

Project Finance and PPPs: Supporting Public Private Partnerships



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TEN-T EA

Financial Engineering Sector

Background to Financial Engineering Sector:

- Newly established sector within Unit T4 of the Agency
- Provision of technical assistance to beneficiaries regarding the financial structure of TEN-T projects
- Initial focus -> increase private sector participation:
 - 2010 Annual Call funds for PPPs
 - Review of existing TEN-T programme and available instruments for PPPs
- Goal: coordinated project preparation that will optimise the use of private and public funds



Current TEN-T budget support for PPPs

- Loan Guarantee for TEN-T projects:
 - a contribution of €500.000, matched and managed by EIB, to provide early stage risk mitigation to PPPs with demand-based payment mechanisms
- €80 million to Marguerite Fund: equity risk capital, managed by EIB
- Request for Grants under Calls for Proposals:
 - grants for studies and/or works
 - grants for construction works in the context of availability payment schemes



Building a solid foundation

- Building Block: Priority 3 of the 2010 Annual Call
 - €7 million in funding for studies for projects with PPP potential
 - 50% co-funding translates to €14 million in support for PPPs
- Pilot exercise to further determine ‘state of play’ for TEN-T PPPs:
 - Encourage beneficiaries to take the first step towards PPP procurement
 - Support for existing PPP initiatives to bring them to maturity
 - Establish a pool of potential PPP projects
 - All parties to gain experience in PPP project preparation



Building a solid foundation

Some examples:

- A project has a potential revenue stream but needs a demand risk assessment and examination of the legal basis
- A beneficiary has several toll road projects in the pipeline and wants to develop a value for money assessment
- An applicant needs to conduct affordability studies in order to choose between revenue-based PPP or availability-based PPP procurement options
- An applicant has a project that could be adapted to a PPP but needs an intensive risk analysis



Looking forward...

- Use Agency-beneficiary experience to adapt:
 - Financial instruments, regulations
 - Grant decision model to suit PPPs
 - Selection and evaluation procedures
 - New initiatives
- Current Analysis of EU support for PPPs:
 - EU institutional support is firm but fragmented
 - >Need for a PPP coordination framework
 - TEN-T instruments are a step in the right direction
 - >Need fine-tuning and expanding
 - Capital market funding is untapped potential
 - >Need consistency of approach to realise possibilities



...to the future

- **Gradual evolution:**
 - Common standards of assessment and preparation
 - Coordination of EU funding and other tools to support PPPs
 - Capital markets potential unleashed
- **Coordination with other EU services and institutions:**
 - EIB on financing, REGIO on project preparation and funding
 - DG MOVE, Sec Gen, MARKT, ECFIN on policy matters such as legal framework, procurement procedures, financial instruments
 - EPEC on sharing of best practice in all aspects of PPP procurement
- **Building a framework for project screening and assessment for PPPs:**
 - Develop best practice across the EU, strengthen overall project preparation

**RESULT: coordinated project preparation
and optimised private and public funds**



Reality check

TEN-T EA financial engineering sector can help you today:

- Provide technical support on issues such as:
 - Questions related to the Call
 - Technical questions on TEN-T PPP instruments
 - PPPs and Procurement issues
- Liaise with other services, particularly EPEC, to increase institutional capacity to assess and manage PPP projects



Reality challenge

We need to develop a systematic approach to PPP procurement:

–Use projects selected under 2010 Annual Call priority 3 to:

- Assess the current EU level funding support
- Assess the non-financial needs of beneficiaries
- Identify and address the missing links

–Funding is always available for well-prepared projects



Thank you



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