

Public-Private Partnerships in TEN-T project financing



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1. Introduction to EIB
2. Focus on TEN-T Activity
3. Approach to PPP operations

The European Investment Bank (EIB)

Long-term Finance Promoting European Objectives



- European Union's long-term lending bank set up in 1958 by the Treaty of Rome.
- Shareholders: 27 EU Member States
- Governance
 - Board of Governors – EU Finance Ministers
 - Board of Directors - Member States & European Commission
 - Management Committee –EIB's executive body
 - Audit Committee – independent, non-resident

- Within the Union:
 - Cohesion and convergence
 - Small and medium enterprises
 - Environmental sustainability
 - Innovation 2010 Initiative (i2i)
 - **Trans-European Networks (TENs)**
 - Sustainable, competitive and secure energy

Value Added



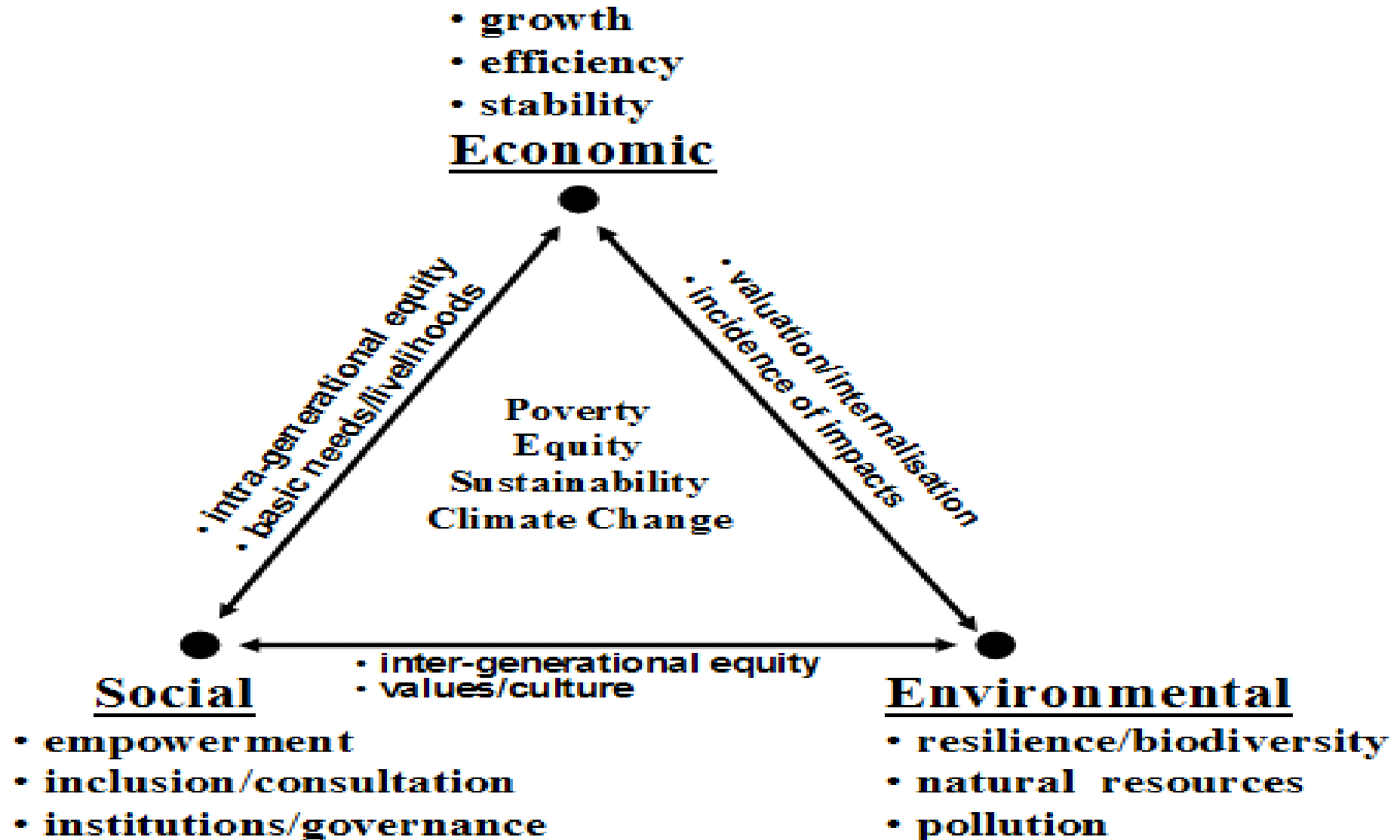
- Value-Added of the Bank's lending activities:
 - Support for EU priority objectives
 - Project quality and soundness
 - Financial benefits of EIB funds
 - Technical assistance
 - Project assessment

