

The Impact of the Financial Crisis on PPP Funding

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PPP Projects in a New Economic Environment

- Public Sector Budgets Reducing
- Continued Infrastructure Demand
- Funding Crisis:
 - Lack of Funds
 - Increased Costs of Funds
- Greater Competition - Banks significantly more selective
- Projects competing for Sponsors and Funders

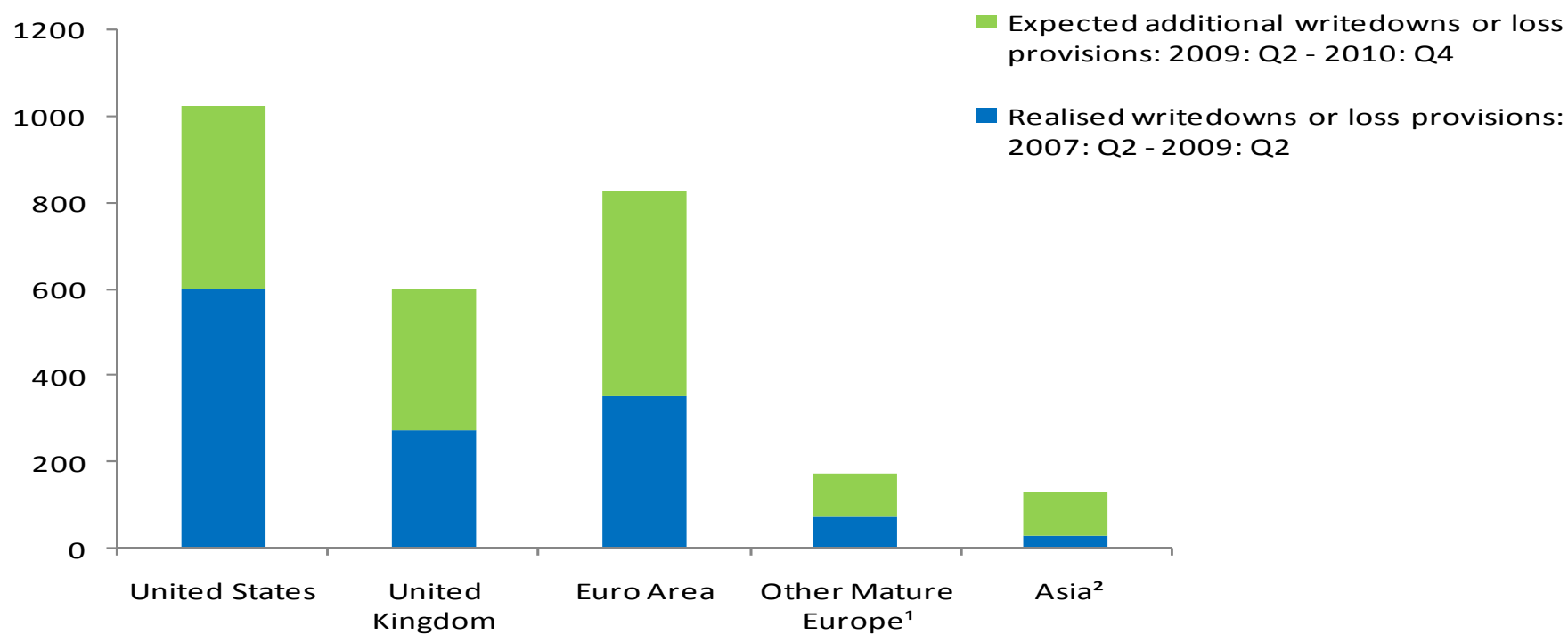
Greater focus on well structured bankable transactions

Impact on PPP Funders

Debt Market Update

Balance Sheets look likely to continue to operate under intense pressure

Realised and Expected Writedowns or Loss Provisions for Banks by Region:



Source: IMF staff estimates. Global Financial Stability Report, October 2009.

