

## Fourth Annual Meeting of Senior PPP Officials

### New institutional and market developments

- The European PPP Market in 2010
- Upcoming issues
- EPEC's work programme

\*\*\*

Nicholas Jennett, Head of EPEC

European Investment Bank

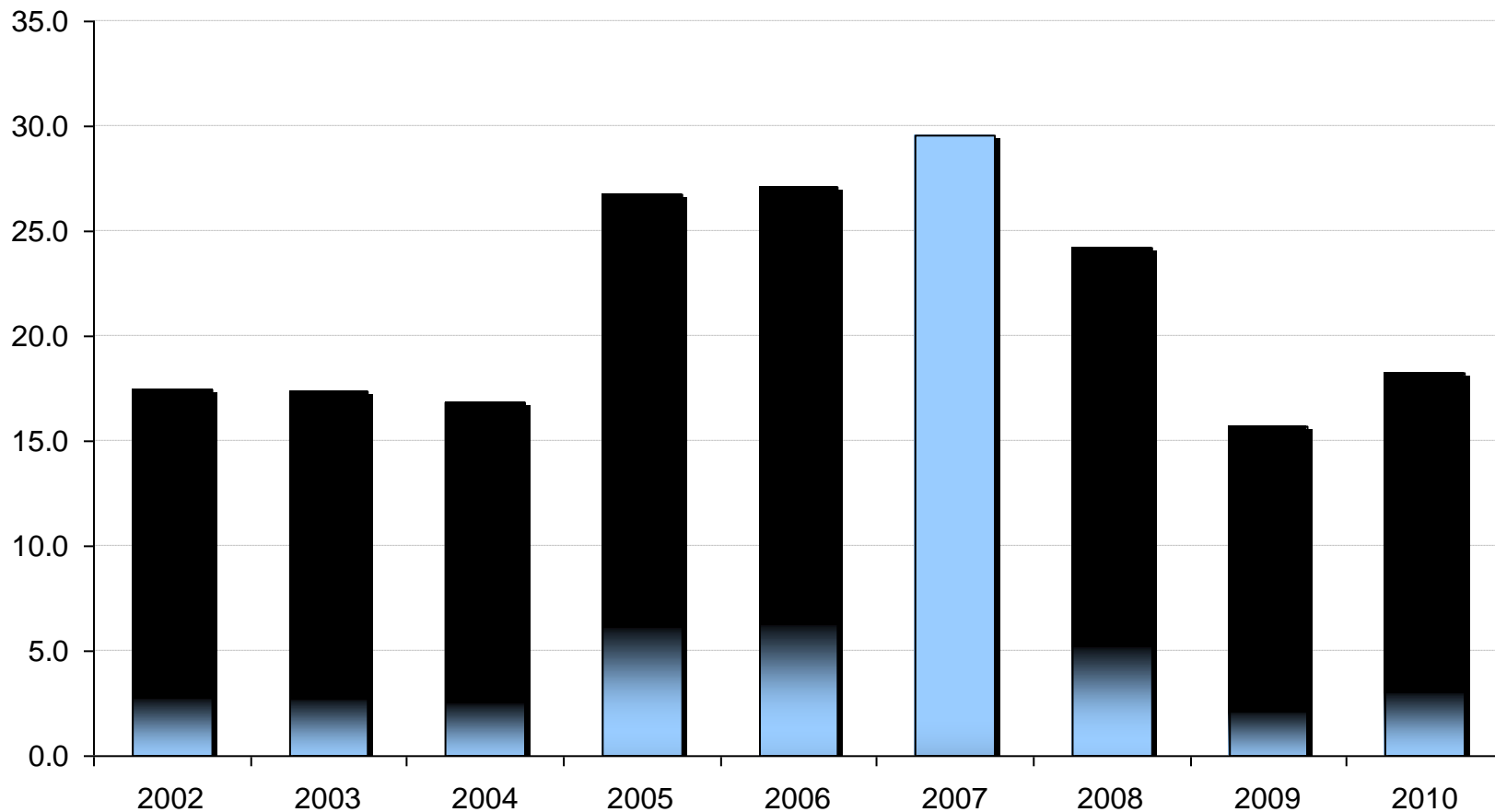
## I - The European PPP Market in 2010

### The database

- The database covers PPP transactions that reached financial close in 2010.
- It includes project financed, PPP infrastructure investments with a minimum capital value of EUR 5 million.
- Data sources are specialised journals and commercial data bases. Cross-checked, where appropriate, against EIB's own project files.
- The list of PPP projects is validated, where possible, by EPEC members.