The EIB project cycle



EIB project cycle

Sustainability a multi-dimensional concept



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The EIB Transport Lending Policy

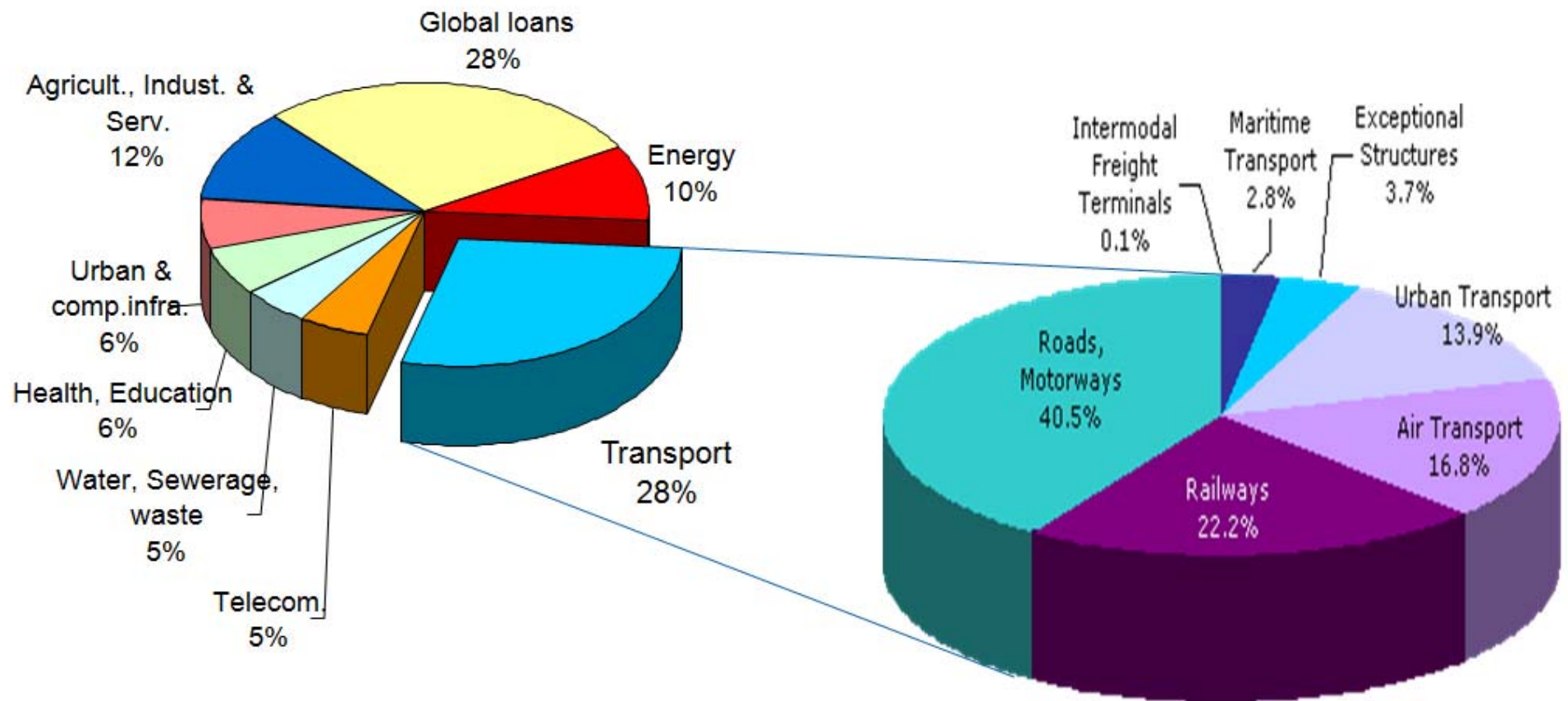
- EIB transport lending is driven by and in support of EU policies
- “A renewed policy for EIB lending to the transport sector”, October 2007, available under www.eib.org
- EIB Guiding principles and selection criteria (abridged)
 - Mobility is essential for the free movement of people and economic growth. EIB strives for the most efficient, most economic and most sustainable way of satisfying transport demand.
 - The EIB will continue its strong commitment to the funding of TENs as the backbone of transport investment in the EU and essential for the functioning of the internal market.
 - Funding railways, inland waterways and maritime projects will continue to be a priority as these are intrinsically the most promising in terms of reducing greenhouse gas emissions per transport unit. The same applies to urban transport and inter-modal hubs.
 - Further emphasis will be given to RDI activities with vehicle manufacturers whatever the sector involved. This should primarily focus on ensuring energy efficiency, emissions reduction and safety enhancement.
- The EIB Transport Lending Policy is currently under review. EIB has recently launched a **public consultation** (www.eib.org) and encourages stakeholders to share their views.