1 Includes Denmark, Iceland, Norway, Sweden and Switzerland

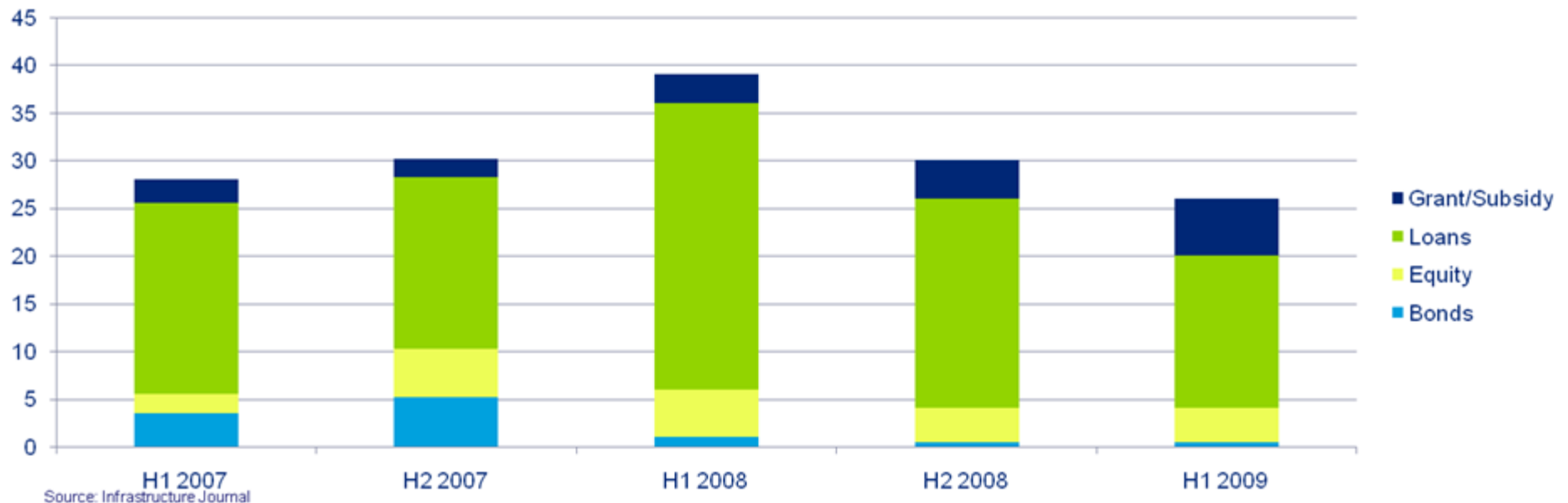
2 Includes Australia, Hong Kong SAR, Japan, New Zealand and Singapore

Public Private Partnership Funding

Trends

- Marginally lower volume of transactions with continued strong pipeline expected.
- Credit structures have become more conservative
- Bond market has disappeared however we would expect the capital markets financing to return.

