



**European  
Investment  
Bank**

*The EU bank*

# Railway Financing and PPP – EIB Activities and Experiences

## UNECE Working Party on Rail Transport

*Geneva, 27th/28th November 2017*

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1. Brief introduction to EIB
2. EIB lending to the transport sector and rail projects
3. Some observations about PPP
4. Some observations about rolling stock (financing)

# The EIB: the EU bank



- ▶ Natural financing partner for the EU institutions since 1958
- ▶ Around 90% of lending is within the EU
- ▶ Shareholders: 28 EU Member States

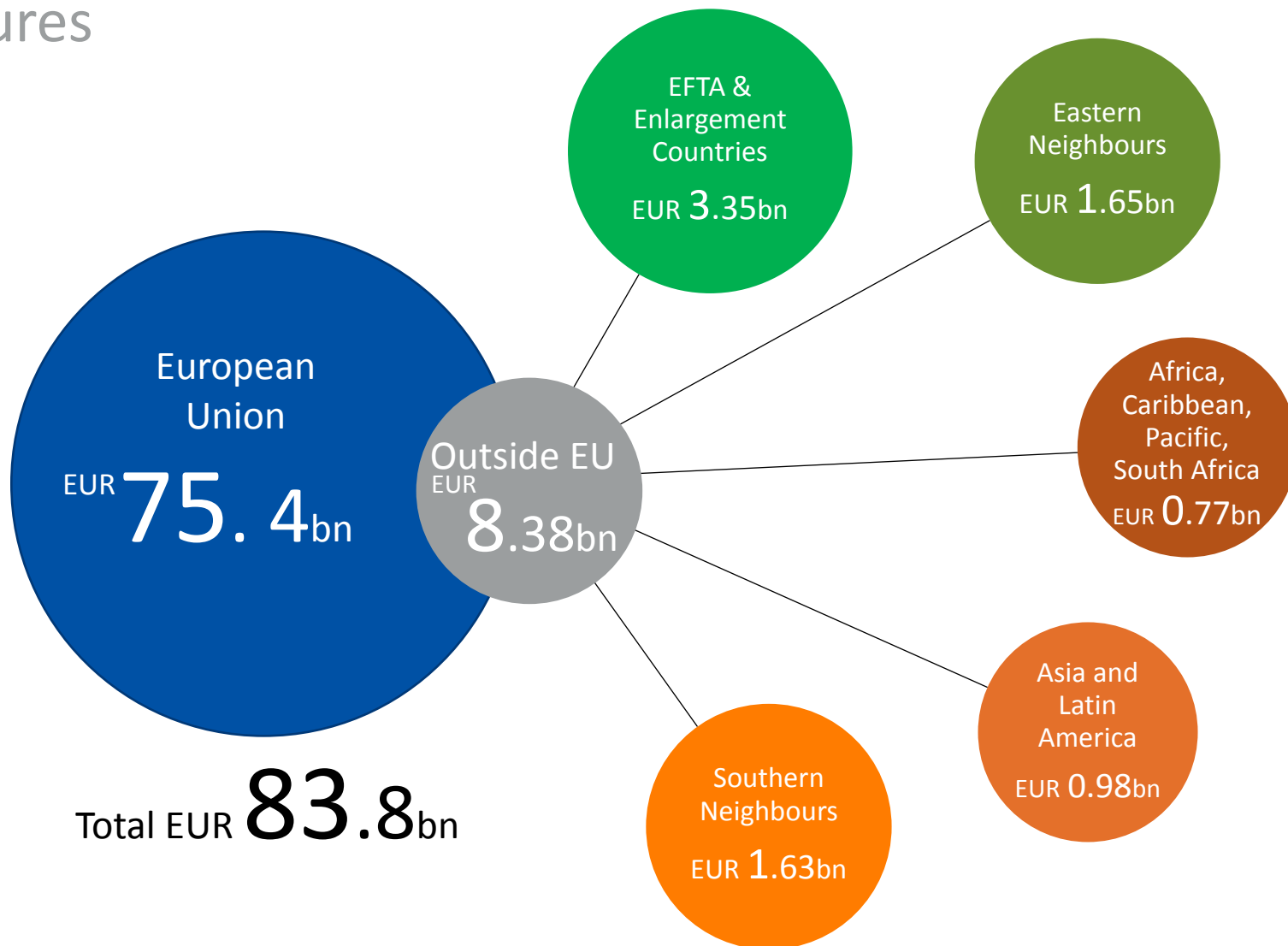
**Investing in  
Europe's growth**

# The EIB at a glance

- ▶ Largest multilateral lender and borrower in the world
  - ▶ We raise our funds on the international capital markets
  - ▶ We pass on favourable borrowing conditions to clients
- ▶ Some 450 projects each year in over 160 countries
- ▶ Headquartered in Luxembourg and has 40 local offices
- ▶ Around 3 000 staff:
  - ▶ Not only finance professionals, but also engineers, sector economists and socio-environmental experts
  - ▶ Almost 60 years of experience in financing projects