“Europe 2020”, the EIB and Transport Lending



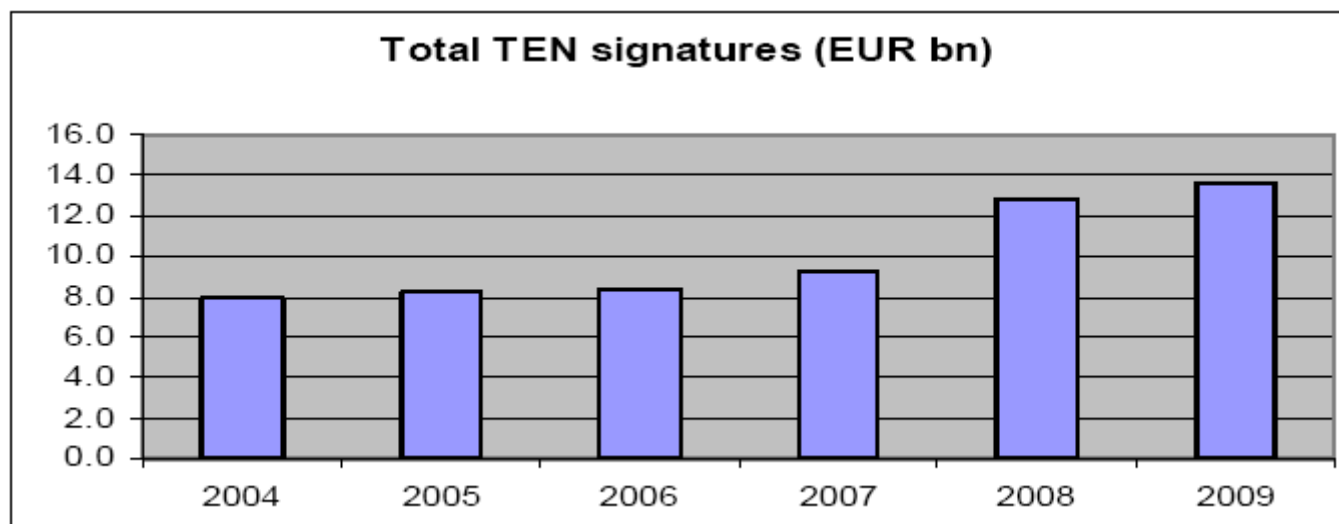
- The “Europe 2020” Strategy was endorsed in March 2010 by the European Council
- “Europe 2020” Priorities:
 - Priority 1: Smart growth (Innovation, Education, Digital Society)
 - Priority 2: Sustainable growth (Climate, Energy and Mobility, Competitiveness)
 - Priority 3: Inclusive growth (Employment and Skills, Fighting Poverty)
- Working Groups to determine how the EIB can best support the new policy framework
- Preliminary outcomes
 - EIB well placed with its current product portfolio
 - Refinement of EIB offers in order to close market gaps that have become visible during the recent economic and financial crisis
- EIB does and will continue to support of safer/smarter/cleaner transport infrastructure and vehicles

