

Annual Call for Proposals 2011: Priority 4



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TEN-T Info Day

31 January 2012



Investment Requirements for EU Transport Infrastructure

- **€1.5 trillion in identified investment needs to establish an integrated EU transport system by 2030 :**
 - TEN-T requires €500 billion by 2020
 - Core Network requires €250 billion by 2020
 - Estimate based on discussions with MS on their project portfolios
- EU policy response includes increasing the efficiency of infrastructure investment through ‘Smart funding’ initiatives such as those contained in the proposed Connecting Europe Facility
- Focus on those initiatives involving promotion of private sector participation

Policy response to funding gap: Promote private sector participation

- **The proposed Connecting Europe Facility (CEF) meets ‘smart funding’ objectives:**
 - Opening up new sources of funds such as the capital markets in addition to bank lending by:
 - increasing the use of innovative financial instruments relative to grant funding
 - Increasing the flexibility of innovative financial instruments to respond to changing market conditions and investment needs
 - Grant funding for projects with significant user-based revenue sources shall be primarily available for purposes of project preparation, in particular PPP assessment.
 - Efficient allocation of scarce grant resources to projects of highest EU value add but low financial viability
- **To be effective, this policy response must also:**
 - Better coordinate the public and private stakeholders within the TEN-T
 - Optimise the use of available funds in the public and private sectors

Current TEN-T Programme support for PPPs preparation: pave the way to the future

- The TEN-T Programme contributes to the optimisation of public and private sector funding through coordination of EU resources:
 - Building institutional capacity within Member States
 - Provision of funding to EPEC
 - Design and co-funding of innovative financial instruments with EIB
 - Provision of co-funding for innovative financial instruments such as the proposed pilot phase EU Project Bond Initiative, building on success of LGTT
 - Support for PPP project preparation
 - Provision of grant funding for project preparation targeting PPP screening and PPP tender preparation

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Outcome: development of an EU level PPP project pipeline



2011 Annual Call Support for PPPs

Objective for Priority 4

- Creation of an EU level PPP project pipeline within the TEN-T will:
 - Provide a clear signal to private sector of long term public sector commitment to PPPs
 - Give EU level visibility to selected projects, facilitating access to innovative financial instruments such as EU project bonds
 - Preserve grant budget for unviable PPPs through careful screening for PPP suitability
 - Ensure projects using a PPP procurement are thoroughly assessed for value for money and are well-structured

Priority 4 – Support for PPPs

Key Requirements

- Project proposals submitted under Priority 4:
 - Should focus on one of two main phases of project preparation:
 - Project selection and assessment of PPP option
 - » Development of the business case through value for money assessment
 - Pre-tender stage: Detailed studies to prepare for procurement
 - » Refining the value for money through detailed technical studies, precise risk analysis, funding and financing options, and draft PPP contract, prepare tender documents

Priority 4 – Support for PPPs

Project selection and assessment

- Feasibility studies necessary for value for money assessment and preparation of business case:
 - Market scan: marketability, constraints, synergies
 - Risk analysis – identification, pricing, allocation
 - Affordability – funding and financing models, including revenue generation studies, payment model options
 - Identification of output requirements, standards
 - Development of public sector comparator and ‘shadow bid’
 - Finalise initial business plan and next steps project management and planning

Priority 4 – Support for PPPs

‘Mature’ PPP proposals

- Detailed project preparation phase, studies necessary to bring project to tender:
 - Further technical studies to define preferred solution: output requirements and service quality standards
 - Financial studies to explore sources of financing, including capital markets solutions
 - Further studies necessary to refine financial model, (‘shadow bid’)
 - Preparation of draft PPP contract
 - Define bid evaluation criteria

NOTE: Proposals concerning a ‘mature’ PPP should include their value for money assessment in annex

Special Considerations for Priority 4 proposals

- Special considerations for applicants:
 - Additional specific award criteria in call text for each of the evaluation criteria: relevance, impact, maturity and quality
 - Revised guidance questions for Form B2, point 4.10
 - Co-funding of 50% reflecting studies only
 - Minimum EU contribution €500.000
 - Maximum EU contribution €2.500.000
 - Results expected include:
 - Development of a systematic approach to PPP screening of projects
 - Development of EU level PPP project pipeline

Thank you

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