## 2010 : a year of improvement

Value (EUR billion)



## Overview

- In 2010, over EUR 18 bn and 112 transactions.
- The UK remains the most active market in number of deals (44) but Spain was the largest market in terms of value (EUR 4.4 bn).

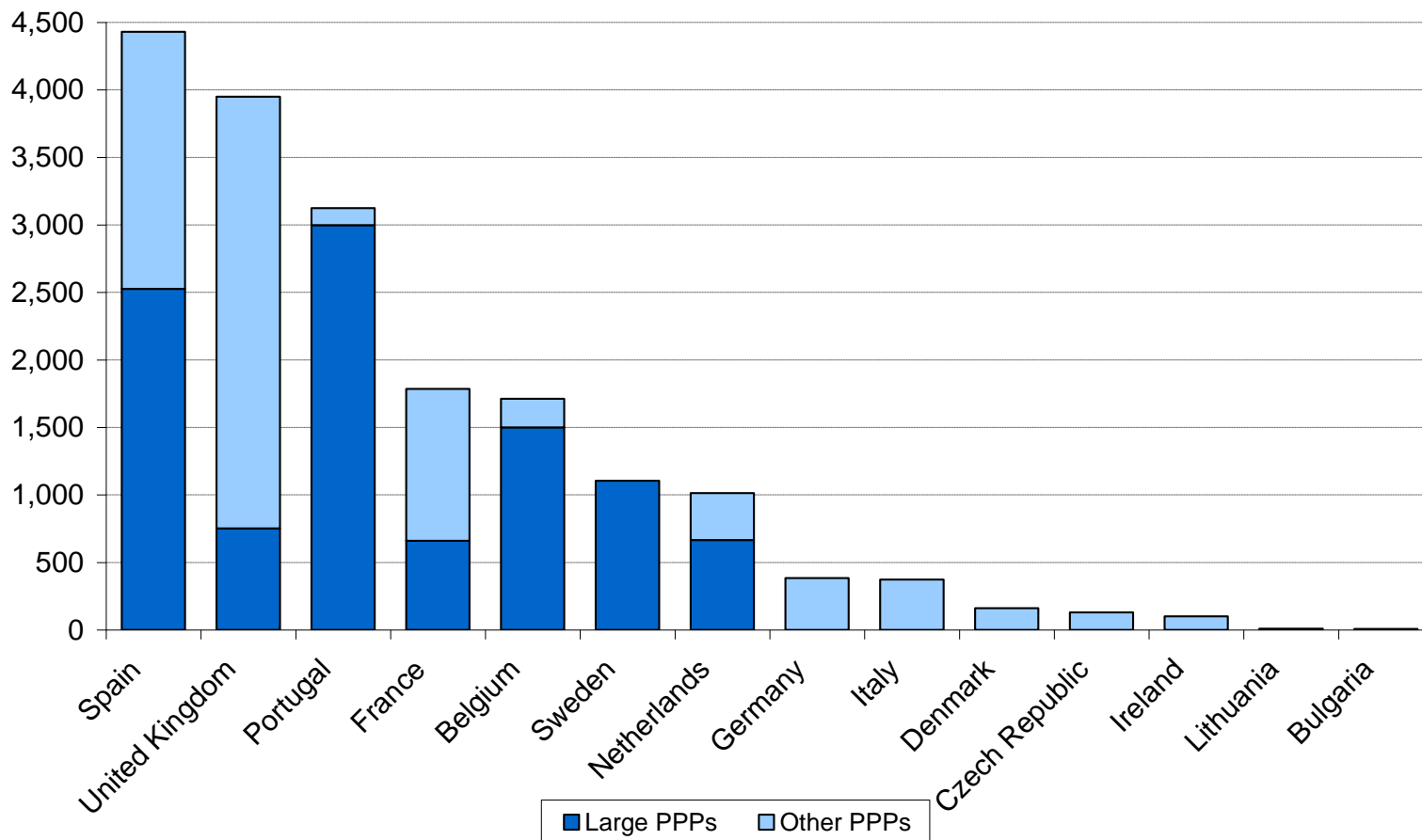
## Sectors

- For the first time, the market share of the 'non-transport sectors' is above 50%.
- Rising share of Education and Healthcare.
- Significant number of 'General Public Services' transactions (e.g. leisure and sport centres).