EU total lending by sector 1998-2008: EUR 423 billion



EIB is actively involved in developing all major sub sectors of the Transport Sector, intermodality, interoperability and telematics.

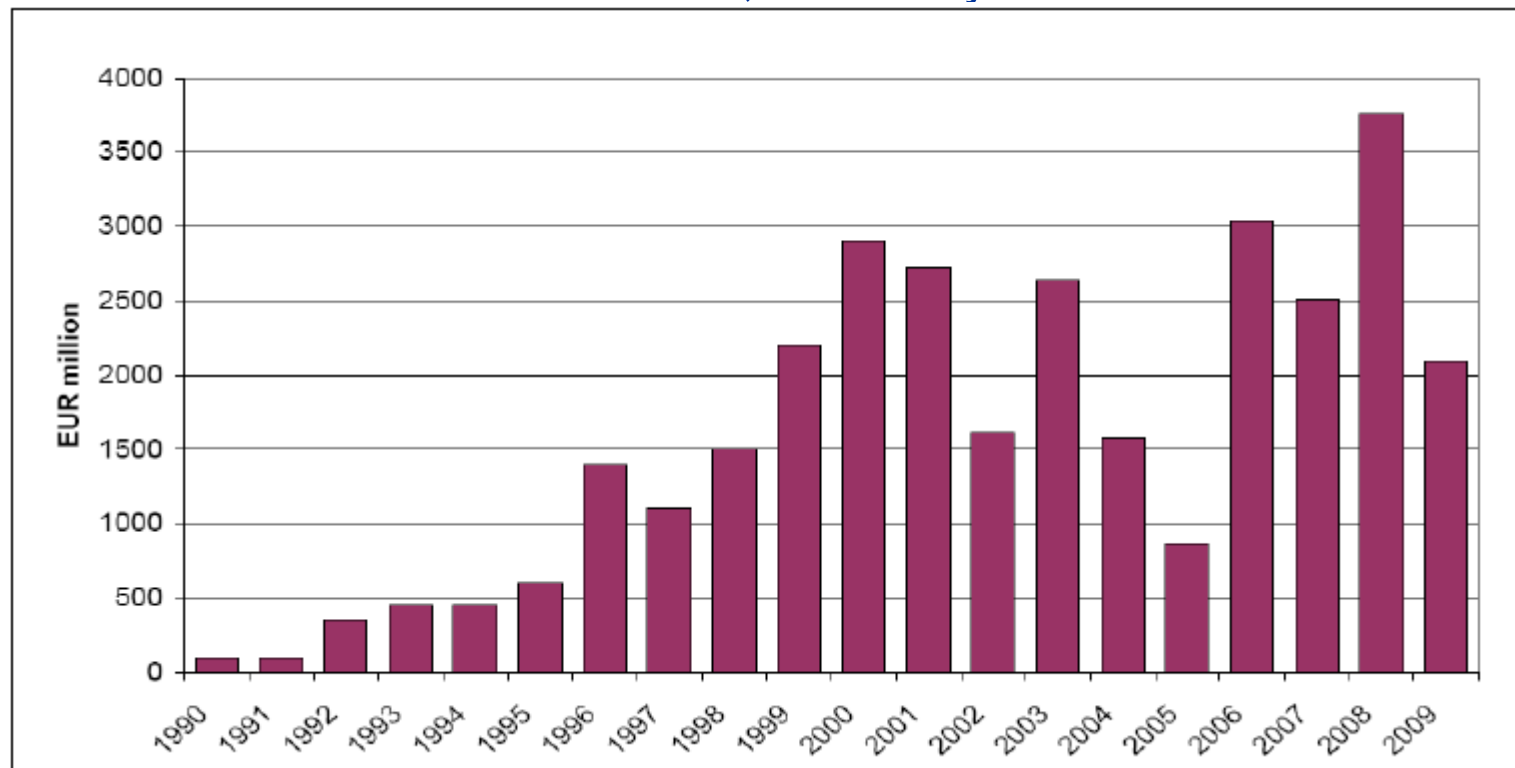
EIB TENs lending



TEN	EUR bn	2004	2005	2006	2007	2008	2009
TEN	EUR bn	7.9	8.2	8.3	9.7	12.6	13.9
TEN-E		1.3	0.9	0.4	1.4	2.7	2.0
TEN-T		6.6	7.3	7.9	8.3	9.9	11.9
TEN-T							
Priority Projects		2.2	2.9	2.7	3.1	3.2	1.8
Other Projects		4.4	4.4	5.2	5.2	6.7	10.1
PPP in TEN-T		0.3	0.2	1.3	0.9	2.9	1.1
Senior loans		6.6	7.1	7.9	7.8	8.3	11.1
SFF in TEN-T		0.0	0.2	0.0	0.5	1.6	0.8

EIB as a financier of PPPs

- PPP an important additional instrument for infrastructure investment
- EIB active in PPP since 1990
- The Bank is now Europe's foremost funder of PPP projects.
- Portfolio of 120 projects and investment of around EUR 25 billion
- Signatures in 2008 > EUR 3.5 billion, in crisis year 2009 > EUR 2 billion.



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Principles for PPP operations

Main Principles

- ✓ Non-discrimination
- ✓ Complementarity
- ✓ Public benefit
- ✓ Project Risk

- Non-exclusive support of bidders during bidding phase.
- Cooperation with banks/capital markets to deliver the best possible financial structure.
- EIB benefits must reach the public sector and/or the end-users.
- Positive approach to project risk.

Main Requirements – Sustainability

Main Requirements

- ✓ Eligibility
- ✓ Procurement
- ✓ Environment
- ✓ Feasibility
- ✓ Credit risk