# EIB Group financing in 2016: EUR 83.8bn

## Signatures



# Our priorities

## Environment



EUR



16.9bn

## Infrastructure



EUR



19.7bn

## Innovation



EUR



13.5bn

## SMEs



EUR



33.6bn

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# EIB Transport Lending

Transport is **largest sector** in which EIB has been active since Bank was established in 1958

EIB lending exceeds **EUR 280bn** to transport sector since 1958

EIB has provided *long-term finance* to develop many transport networks that underpin European economy and society

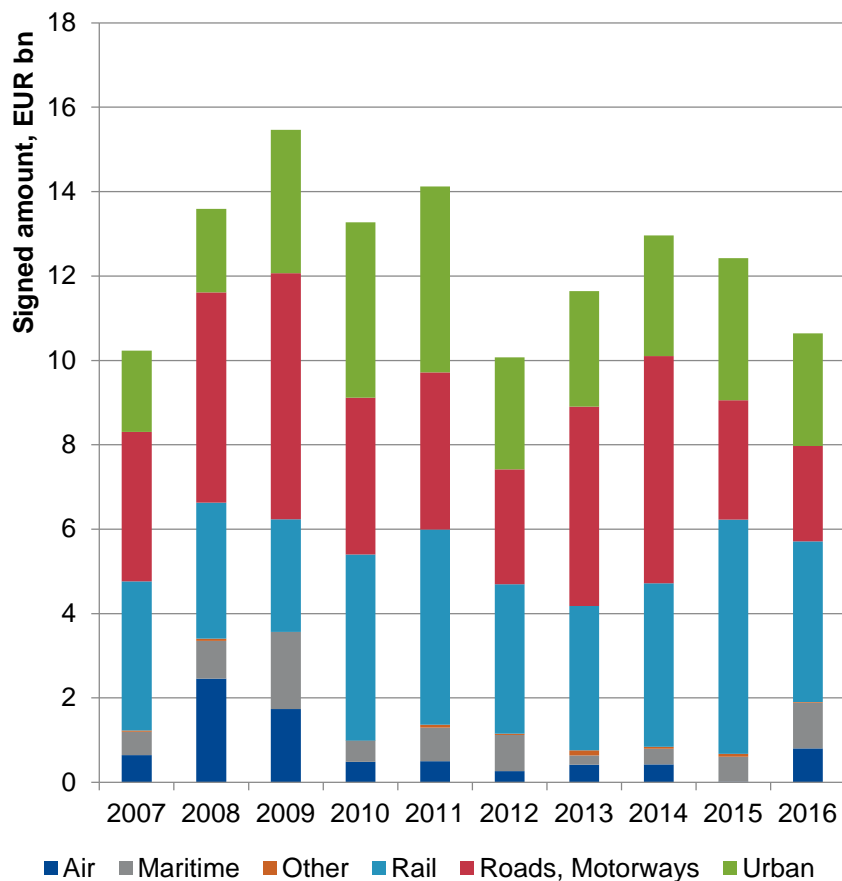
- ▶ Channel Tunnel Rail Link
- ▶ Oresund Link
- ▶ Millau Viaduct
- ▶ HSL Zuid
- ▶ TGV France
- ▶ AVE Spain