## Return to large PPPs ?

55% of the PPP market value are projects in excess of EUR 500 m.

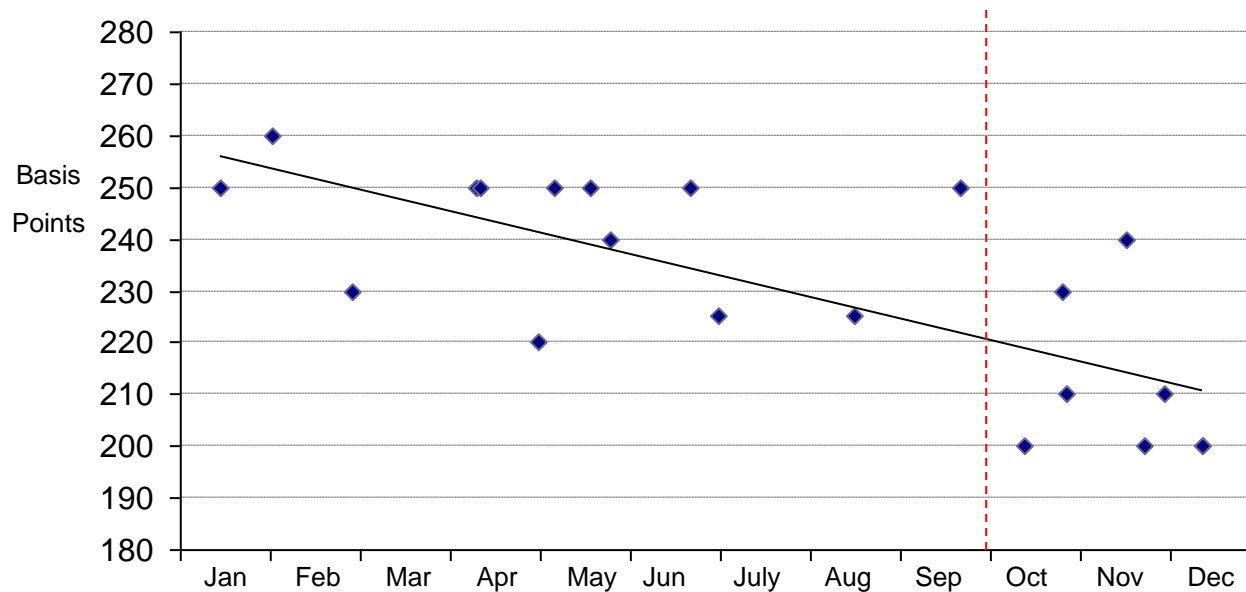
Value EUR million



## Financing terms

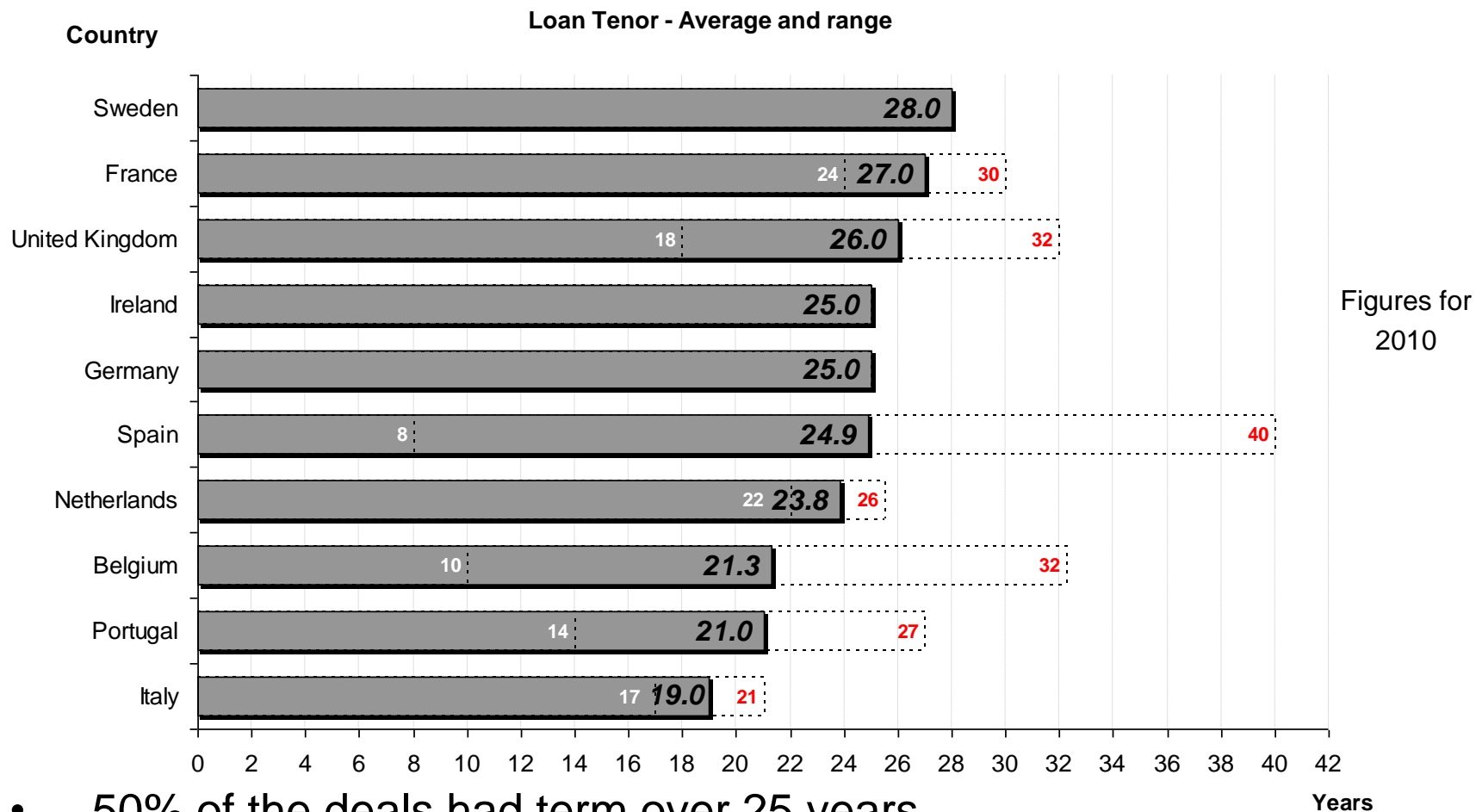
- Some evidence of slow pricing improvements.

### UK debt margins in infrastructure PPPs, 2010



