

A study conducted by the European PPP Expert Center (EPEC) on State Guarantees in PPPs, published in 2011.

The study highlights, PPP Guide to Better Evaluation, Design, Implementation and Management and further, talks about disadvantages and advantages of State Guarantees.

Why this read is so important?

State Guarantees can be used for many purposes. They have proved valuable instruments to address market imperfections that may hold up the delivery of PPP programmes and/or projects. However, they raise many issues and can create perverse incentives. As a result, Governments need to dedicate efforts and resources to evaluating, designing and implementing them, and managing them once they are in place. This paper stresses that for SGs to help, they need to be tailored to the specific issues and circumstances and their consequences need to be fully understood. Above all, it is worth bearing in mind that an SG has real resource consequences for both the Government and the PPP projects. SGs may have an important role to play in making good projects bankable. They can never make a poor project good.