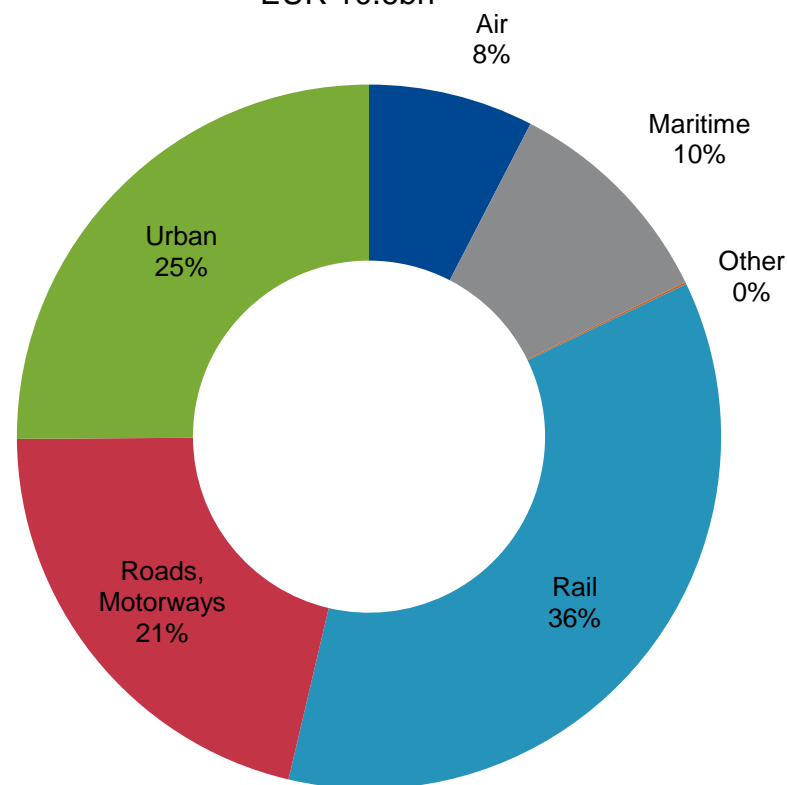


# EIB Lending to Transport Sector 2007-2016

Transport operations signed in EU Member States (2007-2016)  
EUR 124bn



Transport operations signed in EU Member States (2016)  
EUR 10.6bn

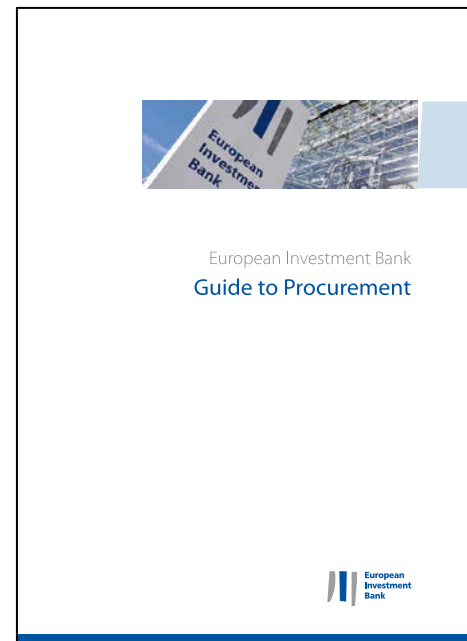
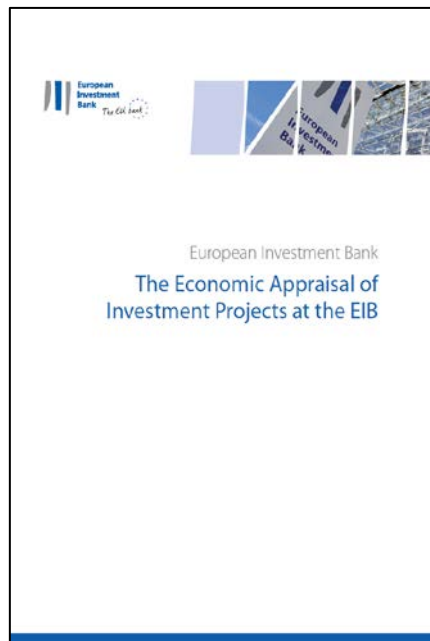


Recent EIB lending (signed operations) some EUR 70bn per year. On average, transport projects have constituted some **15%-20% of total lending.**

# EIB lending in the transport sector in Eastern Partnership countries (BY, UA, MD, GE, AM, AZ)

- EIB lending to transport sector in EaP countries:
  - **EUR 2.5bn** to date (of which **EUR 2.1bn** for connectivity projects)
  - represents more than of **30%** of EIB total lending in the region
- Priority objectives:
  - **Infrastructure projects & connectivity** (rail, roads, ports, inland waterways, air)
  - **Investments on extended TEN-T network**
  - **Strong cross-border and regional integration focus**
  - **Climate action / Sustainable transport lending**
  - **Safety** in transport modes
- Challenges and responses:
  - Strategic planning framework / prioritization of projects
    - Role of Eastern Partnership Transport Panel and TEN-T maps / EIB involvement
  - Project preparation and design standards
    - Harmonization with EU principles (e.g. road safety)
    - Technical assistance support (EPTATF, NIF)
- Cooperation between the EC, EIB, EBRD, World Bank, ADB