## Financing terms

- Term financing has re-emerged.



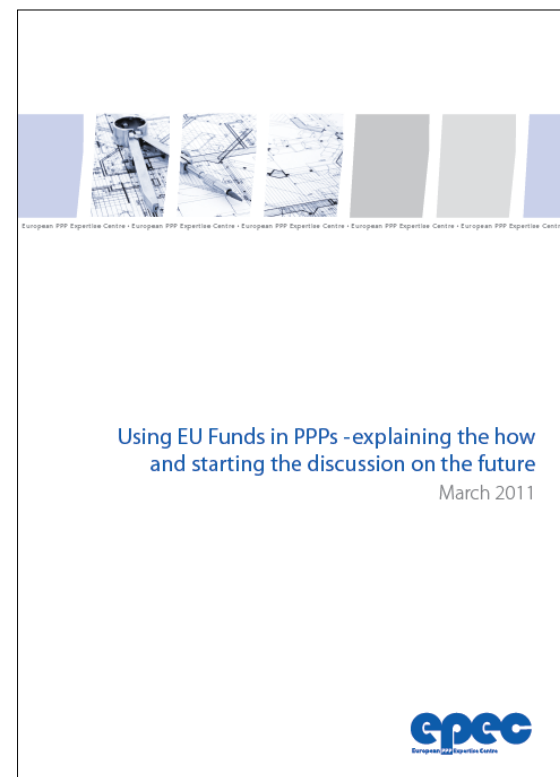
- 50% of the deals had term over 25 years.

## II – Upcoming Issues

- Changed drivers for PPPs related to move from financial to fiscal crisis.
- Key theme will be smarter (better leveraged) use of public funding.