- Project scope must fall under EIB eligible sectors (e.g. transport, environment, energy, education, health, etc).
- EU procurement rules, particularly publicity and competition, and environmental legislation must be observed.
- Technical and economic feasibility must be demonstrated under conservative assumptions.
- Satisfactory credit risk level under EIB own assessment.

EIB Value Added in PPP operations



Main
Value Added

- ✓ PPP expertise
- ✓ Public sector knowledge
- ✓ Public sector lender
- ✓ Catalytic effect
- ✓ Product range

- Extensive know-how in different countries, sectors and types of PPPs.
- Advising experience to Public Authorities and also EU institutions.
- Wide recognition as reliable long-term lender to each the public and private sectors.
- Offers further assurance of the PPP's technical and economic feasibility.
- Product features adaptable to PPP particularities (e.g. LGTT for TEN-T).

PPP “key” factors

“Keys” for
successful PPPs

- ✓ Legal framework
- ✓ Political commitment
- ✓ Public sector involvement
- ✓ Economic fundamentals
- ✓ Competitive procurement
- ✓ Risk-reward transfer.

- A clear legal framework and a wider political support are key for attracting private sector long-term investors.
- Dedicated and experienced Public Sector team.
- Economics must support private investment.
- Transparent, competitive and consistent procurement.
- A realistic and balanced distribution of risks-rewards between private and public sectors.
- Precise and objectively measurable output definitions.