# Project Eligibility and Quality



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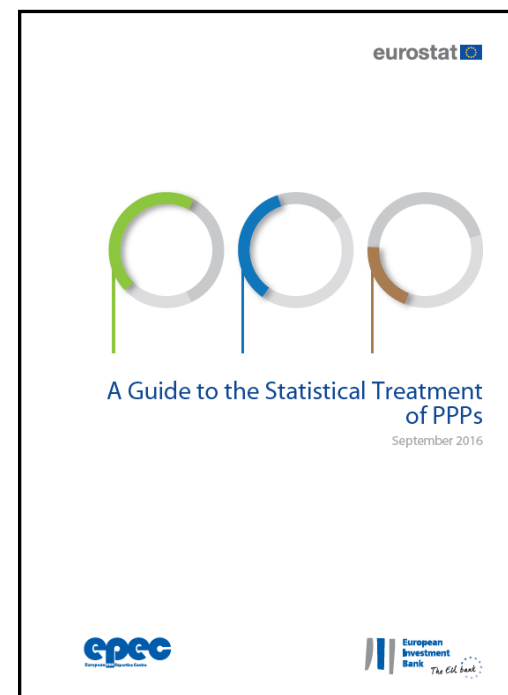
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# What is a PPP? - EIB and PPP

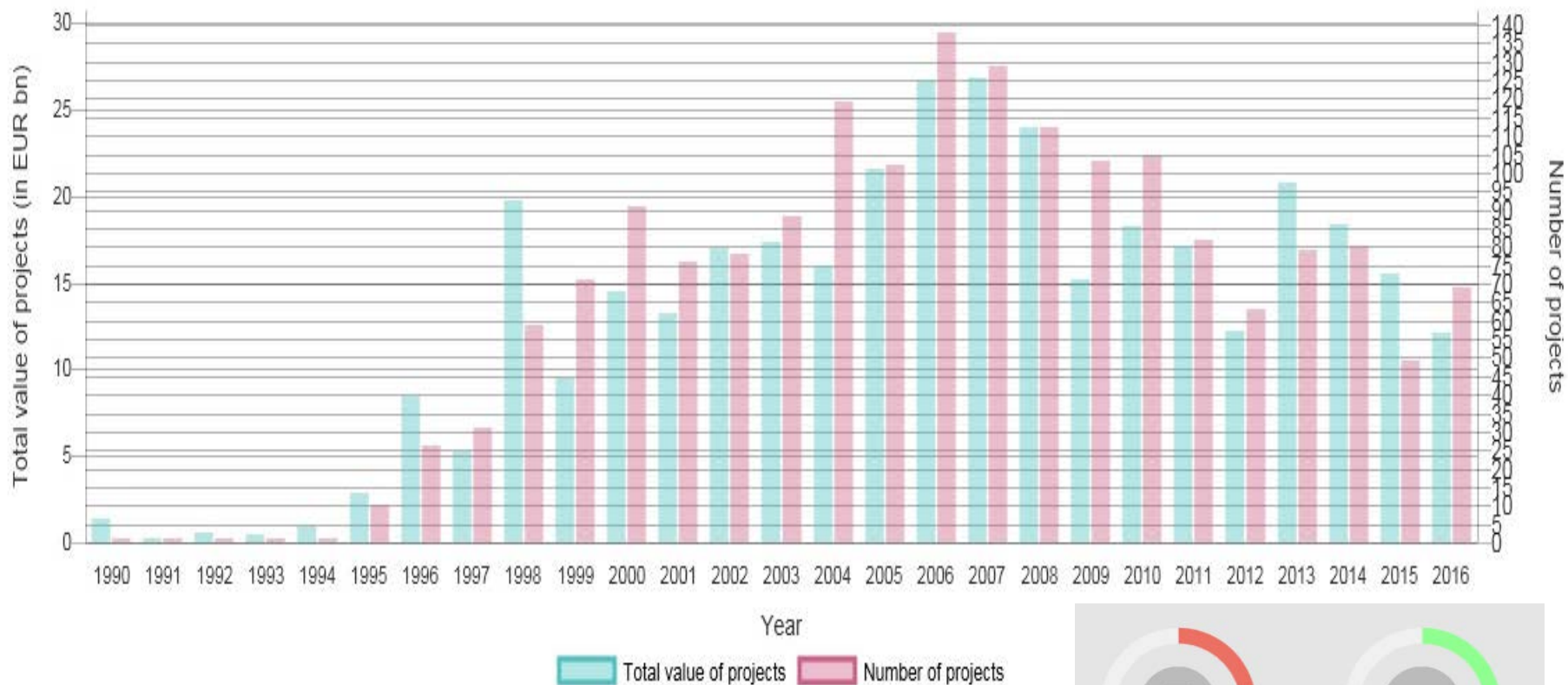
“Put simply, a public-private partnership (“PPP”) is an arrangement between a public authority and a private partner designed to deliver a public infrastructure project and service under a long-term contract. Under this contract, the private partner bears significant risks and management responsibilities. The public authority makes performance-based payments to the private partner for the provision of the service (e.g. for the availability of a road) or grants the private partner a right to generate revenues from the provision of the service (e.g. tolls from users of a bridge). Private finance is usually involved in a PPP. When properly prepared, PPP projects can provide significant benefits to the public sector as well as to the project users.”  
([www.eib.org/epec](http://www.eib.org/epec))