Global PPP Market Volume by Source of Funding in US \$bn

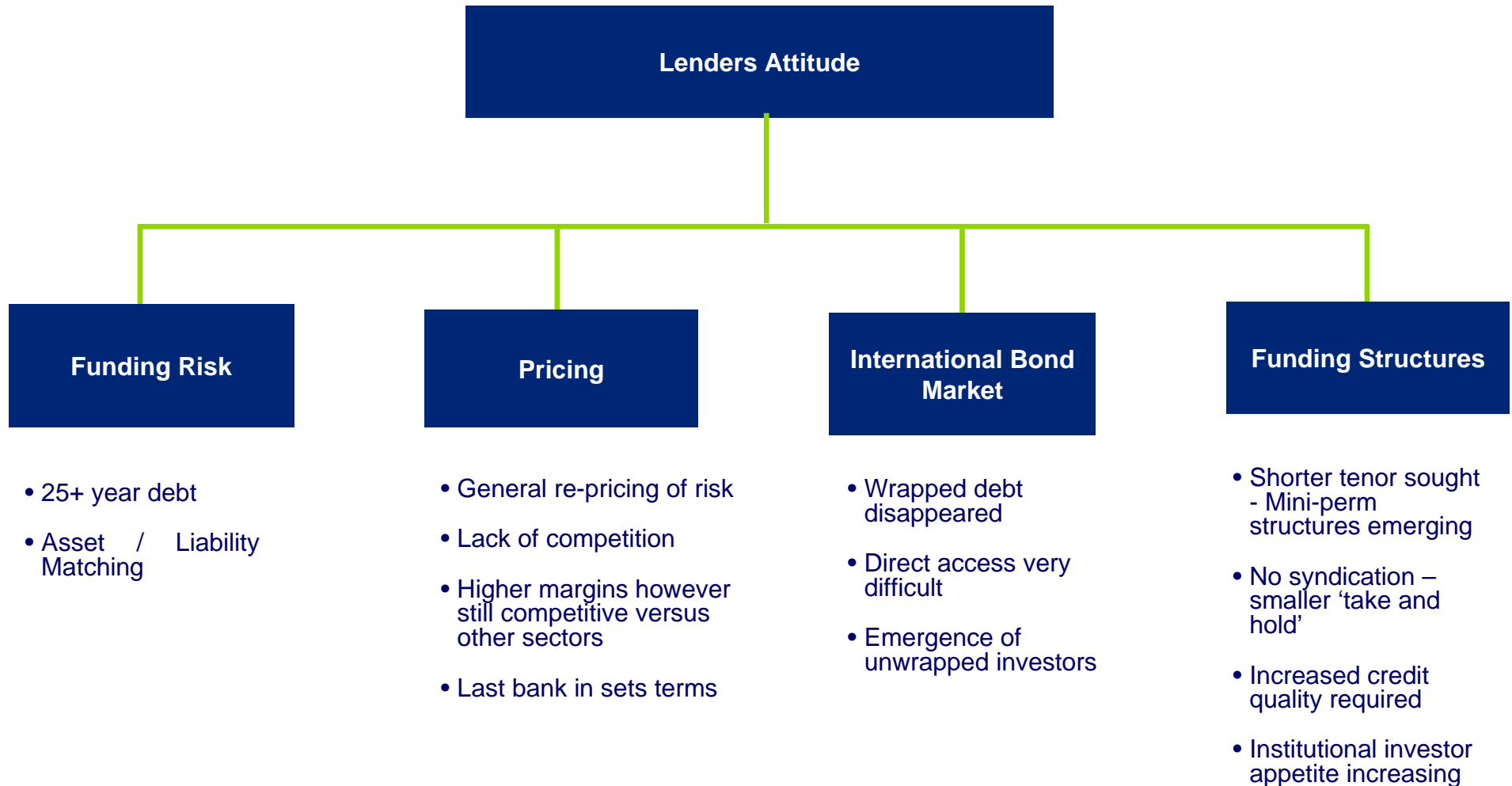


League Tables

	H1 2009	FY 2008	FY 2007
MLA	<ul style="list-style-type: none"> Grupo Santander 36 @ US\$ 2,081.06m BBVA 27 @ US\$ 1,882.83m Calyon 25 @ US\$ 1,862.08m Caixa Geral de Depósitos 9 @ US\$ 1,476.08m Société Générale 21 @ US\$ 1,196.76m 	<ul style="list-style-type: none"> Royal Bank of Scotland 69 @ US\$ 11,078.10m BNP Paribas 76 @ US\$ 9,010.36m Dexia Group 80 @ US\$ 8,083.14m Calyon 56 @ US\$ 7,3336.08m Bank of China 4 @ US\$ 6,469.91m 	<ul style="list-style-type: none"> Royal Bank of Scotland 73 @ US\$ 15,534.26m BNP Paribas 80 @ US\$ 12,977.27m Calyon 58 @ US\$ 12,270.39m Dexia Group 60 @ US\$ 9,454.26m Société Générale 46 @ US\$ 7,023.42m
Bond Providers	<ul style="list-style-type: none"> FI – FGTS 1 @ US\$ 518m Caixa Geral de Depósitos 3 @ US\$ 422.04m Millennium BCP 1 @ US\$ 412.44m Bank of America 2 @ US\$ 408.25m Credit Suisse 2 @ US\$ 408.25m 	<ul style="list-style-type: none"> RBC Capital Markets 4 @ US\$ 907.04m Credit Suisse 1 @ US\$ 684m BNP Paribas 3 @ US\$ 369.70m HSBC 1 @ US\$ 260.96m Deutsche Bank 1 @ US\$ 192m 	<ul style="list-style-type: none"> Goldman Sachs 7 @ US\$ 4,109.57m Merril Lynch 7 @ US\$ 3,046.40m Deutsche Bank 8 @ US\$ 2,188.44m Citigroup 6 @ US\$ 2,144.17m RBC Capital Markets 10 @ US\$ 1,969.2m

Public Private Partnership

Lenders view of PPP's



Change in Infrastructure Landscape

The infrastructure landscape has changed in the wake of the credit crisis

'Pre-credit crisis' trends

Demand:

- Limited public money for infrastructure
- High construction costs
- Fiscal dynamics encouraging governments to explore alternative delivery models

Supply:

- Well-functioning debt capital markets and international project finance loan market
- Highly geared capital structures and attractive equity returns
- Dominance of active equity investors and emergence of infrastructure funds

Emerging trends

Demand:

- Infusion of public money for infrastructure
- Falling construction costs
- Fiscal distress solidifying interest in alternative delivery models

Supply:

- Challenged debt capital markets aided by new borrowing instruments
- Price and tenor constraints in international project finance loan market
- Variability in equity returns
- Impairment of some active equity players balanced by continued growth in infrastructure funds

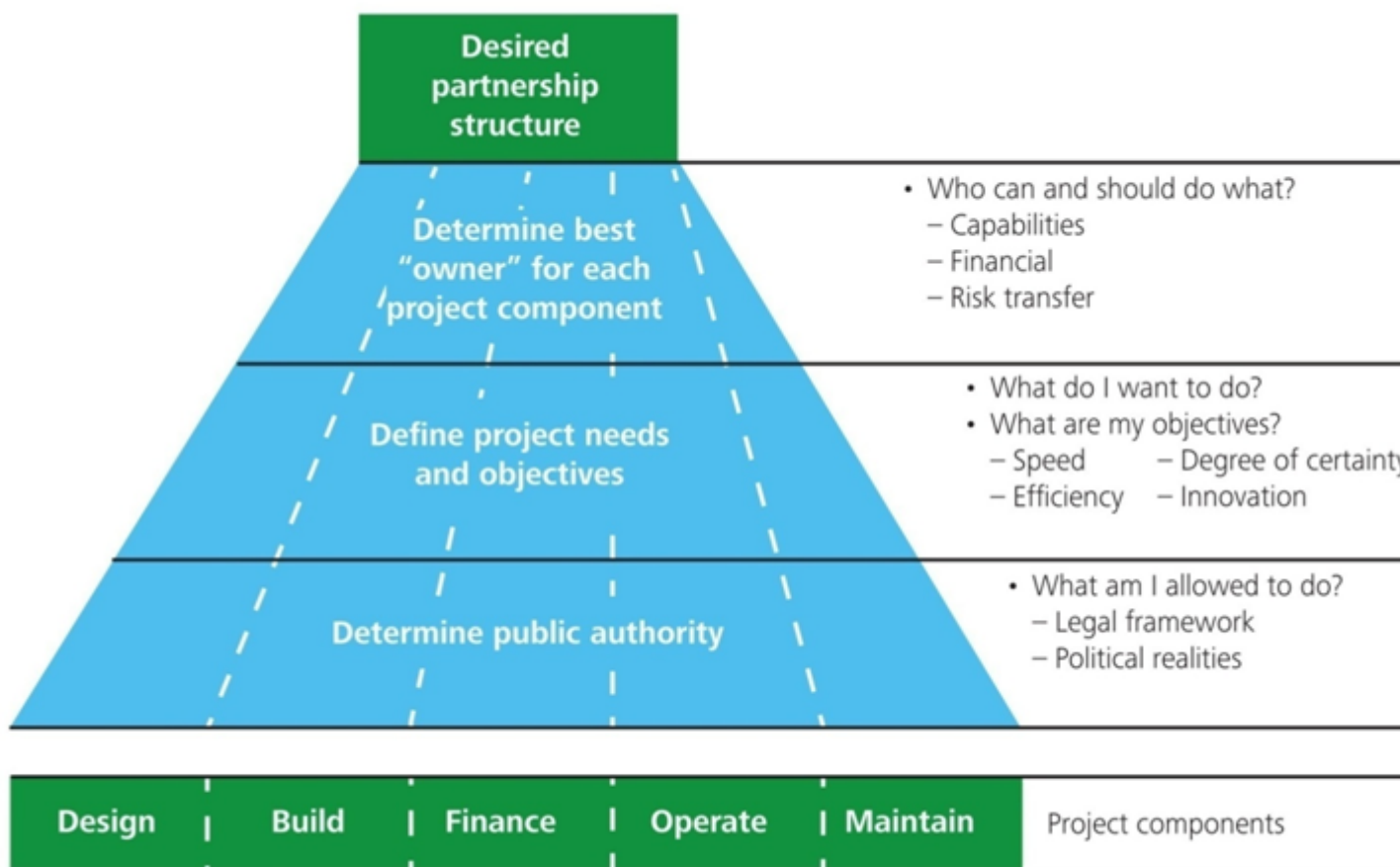


Global stimulus programs with a significant infrastructure component

Country	Spending on infrastructure
Australia	Around AUD 28 billion
Canada	CAD 12 billion
China	Around USD 438 billion
European Union	Around EUR 173 billion
France	Upward of EUR 10.5 billion
Germany	Around EUR 19 billion
Japan	Around JPY 2.6 trillion
India	Around USD 33.5 billion
Sweden	SEK 1 billion
United Kingdom	GBP 3 billion (in capital spending brought forward)
Unites States	Around USD 113 billion

