



Market Update

Review of the European PPP Market in 2017

Headlines

- 42 PPP transactions reached financial close for an aggregate value of EUR 14.4 billion
- In value terms, the market increased by 22% compared to 2016
- In number terms, the market decreased by 38% compared to 2016
- The most active markets were Turkey (by value) and the UK (by number of projects)
- 12 countries closed at least one PPP project
- Transport was the largest sector in terms of value and jointly by number of projects (with the education sector)
- Over 60% of the transactions closed were government-pay PPPs

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Data Collection and Methodology

The data used in this publication are EPEC's own aggregation of information collected from a variety of sources, in particular Dealogic ProjectWare, Inframation, Partnerships Bulletin, IJ Global and Inspiratia, cross-checked, where appropriate, against the EIB's own project files. The list of PPP projects forming the dataset has been reviewed, where possible, by EPEC members. Project data contained in this publication may be subject to future revisions due to the late availability of information or corrections to previously reported values. Please note that the PPP pipeline section of this publication is under development. The data and the findings of this publication should therefore be treated with appropriate caution.

This publication covers:

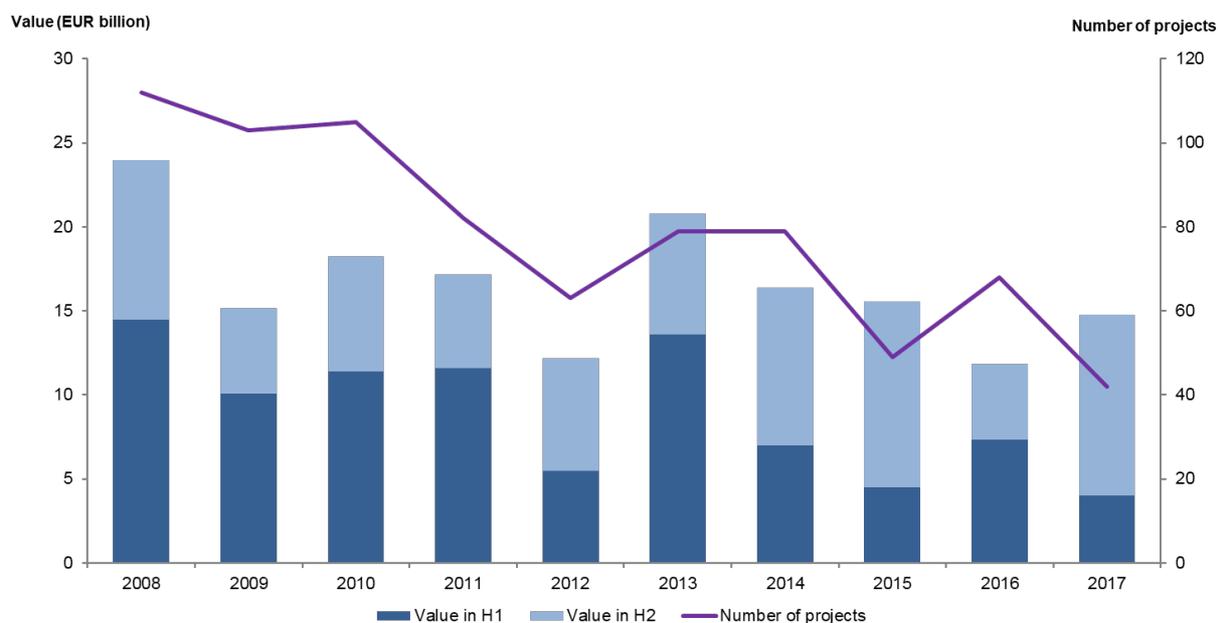
- transactions in EU-28 countries as well as Turkey and countries of the Western Balkans region (i.e. Albania, Bosnia-Herzegovina, FYROM, Kosovo, Montenegro and Serbia);
- transactions structured as design-build-finance-operate (DBFO) or design-build-finance-maintain (DBFM) or concession arrangements which feature a construction element, the provision of a public service and genuine risk sharing between the public and the private sector;
- transactions financed through 'project financing'; and
- transactions of a value (see definition below) of at least EUR 10 million.

The project values quoted in this publication refer to the external financing requirements for projects at the time of financial close (i.e. the sum of debt and equity) and exclude public capital contributions. Readers should note that the external financing requirement of a project can be significantly different to its capital investment cost (the latter being difficult to obtain on a consistent basis).

1. OVERVIEW

- In 2017, the aggregate value of PPP transactions that reached financial close in the European market¹ totalled **EUR 14.4 billion**, a 22% increase from 2016 (EUR 11.8 billion).

Figure 1: 10-year view of the European PPP Market by Value and Number of Projects (2008-2017)



- However, the number of PPP transactions reaching financial close fell to **42**, compared to 68 in 2016. This is the lowest number of transactions since 1997.
- Put together, this means that the **average transaction size increased** to EUR 351 million (EUR 174 million in 2016).
- **Eight large transactions² closed**, compared to six in 2016. Their aggregate value amounted to EUR 10.2 billion, representing 69% of the total market value (compared to 42% in 2016). The large transactions reaching financial close in 2017 were:³
 - Pedemontana Veneta toll road – (EUR 2.8 billion) in Italy;
 - Northern Marmara motorway - Kurtköy-Akyazı section – (EUR 1.8 billion) in Turkey;
 - Istanbul Ikitelli health campus – (EUR 1.1 billion) in Turkey;
 - Grand Est broadband network – (EUR 1.1 billion) in France;
 - Northern Marmara motorway (Kınalı-Odayeri section) – (EUR 1.1 billion) in Turkey;

¹ Defined as EU-28, countries of the Western Balkans and Turkey.