### Combining EU funds and PPPs

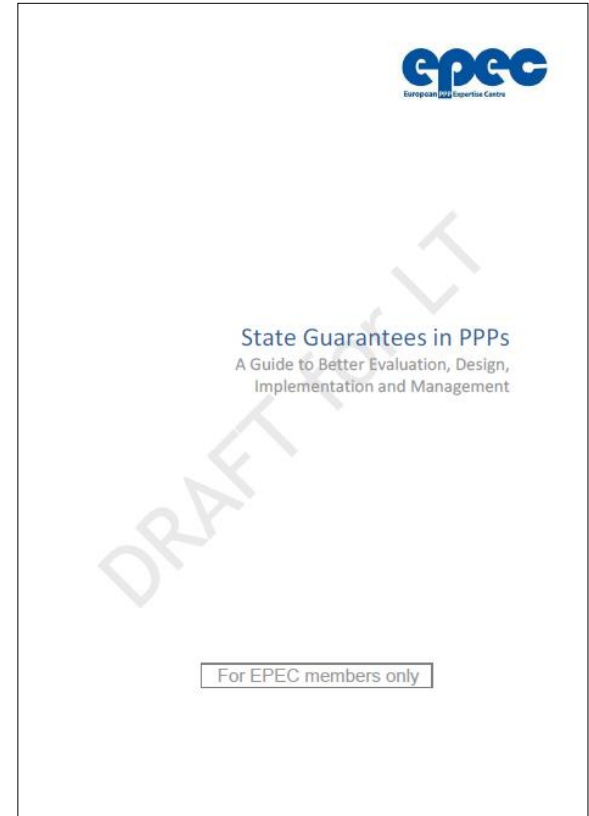
- Use of “financial instruments” will be an important theme of Structural Funding post 2014.
- Partly driven by meeting the co-financing requirement – partly by efficiency/effectiveness considerations.
- Need to address simultaneous constraints imposed by
  - SF Regulations
  - interface with national law regulations and practice





## State Guarantees

- Arrangements under which a sovereign or assimilated entity agrees to bear certain risks of a PPP project.
- Usually unfunded, contingent liabilities which can offer “value for money” use of public resources to address market failure.
- Considerable experience across EU – and increasing interest amongst countries developing PPP programmes.



## The EU 2020 Project Bond Initiative

- The Europe 2020 Strategy identifies infrastructure investment needs of the order of EUR 1.5-2 trillion over the next 10 years.
- The initiative will raise available debt financing for large scale infrastructure projects by supporting bond issuance of project companies and attract a maximum of private sector funding in capital markets.
- Targets institutional investors with long-term liabilities who meet regulatory rating requirements for their investments:
  - Pension funds
  - Insurance companies

## How does it work?

- Designed to credit enhance senior debt. Target ratings A- (or better) but not full AAA wrap.
- Two basic models
  - (a) funded
  - (b) unfunded.
- Unfunded option covers shortfalls
  - (i) during construction
  - (ii) for debt service.
- The subordinated tranche could amount to up to 20% of senior securitised project debt.
- ‘Market’ fees

## What are the next steps?

- Stakeholder's consultation to gain feedback from market participants and decision-makers until May 2<sup>nd</sup> 2011.
- Consultation paper available online:
  - [http://ec.europa.eu/economy\\_finance/consultation/index\\_en.htm](http://ec.europa.eu/economy_finance/consultation/index_en.htm)
  - Conference on April 11<sup>th</sup> 2011
- Legislative Proposal in Summer 2011
- Operational by 2014

## III – EPEC’s work programme

- EPEC Work Streams:
  - Eurostat Guidance
  - State Guarantees in PPPs
  - Combining EU-funds and PPP
  - Value for Money
  - RDI, energy efficiency
- Institutional strengthening:
  - Bilateral support
  - Development programme





