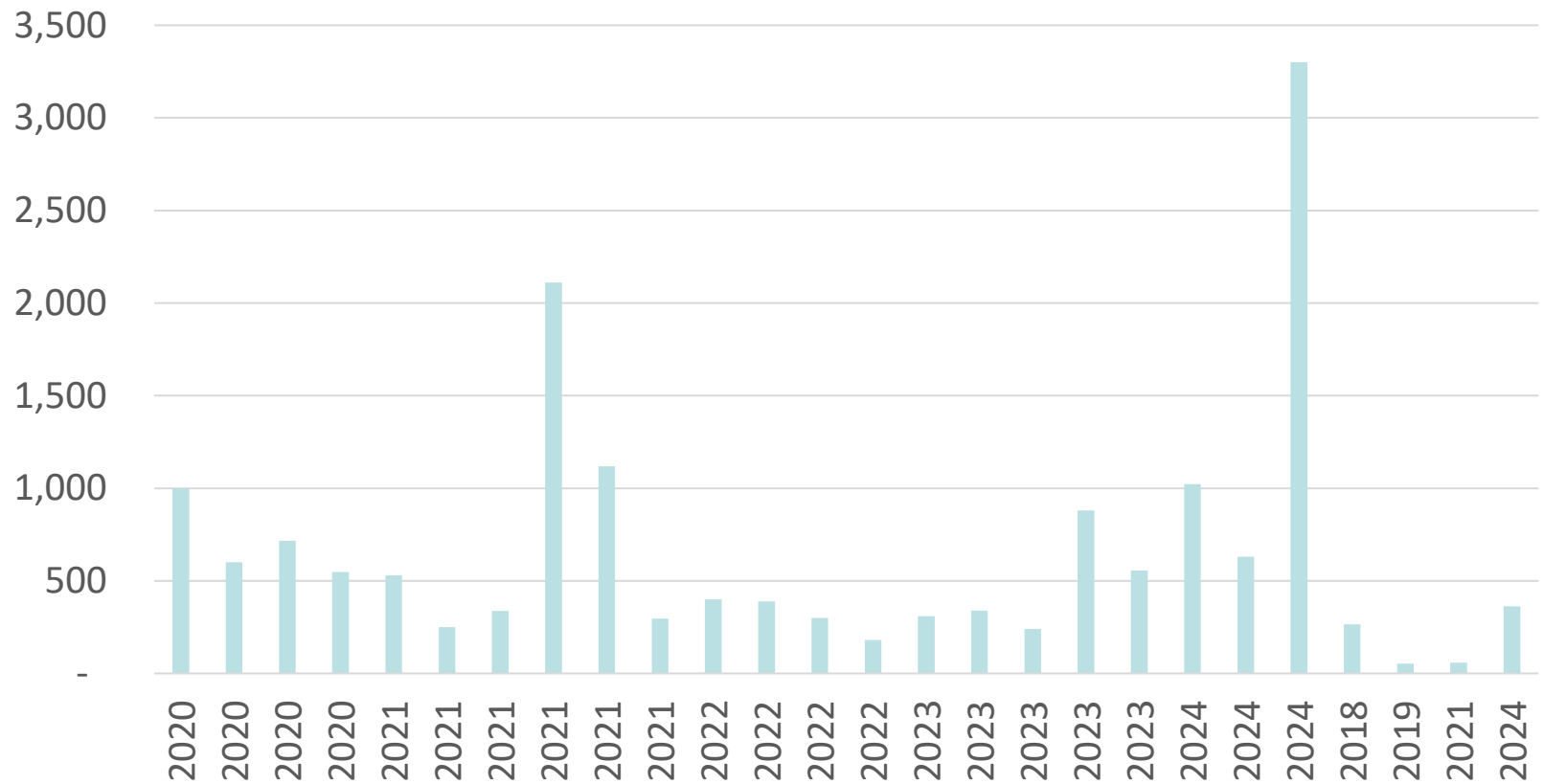
- Availability based PPP
- Concession PPP

