

Misconceptions still abound about Public-Private Partnerships

Internationally renowned PPP expert José Estrada Fernández insists public education is needed to explain how mechanism works, its benefits

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One of the main misconceptions about Public-Private Partnerships, also known as PPPs or P3s, is that they are the same concept as privatization, which they aren't, stated internationally renowned PPP expert José Estrada Fernández.

"Evidently, there's a lack of information. The Spanish government, for example, has put into service nine new hospitals in Madrid for \$1.4 billion through PPPs. Does this mean they are placing the public health or these hospitals in the hands of the private sector? No. The hospitals still belong to the state. The government is only paying for their operation through a long-term lease, but didn't have to put down the money to build the facilities," explained Estrada Fernández to CARIBBEAN BUSINESS.

A Public-Private Partnership is a contractual agreement (long-term lease) between a public agency (federal, state or local) and a private-sector entity. Through this agreement, the skills and assets of each sector (public and private) are



An international expert on PPPs, José Estrada Fernández is technical adviser & consultant for Spanish construction firm Typsa.

shared in delivering a service or facility for general-public use.

he has participated in more than 15 companies or partnerships societies that have developed 20 PPPs in 20 countries, with more than \$13.8 billion invested.

Estrada Fernández is technical adviser & consultant for Spanish construction firm Typsa, a company that has participated in more than 40 projects using the PPP financing structure.

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Estrada Fernández was on the island last week as keynote speaker during the 45th anniversary celebration of local firm Aireko Total Construction Solutions, which was directly involved in the construction of the island's first PPP, the Teodoro Moscoso Bridge, between 1991 and 1994. Since then,

LOCAL PPPs COULD FACE DIFFICULTIES

As for the main local PPPs the central government is trying to set up, namely for PR-22, the parking facility at Luis Muñoz Marín International Airport and the Port of the Americas in Ponce, Estrada Fernández commented these could face difficulties because of a lack of a more specific legal framework and a clear public policy to move them forward.

In his opinion, legislation should be enacted to specify the rules regarding PPPs and the nature and purpose of these projects.

"From my experience, for a PPP program to be successful, you need several conditions. The first one is a clear political decision to make it happen. Second, there must be a stable and adequate legal framework. Third, there must be political stability, meaning these long-term projects shouldn't be at the mercy of political decisions. The commitment is made by a country, not by a government. During the average lifespan of these projects, between 30 and 40 years, there could be eight, 10 elections. Politics must be put aside; otherwise, there will be problems," he added. ■