² Defined as deals of EUR 500 million or more in value.

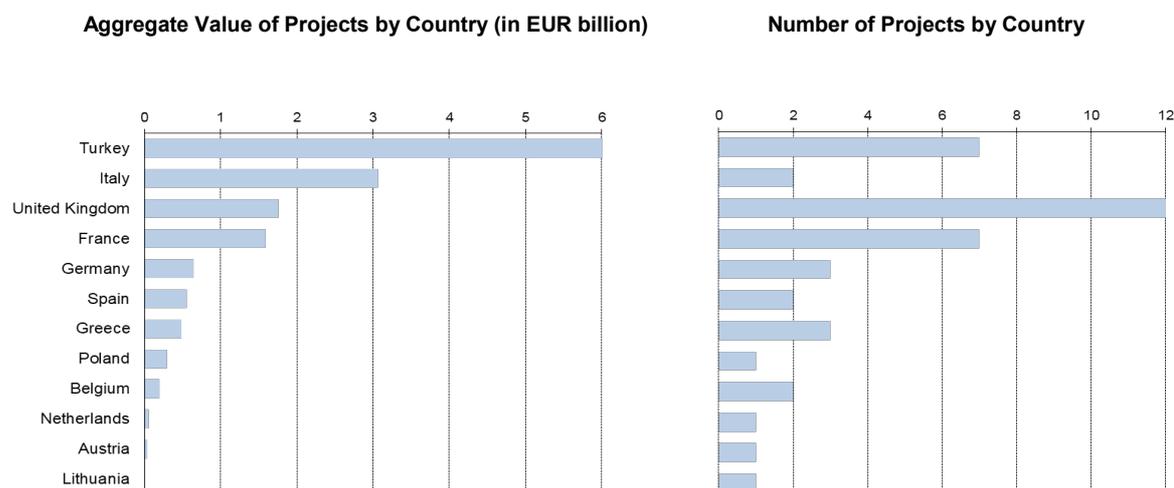
³ More detail is available in Annex 1.

- West Midlands rolling stock – (EUR 896 million) in the UK;
 - Izmir Bayrakli integrated health campus – (EUR 717 million) in Turkey; and
 - Gaziantep integrated health campus – (EUR 685 million) in Turkey.
- **62%** of the transactions closed were **government-pay PPPs** (mostly funded from availability payments).⁴

2. COUNTRY BREAKDOWN

As Figure 2 shows, **Turkey was the largest PPP market in Europe in terms of value**, with a total of EUR 6 billion (EUR 1.5 billion in 2016), and **the UK was the largest in terms of number of projects**, with 12 deals closed (28 in 2016).

Figure 2: Country Breakdown by Value and Number of PPP Projects in 2017



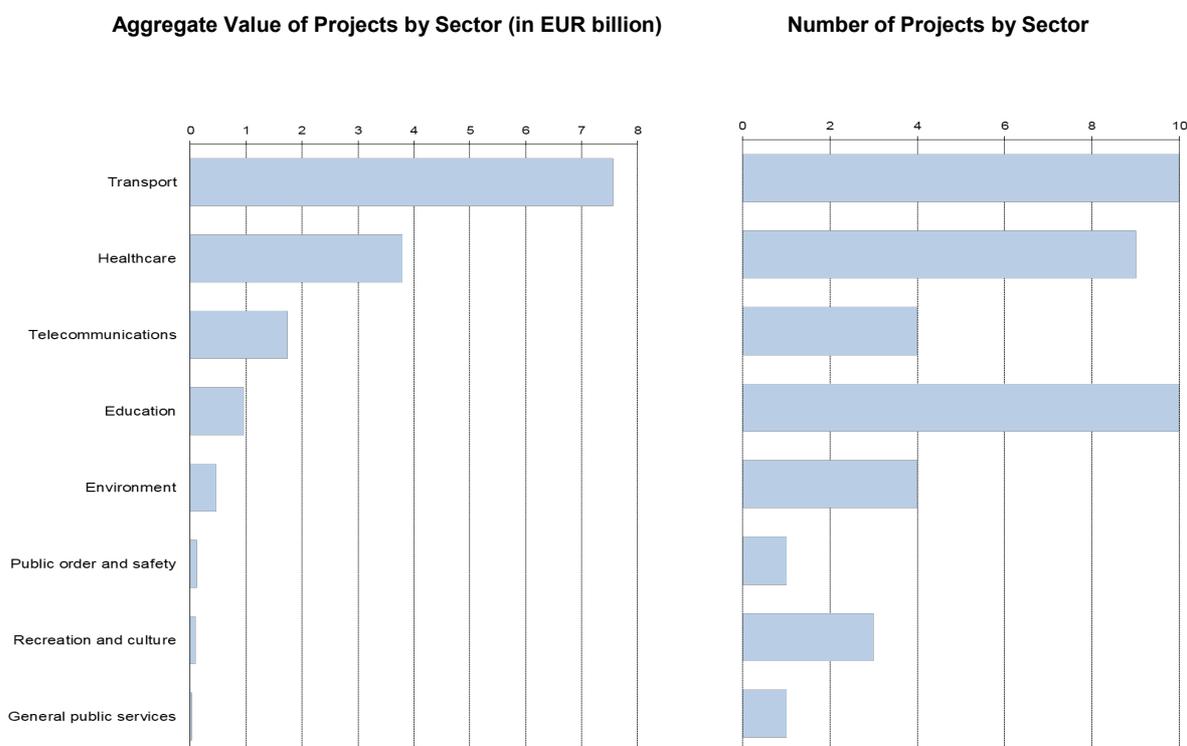
- **Italy was the second largest PPP market in terms of value**, with a total of EUR 3.1 billion. However, this was mostly accounted for by one large transaction (the Pedemontana Veneta toll road), which accounted for around 90% of the Italian PPP market.
- **Eight countries closed at least two deals** (compared to seven countries in 2016) and **12 countries closed at least one PPP transaction** (10 in 2016).
- As shown in Annex 2, over the past five years, the **United Kingdom and France** have led the European PPP market in terms of **number of closed deals**, whilst **Turkey** has been the **largest PPP market in value terms**, with EUR 22.5 billion worth of projects.