Nicholas Jennett

\*\*\*\*

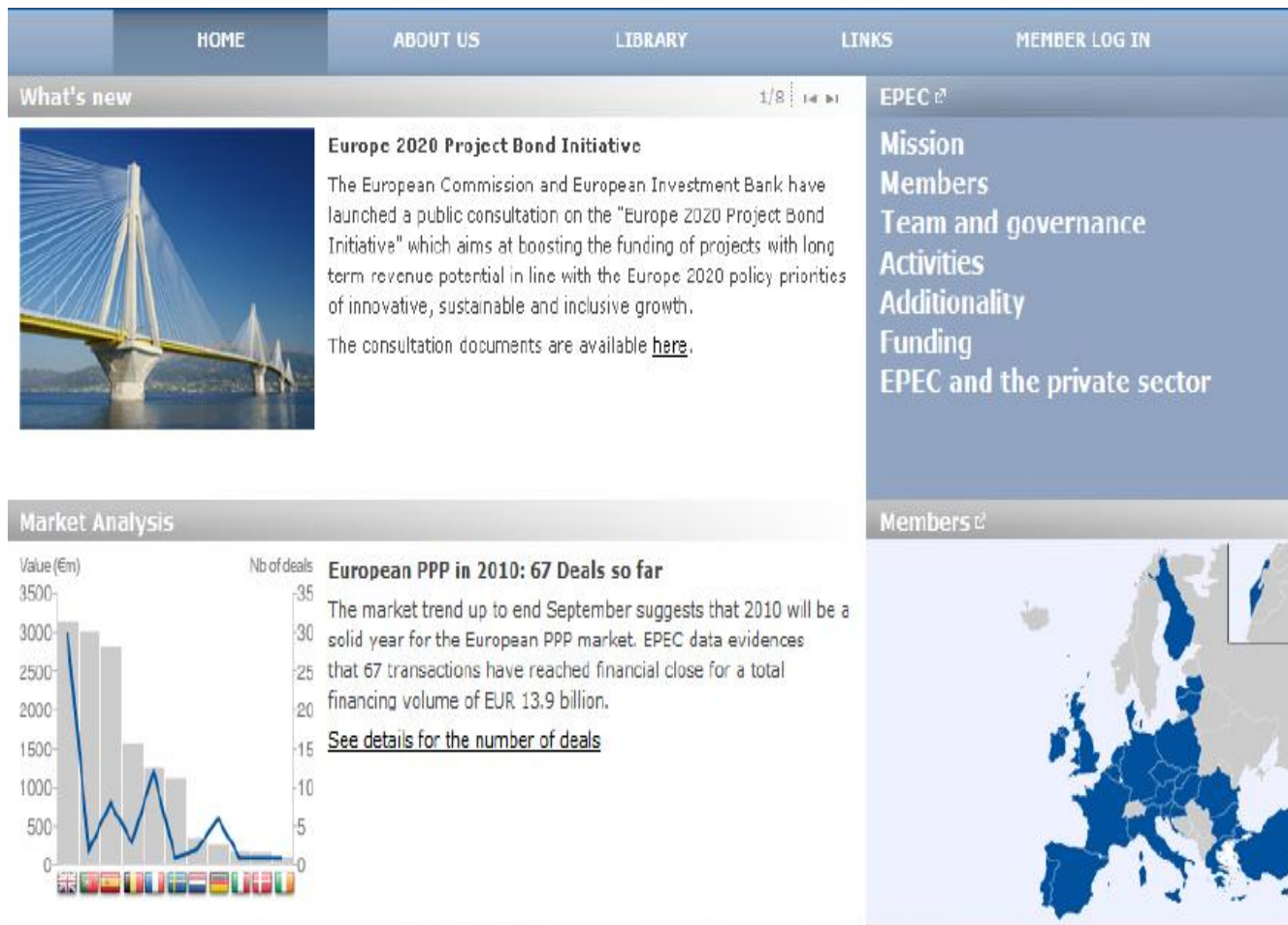
European PPP Expertise  
Centre

[epec@eib.org](mailto:epec@eib.org)

Telephone: +352 4379  
85434

\*\*\*\*

[www.eib.org/epec](http://www.eib.org/epec)



The screenshot shows the EPEC website interface. At the top, there is a navigation menu with links for HOME, ABOUT US, LIBRARY, LINKS, and MEMBER LOG IN. Below the menu is a 'What's new' section featuring an article titled 'Europe 2020 Project Bond Initiative'. The article includes a photograph of a cable-stayed bridge and text stating that the European Commission and European Investment Bank have launched a public consultation on the initiative. To the right of the article is a sidebar with a list of navigation items: EPEC, Mission, Members, Team and governance, Activities, Additionality, Funding, and EPEC and the private sector. Below the 'What's new' section is a 'Market Analysis' section with a chart and text. The chart is a dual-axis chart showing 'Value (€m)' on the left y-axis (0 to 3500) and 'Nb of deals' on the right y-axis (0 to 35). The x-axis represents different countries, with flags shown below the bars. The text in the 'Market Analysis' section states: 'European PPP in 2010: 67 Deals so far'. It notes that the market trend up to end September suggests that 2010 will be a solid year for the European PPP market, with 67 transactions reaching financial close for a total financing volume of EUR 13.9 billion. A link is provided to see details for the number of deals. On the right side of the 'Market Analysis' section, there is a 'Members' section with a map of Europe.