



Kuntarahoitus
MUNICIPALITY FINANCE 

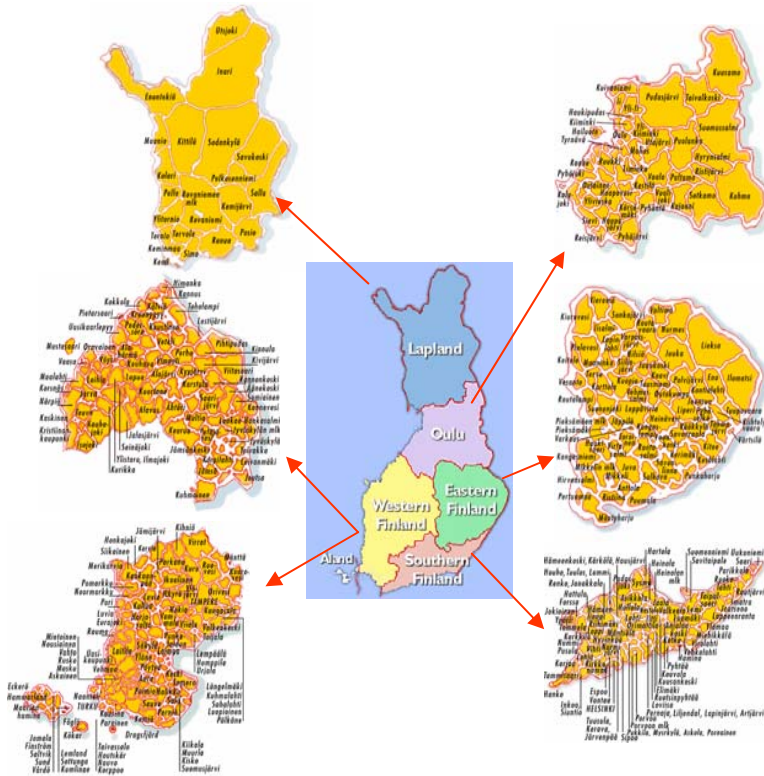
Prospects for using Public Private Partnership (PPP) in financing Finnish municipalities

Conferens: "Regions and Cities of Russia:
Organisation of financing of investment programmes"

Moscow
May 30rd, 2007
Kimmo Lehto

Finnish Municipal Sector

- Finland's local government sector is split into 6 provinces (Lääni), 20 counties (maakunta) and 416 municipalities.
- The autonomy of Finland's municipalities was confirmed in constitution 1917.
- Objective for municipalities can only be set by law and with sufficient possibilities for financing. Approximately 65% of municipal spending is set by central government.
- Under the 1995 municipal law 65.2§ and later amendments, municipalities have an obligation to balance their finances.
- Municipalities have an unlimited right to levy taxes



MuniFin in Brief

Municipality Finance Plc

- was established on May 2001 after merger of the former Municipality Finance Plc (1989) and Municipal Housing Finance (1993).
- is the only financial entity in Finland dedicated to serve Finnish Municipalities.
- has the best possible credit ratings: AAA & Aaa, A-1+ & P1
- is one of the largest credit institution in Finland (by Total Assets)

The Figures dec 31st, 2006:

- Total loans 5.1 bn euros
- Total assets 7 bn euros
- Profits 6 million euros
- Total own funds 102 million euros
- Personnel 35

Financial Advisory Services

- Municipality Finance provides not only funding to Finnish municipalities but also advises the public sector in finance-related issues

- We give financial advice to Finnish public sector clients. Our aim is to provide financial advice that is:
 1. Objective
 2. High quality
 3. Financially viable

- What has been done so far (05/2007):
 - Financial analysis of municipalities and/or entities owned by them and of their loan portfolios
 - Financial feasibility studies for different methods of financing infra and other investments
 - Assisted in arranging financing for investments and projects
 - Investment advisory including policy statements, asset allocation and manager/fund selection

The Finnish PPP -market

Track record

Järvenpää –Lahti Motorway 4

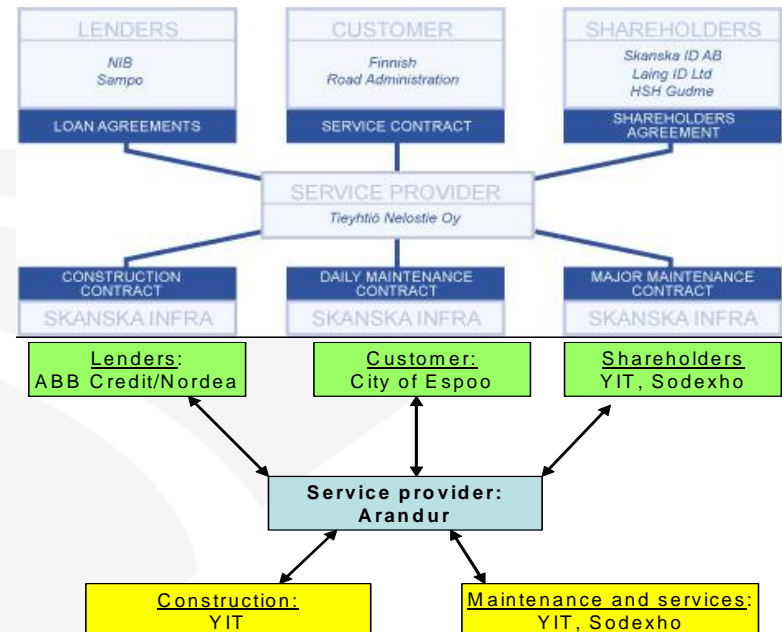
- 15 years concession starting 1997
- The value of the service agreement 210 m€
- The project was successful
 - The motorway was opened for traffic almost one year ahead of schedule
 - The accidents were substantially less

College in City of Espoo

- 25 years concession starting 2003
- The value of service agreement
- The project was successful
 - 40 % more visitors in swimming pool
 - Customers are very pleased

Lohja-Muurla Motorway (E18)

- 51 km new motorway
- 24 years concession starting 2005
- The total value of the agreement 638 m€
- The motorway is under construction
 - Open for traffic in Nov 2008 –almost two years before originally estimated



The Finnish PPP -market

Conclusions

- Each project has been successful
- Still the volume of the PPP –market is very limited
- The general opinion is critical towards the PPP
 - There has been criticism against the funding cost
 - The benefits of PPP have not received the media attention

Suggestions for improvements

- The understanding of PPP needs to be improved
 - PPP is procurement method. When comparing PPP we should compare PPP to other procurement methods
 - there are no centralised PPP advisory units Finland like Partnerships UK, Kenniscentrum in Netherlands, PPP Task force in German
 - The communication needs to be improved

The Finnish PPP -market

Prospects

1. There is need for PPP in Finland

- Public sector must become more efficient
 - more resources are needed in social and healthcare (ageing population)
- The maintenance of existing infrastructure requires more capital
- Finland needs to be competitive in international competition
 - When Russian economy is growing we need to be improve our infrastructure in order to develop the trading environment (Roads, rails, harbours etc)

2. The new government is willing to continue using the PPP –scheme

- The current government is favorable

3. Prospective projects for PPP in next couple of years

- The western metro line from Helsinki to Espoo
 - 13 km extension to City of Espoo
 - Investment cost ca 450 million euros
- The E18 eastern part from city of Porvoo to the eastern border (EU TEN)