⁴ PPPs under which 'government' (whether central, regional or local) pays the private partner in relation to the services provided.

3. SECTOR BREAKDOWN

- As shown in Figure 3, in 2017 the **transport sector** remained the largest in value terms with over EUR 7.6 billion worth of transactions (EUR 3.8 billion in 2016). However, 2017 represented the lowest number of projects closed in the sector in the last 20 years (only 10 transactions closed).⁵
- **Healthcare** was the second most active sector in terms of value with nine projects closed and an aggregate value of EUR 3.8 billion (EUR 2.1 billion in 2016). This is mostly due to the five healthcare transactions closed in Turkey.
- In the **education sector**, the number of projects that reached financial close decreased from 27 to 10 and the aggregate value similarly decreased to EUR 958 million (EUR 1.6 billion in 2016).
- Four projects closed in the **telecommunications sector** for a record high aggregate value of EUR 1.7 billion. All four are for broadband networks – three in France and one in Poland.
- The **environment sector** contracted significantly in terms of value (from EUR 1.2 billion in 2016 to EUR 462 million in 2017), although the number of projects reaching financial close has remained the same (four projects).

Figure 3: Sector Breakdown by Value and Number of PPP Projects in 2017



⁵ More detail on the evolution of PPP market in the transport, healthcare and education sectors over the last five years can be found in Annex 3

4. FINANCING⁶

- **Out of the total of 42 transactions**, which reached financial close in 2017, **13** (as compared to 17 out of 68 in 2016) involved the provision of debt by institutional investors (e.g. insurance companies, pension funds) through a variety of financing models.
- **Five** countries closed transactions involving institutional investor debt: **France, Italy, Spain, Turkey and the UK** (6 countries in 2016).
- The role of **the EU, national governments and public financial institutions** (domestic or supranational) remained significant in 2017, for example:
 - The **Campus Berresgasse** (Austria), **Treviso hospital** (Italy) and **Greek regional airports** projects all benefitted from the support of the European Fund for Strategic Investments (EFSI);
 - The EIB financed seven of the 42 PPP projects which reached financial close during the year, for an aggregate lending volume of EUR 1 billion;⁷ and
 - Several international financial institutions (e.g. the European Bank for Reconstruction and Development, the International Finance Corporation) were involved in the financing of large PPPs (notably the health projects in Turkey).

5. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in 2017:

- The **Grand Est, Savoie and Val d’Oise** broadband network projects reached financial close in France as part of its PPP programme to improve high-speed internet provision. These schemes involve the design, building, financing, operation, maintenance and commercialisation of publicly-owned fibre broadband networks in low-density areas, not covered by commercial operators.
- The **Bursa, Gaziantep, Istanbul Iketelli, Izmir Bayrakli and Manisa** integrated health campus projects reached financial close in Turkey as part of its health PPP programme. These schemes involve the design, building, financing and maintenance of integrated health campuses which include, for example, health facilities, R&D units, high technology centres and social living areas.
- The **Greek regional airports** project was co-financed by the EIB and qualified for EFSI support. This scheme involves the design, building, financing, expansion and refurbishment of 14 regional airports in Greece, under a 40-year concession model.

⁶ As the availability and quality of data on financing terms is limited in places, the information provided in this section should be treated with caution.