- ▶ 1<sup>st</sup> PPP financed (before the term was coined?):  
Great Belt rail and road fixed link, Denmark, 1990
- ▶ > 200 PPP since then
- ▶ > 30 rail PPP (heavy rail, metros, light rail):  
infrastructure, signalling/telecoms/GSMrail, rolling stock
- ▶ However: no new rail PPP since 2014

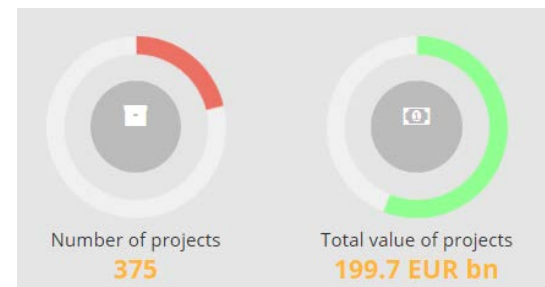
# Some relevant EIB publications (www.eib.org)



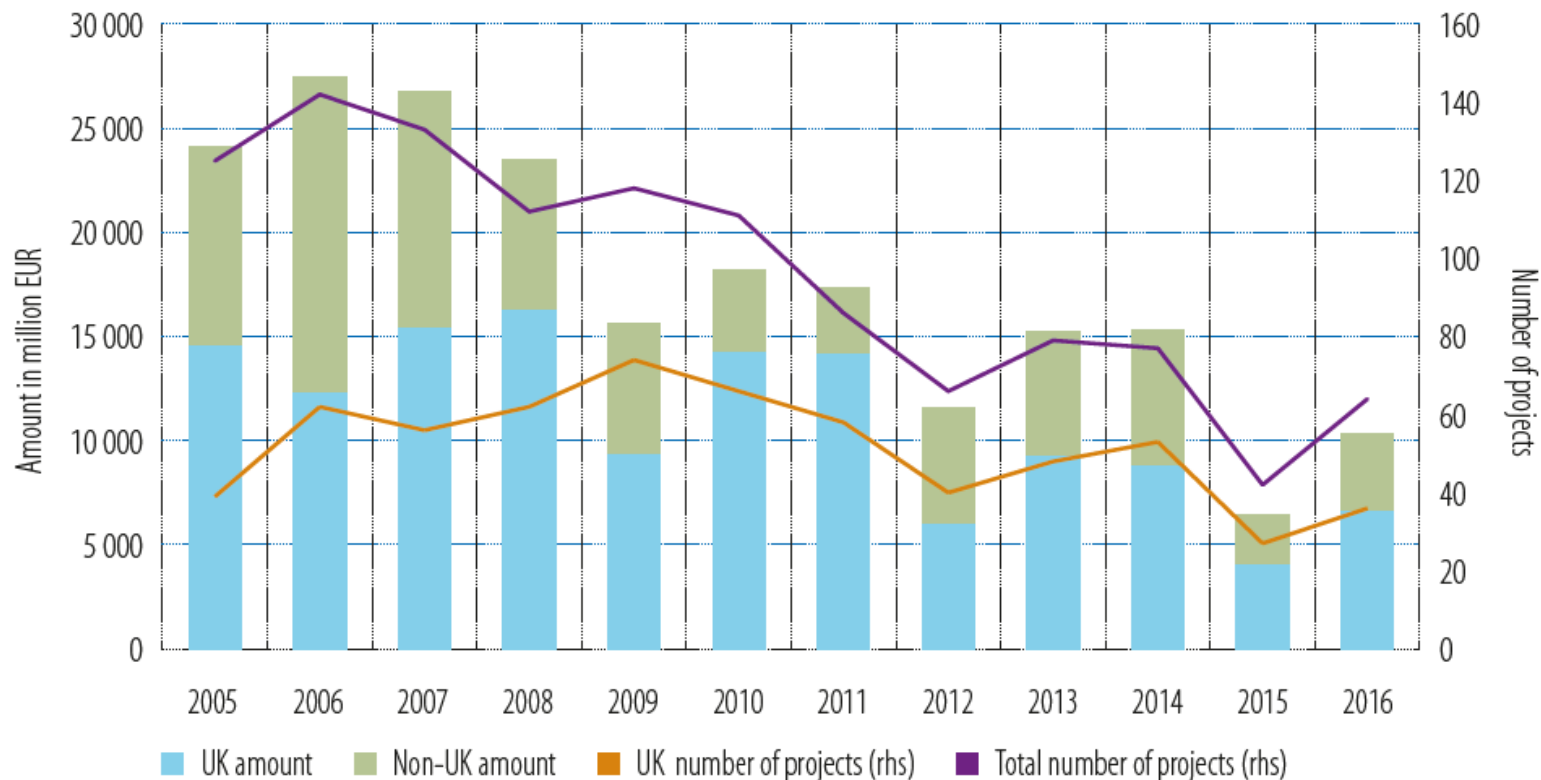
# Evolution of the European transport PPP market (EU + neighbours)



