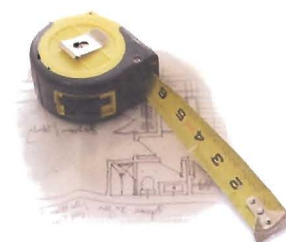


# Playing the long game

When approaching a PPP project in Portugal patience is important, says Manuel Protásio, although he is confident that the results are worthwhile.



**W**hen people talk about projects work in Portugal they should not underestimate the significant level of interest in PPPs, says Manuel Protásio, lead partner in the projects, energy and natural resources practice at Lisbon's Vieira de Almeida & Associados. "Portugal is a country where both companies and the government traditionally suffer from a lack of funds, and therefore welcome the opportunity for highly-leveraged debt."

Behind the headline glare of the most high profile Portuguese construction projects can be found a large number of smaller public private partnership (PPP) initiatives, says Manuel Protásio. The key issue for potential investors and operators however, he says, is do they have the endurance to see them through?

## Potential

There is no doubt that there is once again huge expectation surrounding projects work in Portugal, albeit primarily focused on the proposed €7bn high-speed rail links connecting Lisbon to Porto and to the border, and a new Lisbon airport which it is now said will exceed €6bn. But while both have long-been planned, there remains to be finalised however the financing packages to make them a reality.

Among the most recent initiatives, Manuel Protásio highlights the expectation of a new round of gas-fired power stations financed through non-recourse project finance; the EUR1.5billion implementation of more than 1000MW wind farm capacity recently awarded; and ongoing investment in the health service.

But while there is much proposed, and the government budgets and planning proposals paint a bright future, not everything he admits is followed through. "Ten new hospitals were proposed between 2002-05, but only four were put out to tender, with only three now ongoing, in the bid evaluation phase. The rest are yet to come."

"A major challenge facing investors interested in Portuguese projects and

PPPs is the amount of time it takes to get going, and to complete," he says. He notes the frustration of some, particularly when compared to the apparent success of similar developments in Spain. "What is proposed is often not that difficult, it is just that things move slowly."

Delay is an aspect that the government has proposed to tackle, along with the delineation of administrative responsibilities, and the complexities of the public procurement system, he says. While he also notes a growing awareness within the public sector that it is no longer financially viable to transfer to the commercial partner all the risk of a project.

"The government has made an effort, from the legal point of view, to stabilise PPP regulation, and proposed that the

**"A major challenge facing investors interested in Portuguese projects and PPPs is the amount of time it takes to get going, and to complete."**

Manuel Protásio, Vieira de Almeida & Associados.



relevant agencies assess and allocate risk issues before the start of the project." The intention he says is to reduce delays in negotiations, minimising construction and financial disputes during the execution phase of the project.

## Patience

"The fundamental characteristic required of investors to engage in Portuguese projects is patience," says Protásio, "and the need to factor in the price, the potential for risk management and delay from the outset."

Beyond this however, he believes that Portugal presents few commercial or regulatory surprises for pan-European operators. "15 years after the first wave of infrastructure projects, most of the international operators in the sector now have an understanding of the nuances of the Portuguese system, its laws and economics," he says. "What ultimately they require is the ability to retain an interest in a deal, and a willingness to stick around."

Quando se maneja un proyecto de PPP (Financiación Público-Privada) en Portugal, la paciencia es lo más importante, comenta Manuel Protásio, socio del despacho luso Vieira de Almeida. Detrás de los llamativos proyectos de construcción portugueses de más prestigio, afirma que se suele encontrar una cantidad considerable de pequeños proyectos de financiación público-privada. La principal cuestión para aquellos que están considerando invertir y para los operadores es saber si poseen la solidez para soportar procesos largos.