⁷ Annual updates of the list of PPPs financed by the European Investment Bank are available at: <http://www.eib.org/infocentre/publications/all/epec-ppps-financed-by-the-european-investment-bank-since-1990>

6. PPP PIPELINE⁸

The future European PPP market at the end of 2017 looked as follows, according to available data:

- 61 projects are currently in the PPP pipeline, for a total aggregate value of EUR 18.1 billion;
- As shown in Annex 4, and consistent with the trend observed among projects that reached financial close in 2017, Turkey has the largest PPP pipeline in terms of value, with a total of EUR 4.2 billion of projects currently in the tender process. France leads the PPP pipeline in terms of number of projects, with 12 projects currently in the tender process;
- 11 countries have at least two PPP projects in the tender process and 21 countries have at least one;
- As Annex 5 shows, the transport sector is expected to remain the largest, both in terms of value and number of projects, with 19 tendered PPP projects worth over EUR 12.6 billion;
- The environment sector is the second most active in the PPP pipeline in terms of value (EUR 1.5 billion), and the education sector is the second largest in terms of number of projects in the tender process (9 projects across 6 countries); and
- Annex 6 distinguishes tendered projects and those already at a later stage of procurement (i.e. shortlisting of proponents or commercial close) by country - both in terms of value and in number of projects. Turkey, the Netherlands and the UK display high proportions of projects already in the later stages of the procurement process.

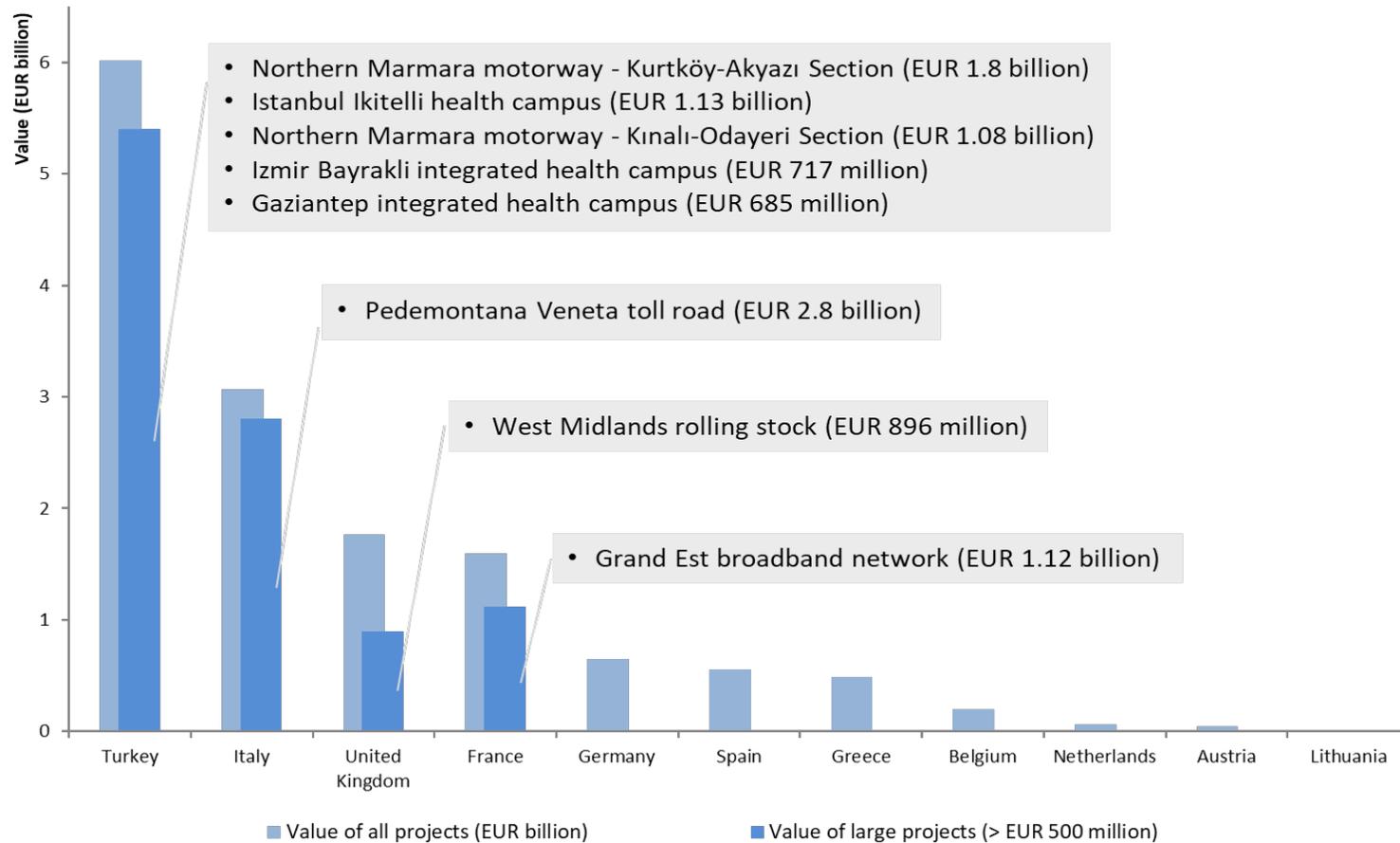
⁸ Introduced for the first in this year's edition of the Market Update, the 'PPP pipeline' is a forward-looking exercise aimed at capturing the emerging trends for the European PPP market, based on:

- The number and value of PPP projects currently at the tender stage in the European market;
- The year in which the contract notice has been issued, and whether the project has or has not moved forward since this stage. We have not included projects which have been in the tender stage for longer than five years without reaching financial close;
- The current stage of the procurement process, divided for the purposes of clarity between the start of the tender process (i.e. through the publication of the contract notice) to the shortlisting of proponents, and a later one (i.e. from the shortlisting of proponents to financial close).

As the availability and quality of data on transactions at tender stage is limited and/or of poor quality in places, the information provided in this section should be treated with caution.