Source: [www.eib.org/epec](http://www.eib.org/epec)



# The European market for PPP, 2005–16



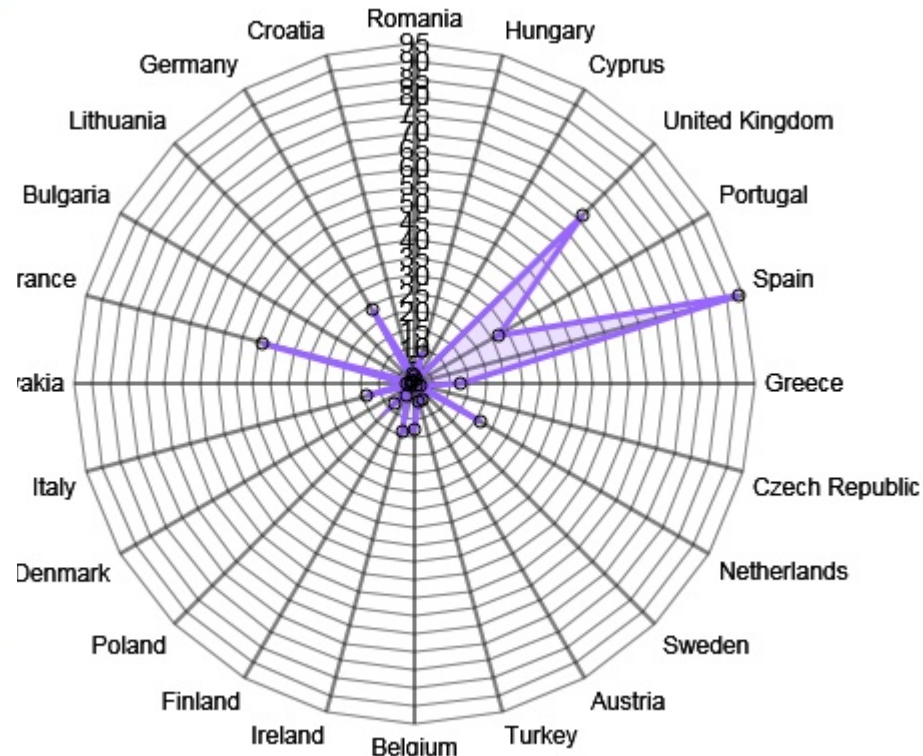
Source: EIB/EPEC PPP database.

Note: The project values quoted refer to the projects' external funding requirements at the time of financial close (the sum of debt and equity) and exclude public capital contributions. The external funding requirement of a project can differ significantly from its capital investment costs. Authors calculations.



# Distribution of transport PPP (EU + neighbours) 1990-2016

Hungary: **9**  
 United Kingdom: **66**  
 Spain: **94**  
 Czech Republic: **2**  
 Sweden: **1**  
 Turkey: **5**  
 Ireland: **14**  
 Poland: **8**  
 Italy: **14**  
 France: **44**  
 Lithuania: **1**  
 Croatia: **3**