...But infrastructure-related stimulus funds make up a small percentage of the infrastructure investment needed

Bottom-up approach

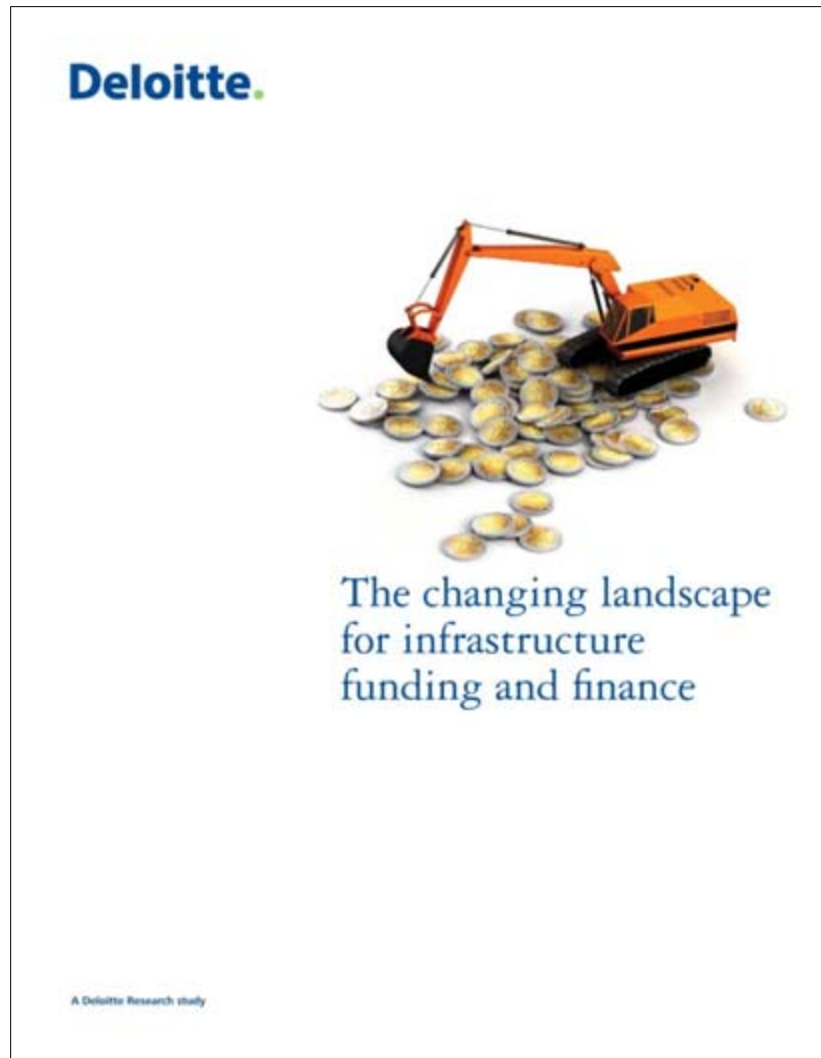


Source: Deloitte Research

Advantages to building a partnership structure from the "bottom-up":

- **Business cases submitted for capital approvals are developed with additional rigor**
- **Partnerships can be tailored more appropriately, yielding more successful projects**
- **Gaps in the ability to deliver different partnership structures, either on the part of the public sector or the market, are identified, allowing for the development of strategies to address these gaps**

New Global Research Reports



● www.deloitte.com

Delivering PPP Projects in a New Funding Environment

Deciding to Bid / Fund

Location	Project	Competition
<ul style="list-style-type: none">• Country level risks<ul style="list-style-type: none">– Economic position– Political Risk • PPP Experience<ul style="list-style-type: none">– Number of deals closed– Policy framework– PPP Procurement agencies– Standardised Contracts • Availability of Finance<ul style="list-style-type: none">– Attitude of funders to Project/Country	<ul style="list-style-type: none">• Sector • Scale • Complexity<ul style="list-style-type: none">– Specialist skills required– Technology • PPP Structure Proposed • Risk Profile Proposed • Bid Costs • Tender Process<ul style="list-style-type: none">• Evaluation Criteria• Length of time	<ul style="list-style-type: none">• Barriers to Entry • Availability of Partners<ul style="list-style-type: none">• Strength• Experience• Capability• Interest in partnering • Likelihood of Qualification