Annex 1

Large PPP Projects (EUR 500 million or more) as a proportion of overall activity in 2017



- Northern Marmara motorway - Kurtköy-Akyazı Section (EUR 1.8 billion)
- Istanbul İkitelli health campus (EUR 1.13 billion)
- Northern Marmara motorway - Kınalı-Odayeri Section (EUR 1.08 billion)
- Izmir Bayrakli integrated health campus (EUR 717 million)
- Gaziantep integrated health campus (EUR 685 million)

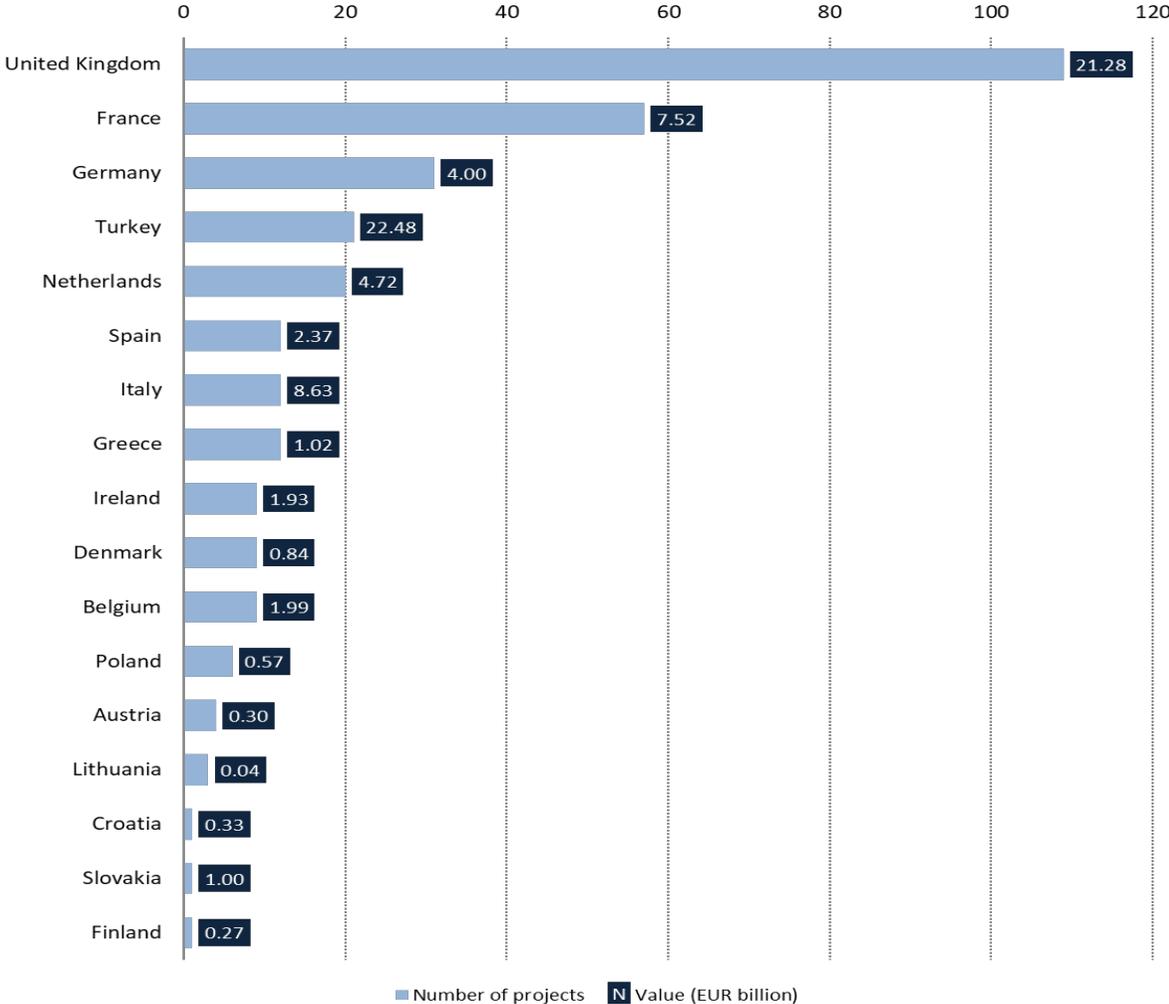
- Pedemontana Veneta toll road (EUR 2.8 billion)

- West Midlands rolling stock (EUR 896 million)

- Grand Est broadband network (EUR 1.12 billion)