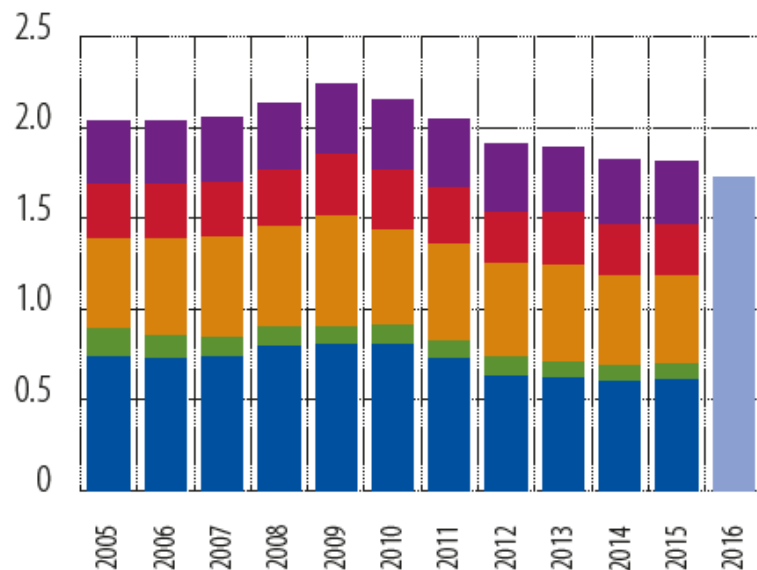


Romania: **2**  
 Cyprus: **1**  
 Portugal: **27**  
 Greece: **13**  
 Netherlands: **21**  
 Austria: **5**  
 Belgium: **13**  
 Finland: **4**  
 Denmark: **1**  
 Slovakia: **2**  
 Bulgaria: **1**  
 Germany: **24**

# Infrastructure investment by sector and source

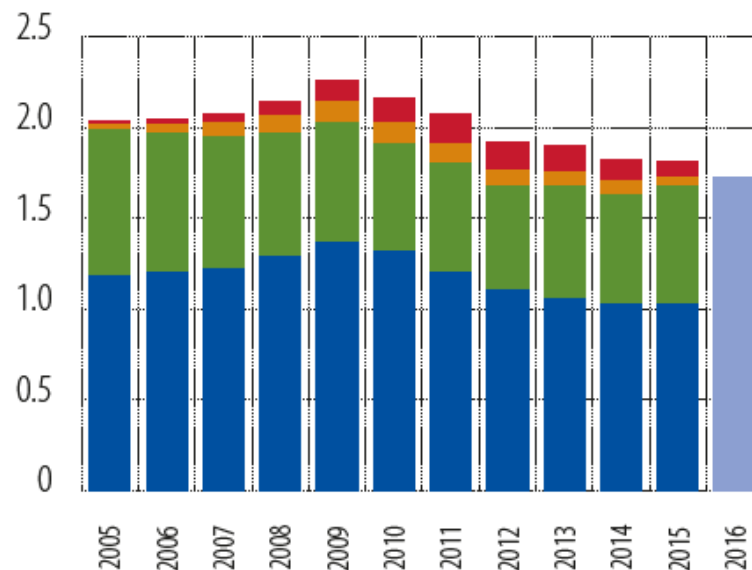
Infrastructure investment by sector and source, 2005–16 (in % of GDP)

a. by sector



■ Transport    ■ Communication    ■ Utilities  
■ Education    ■ Health

b. by source



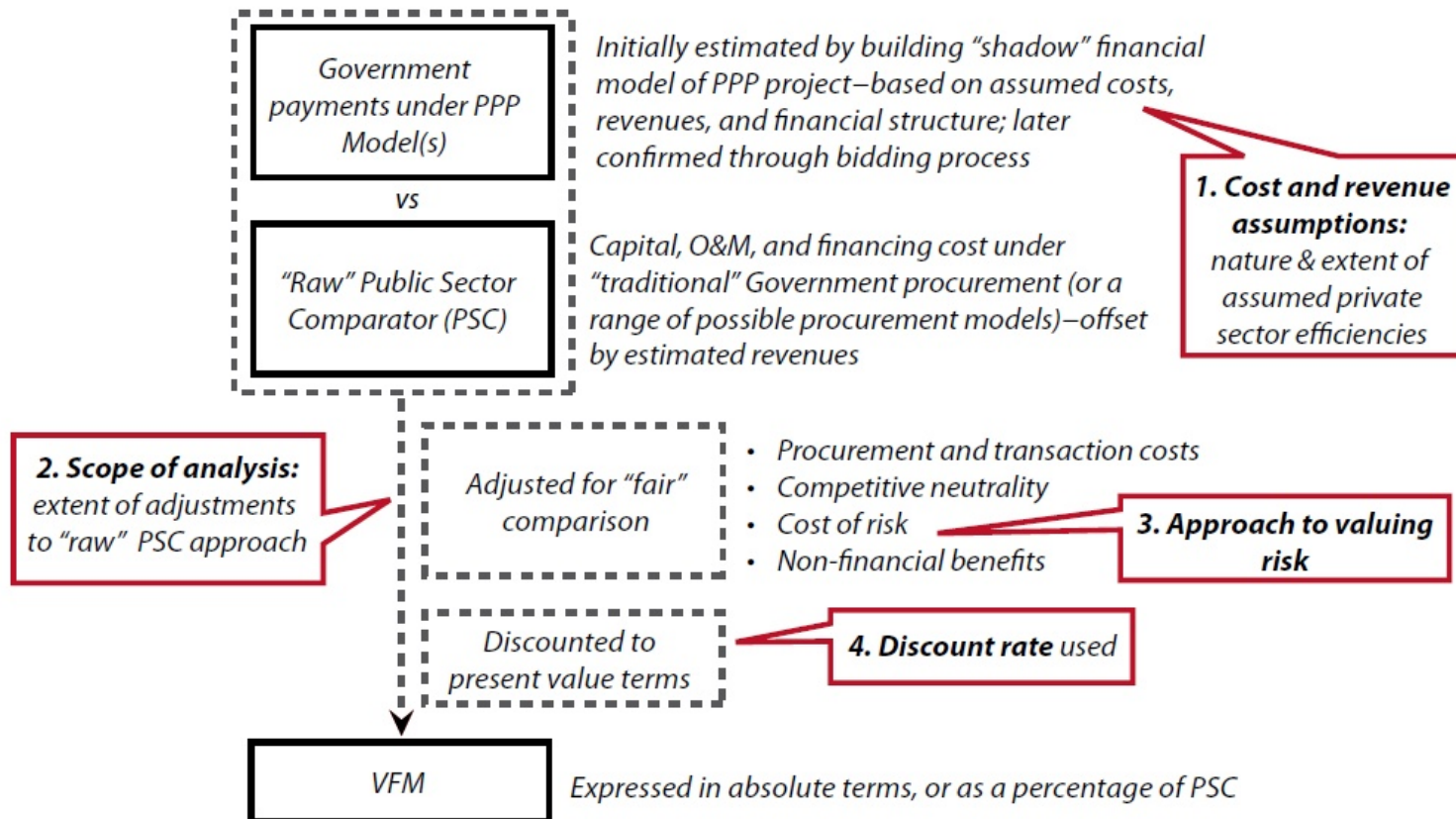
■ Government    ■ Corporate    ■ PPP  
■ Non-PPP project