Difficulties encountered in PPP financing

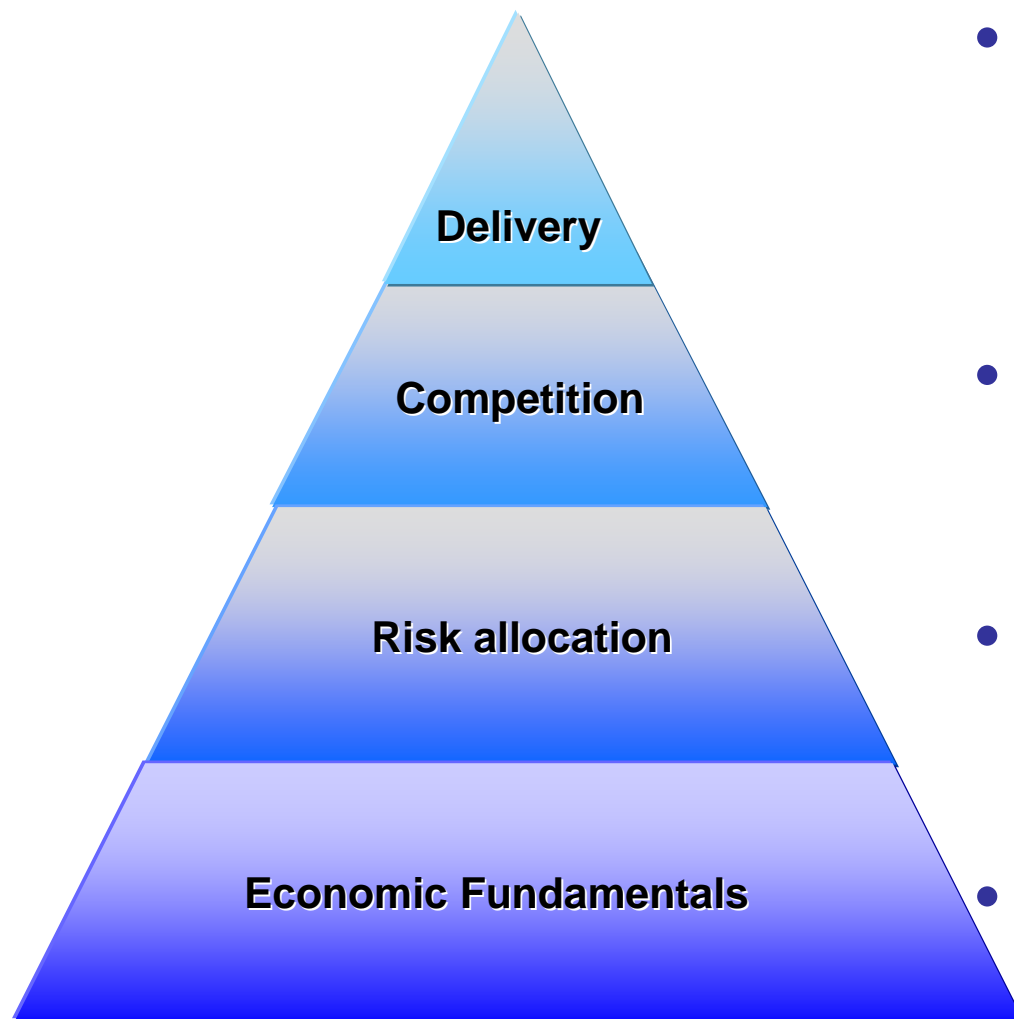
EIB hurdles for successful PPP financing

- ✓ Weak project preparation.
- ✓ Public procurement restrictions.
- ✓ Large number of short-listed bidders.
- ✓ Short financial close periods.

- EIB reviews existing documentation, but it does not undertake the public promoter's work.
- Some project information may be reserved to bidders.
- EIB can work at BAFO phase with multiple bidders in parallel.
- EIB requires approval on final project terms and financial structure.

“Two-step” approach for approval helps this process.

PPP Programmes: Key success factors



- **Public sector's capacity to manage its side of PPP and stable political commitment**
- **Competitiveness of bidding process**
- **Appropriateness of risk sharing – value for money**
- **Economic fundamentals – viability and affordability**

For more information...



<http://www.eib.org/>

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