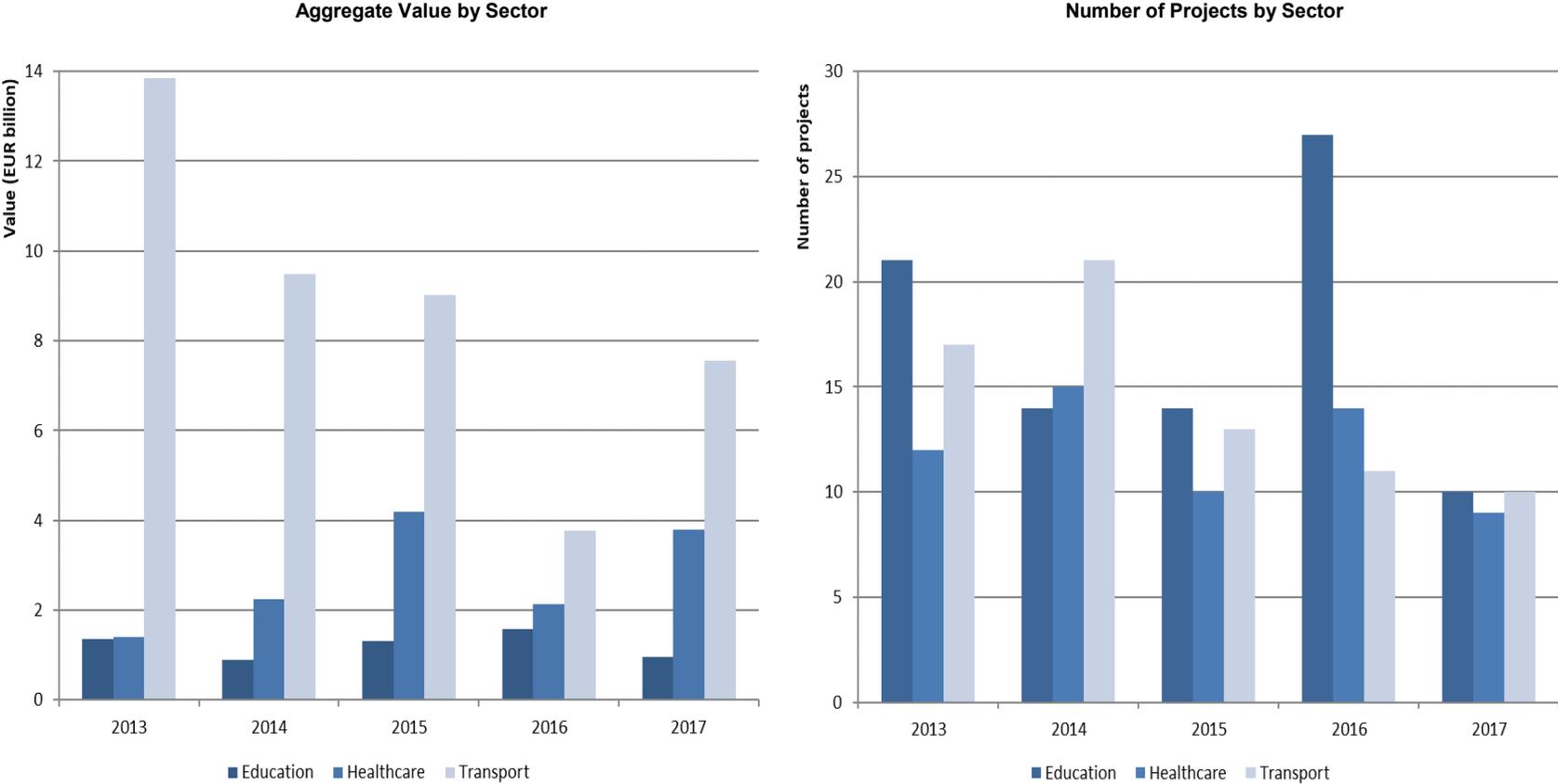
Annex 2

Evolution of the European PPP Market by Country (2013-2017)