Some Solutions

- Ensure proper deal structure
- Fair allocation of risk
- Consider/Understand funder constraints
- Plenty of market sounding
- Structure to access bond market required
- Timing of Funding Competitions in bid process



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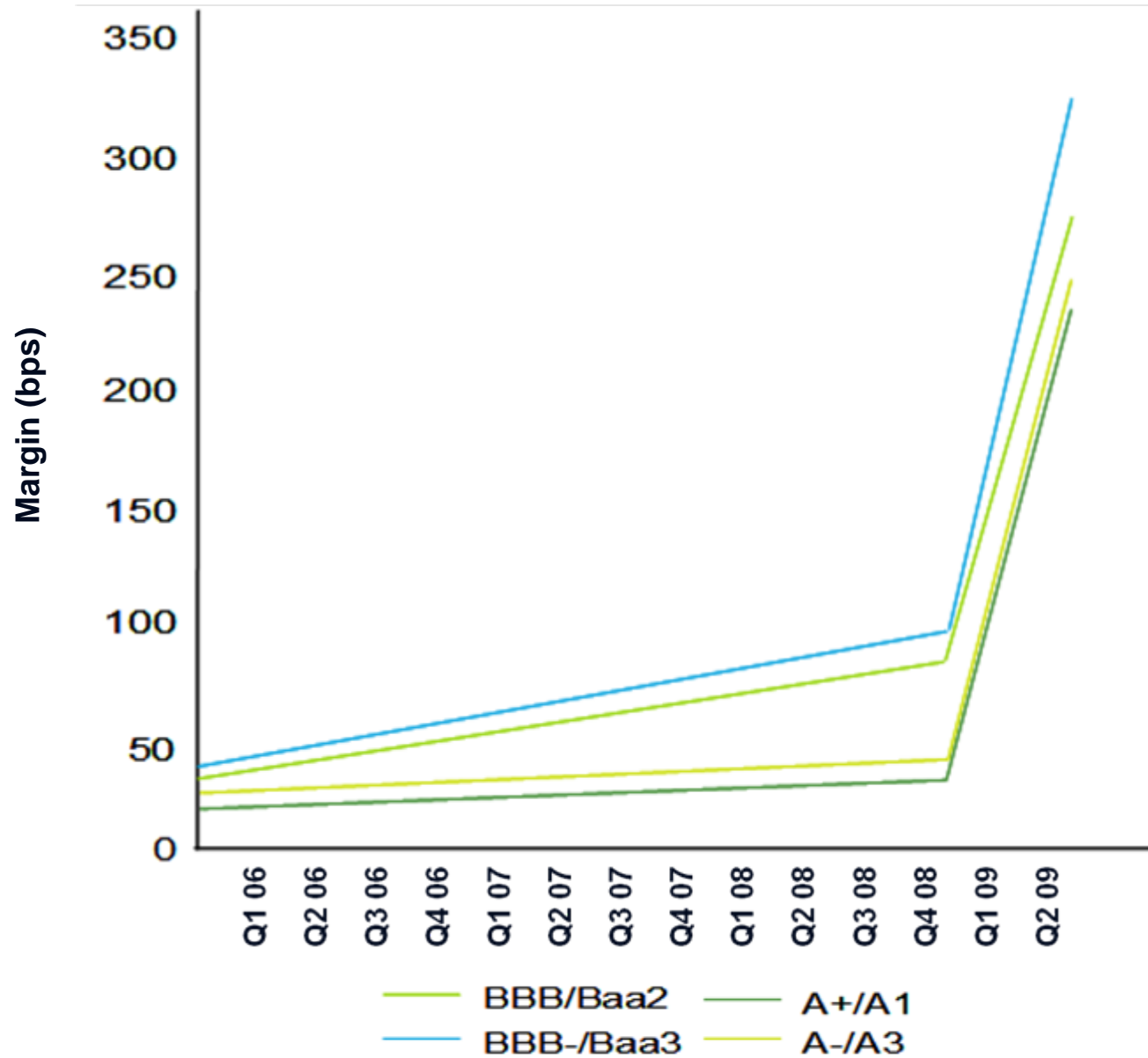
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Debt Market Update

Western Europe Pricing Trends



Source: Loanconnector/Deloitte analysis