Availability versus Concession PPP 2020-2024

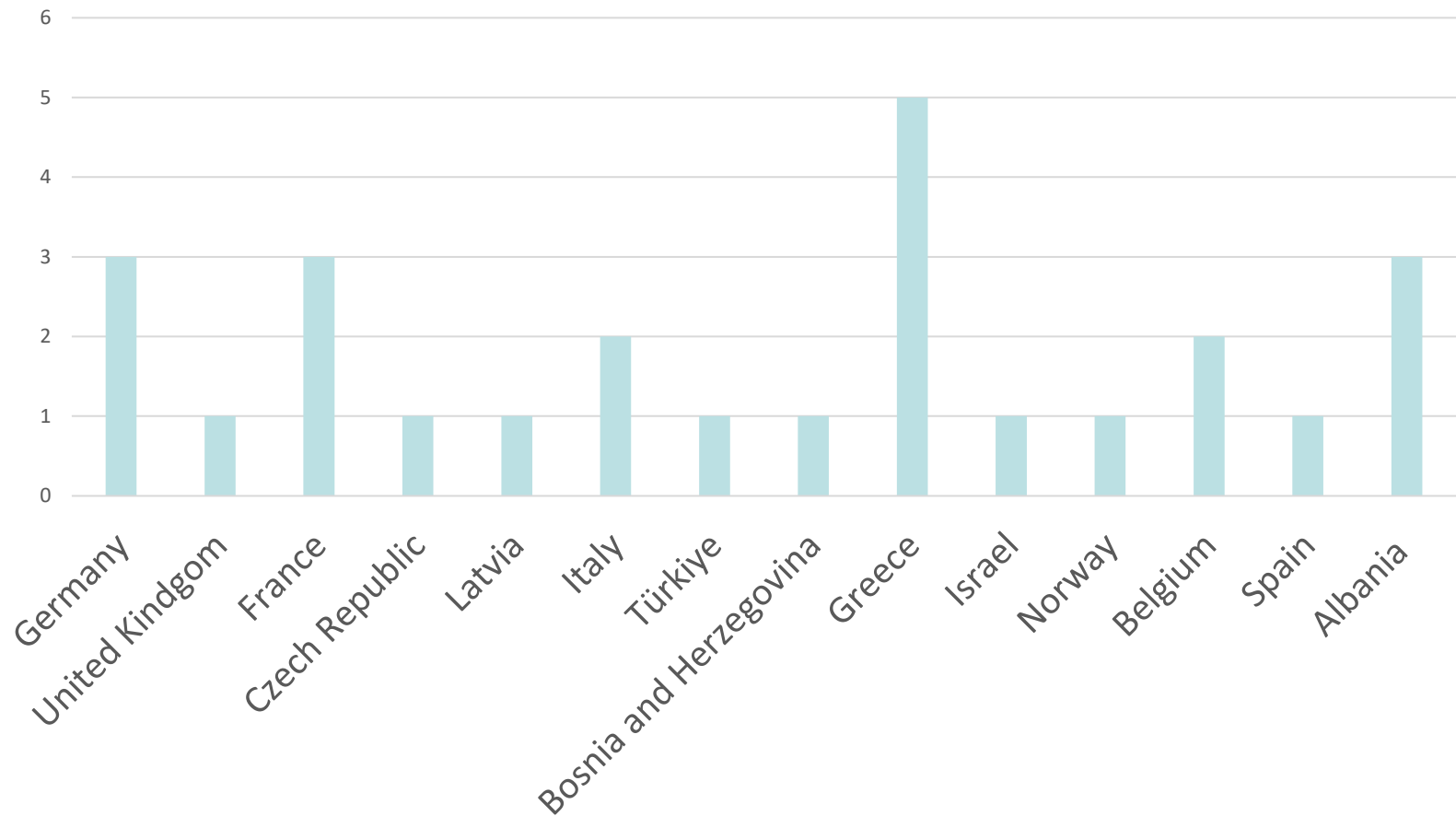


- Availability based PPP
- Concession PPP

Values of Roads PPPs in Europe since 2020



Number of Roads PPPs 2020-2024



Some key considerations and challenges on PPPs

PPP models used in roads infrastructure

- **Contractual availability payment PPP (CAPPP)**
 - performance based availability payments via a contract between the public authority and private sector provider
 - benefits: performance based payments, life-cycle
 - challenges: complexity, flexibility, contract management
- **Concession PPP**
 - user pay based approach regulated under a concession agreement
 - benefits: 'simple', revenue raising
 - challenges: achieving policy objectives

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Key sector challenges for PPP models in roads sector

- Policy context
 - Sectoral needs, PPP policy issues, competing delivery models
- Size
 - Transaction costs, market interest
- Government / authority capacity
 - Experience, access to support, working together
- Flexibility
 - Changes in policy, demographics, technology, ESG requirements
- Affordability
 - Availability payment & CAPEX helps inform model selection, access to budgets, complexity of blending
- Balance sheet treatment
 - Opportunities to structure as off-government balance sheet

Addressing size and capacity issues

- National programme approaches using PPP ‘rules’ / central sources of support (and quality control)
 - Standardisation of contracts
 - Standardisation of processes
 - Technical support
 - Central funding/central procurement
 - Concentration of expertise in one organisation

THANK YOU



European
Investment Bank