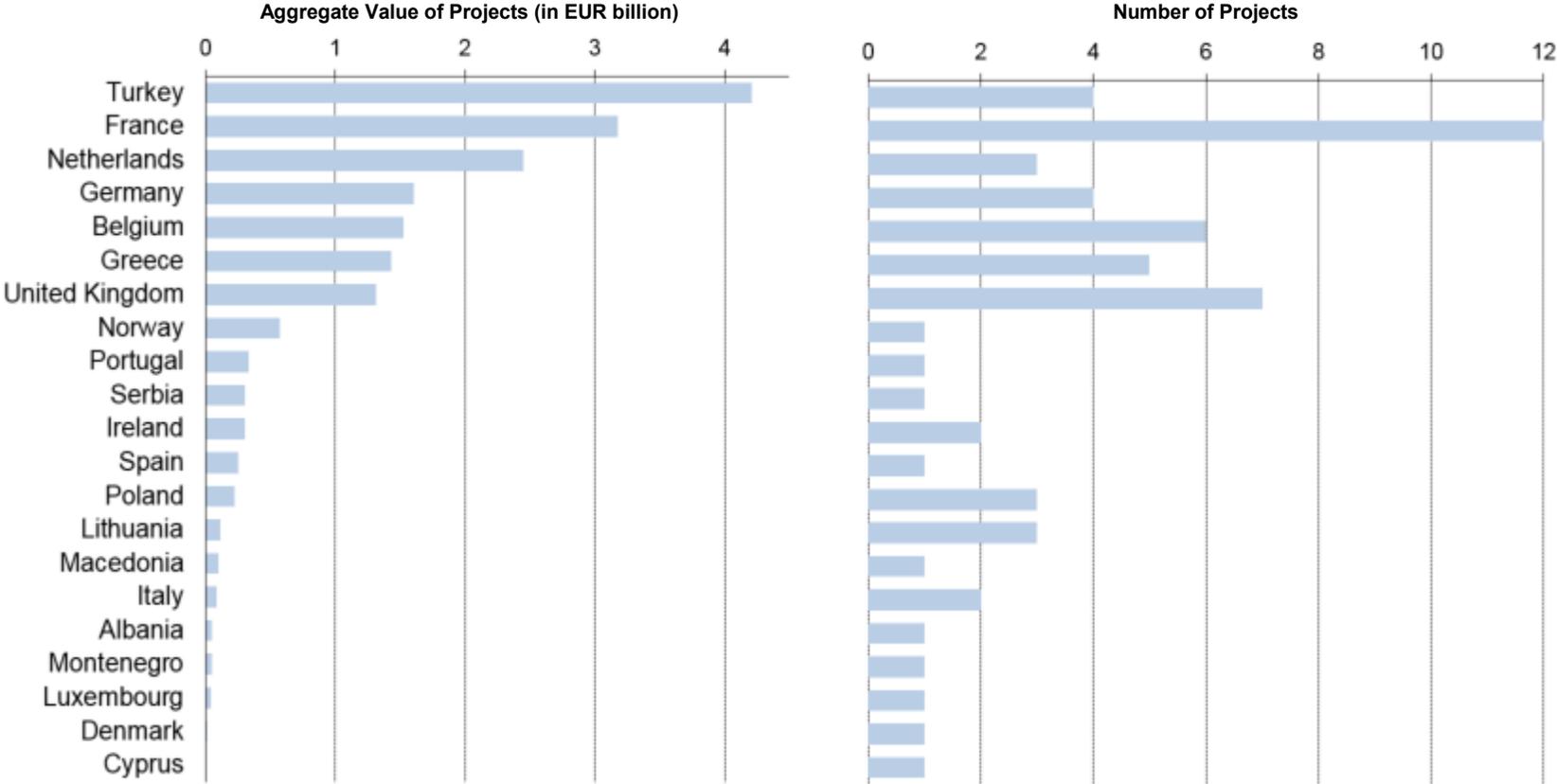
Annex 3

Evolution of the Main PPP Sectors (2013-2017)



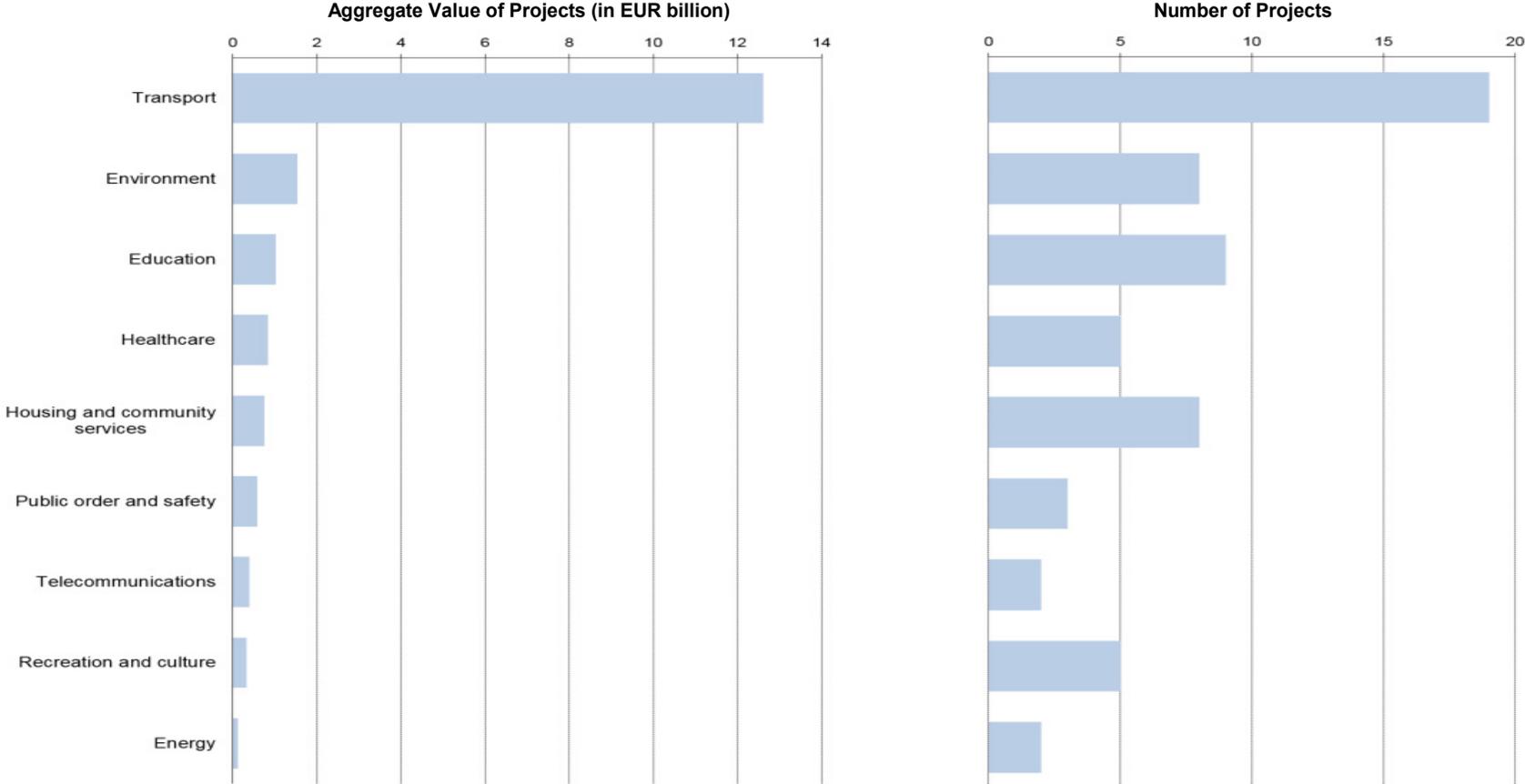
Annex 4

European PPP Pipeline by Country (Value and Number of Projects Tended as of December 31st 2017)



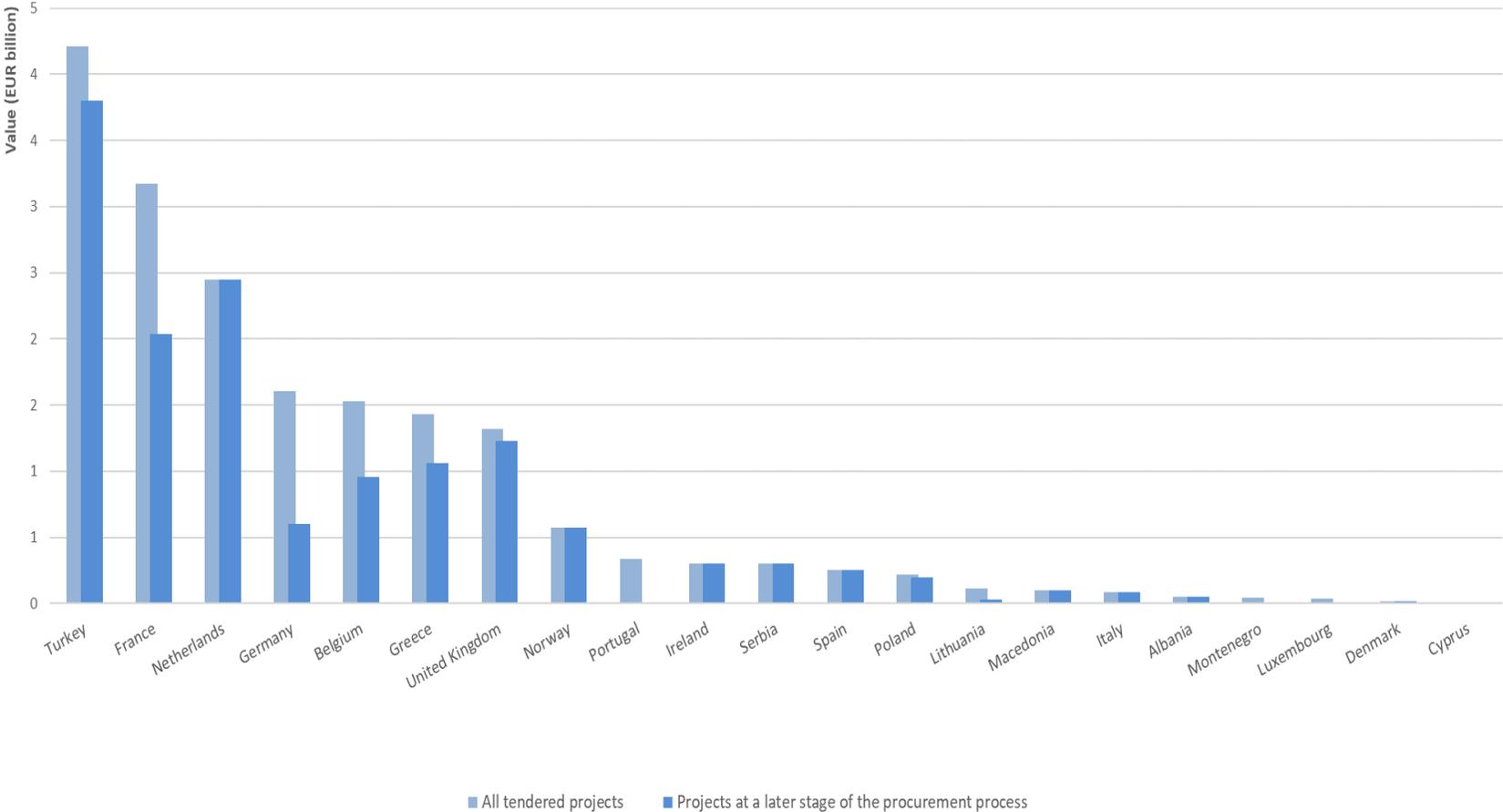
Annex 5

European PPP Pipeline by Sector (Value and Number of Projects Tendered as of 31 December 2017)



Annex 6

European PPP Pipeline by Procurement Stage (Aggregate Value of Projects Tendered as of 31 December 2017)





**European
Investment
Bank**

The EU bank



EPEC Secretariat

☎ +352 4379-22022

✉ epec@eib.org

www.eib.org/epec

Information Desk

☎ +352 4379-22000

☎ +352 4379-62000

✉ info@eib.org

European Investment Bank

98-100, boulevard Konrad Adenauer

L-2950 Luxembourg

☎ +352 4379-1

☎ +352 437704

www.eib.org