Source: Eurostat, Projectware, EPEC.

Note: Based on EIB Infrastructure Database. Data are missing for Belgium, Croatia, Lithuania, Poland, Romania and the UK. 2016 figures are preliminary. PPP: public-private partnership. Authors calculations.

# Is PPP the right answer? – Value for Money?

## Overview of Quantitative VFM Analysis and Key Methodological Issues



Source: Value-for-Money Analysis - Practices and Challenges, World Bank/PPIAF, 2013

# Seven Hurdles to PPP investments

1. Political commitment to engage in PPPs
2. Legal, regulatory and institutional frameworks, policy formulation
3. Capacity of the authority responsible for delivering the PPP
4. Capacity and buy-in of the private sector
5. Procurement
6. Statistical (Eurostat) treatment and management of PPP fiscal risks
7. Funding and financing

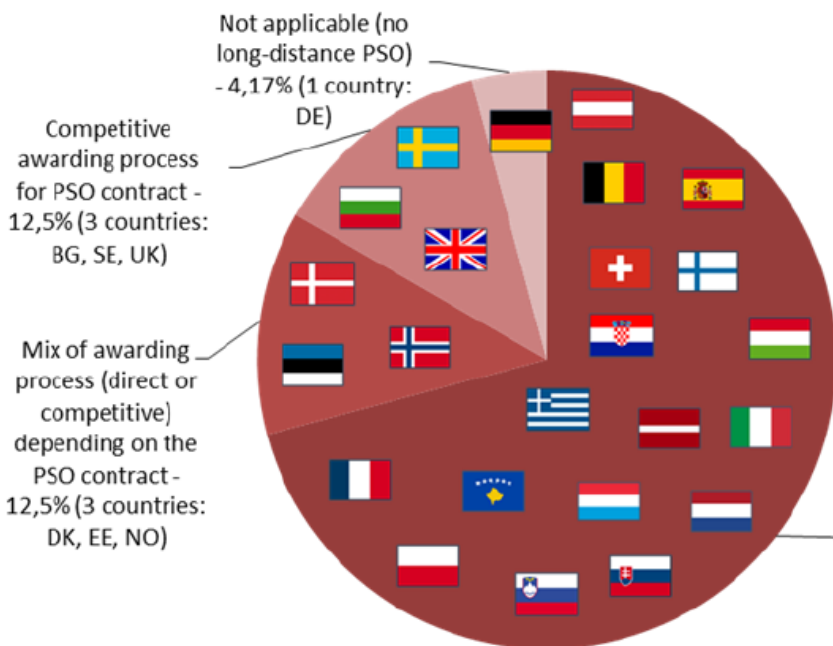
Source: EPEC

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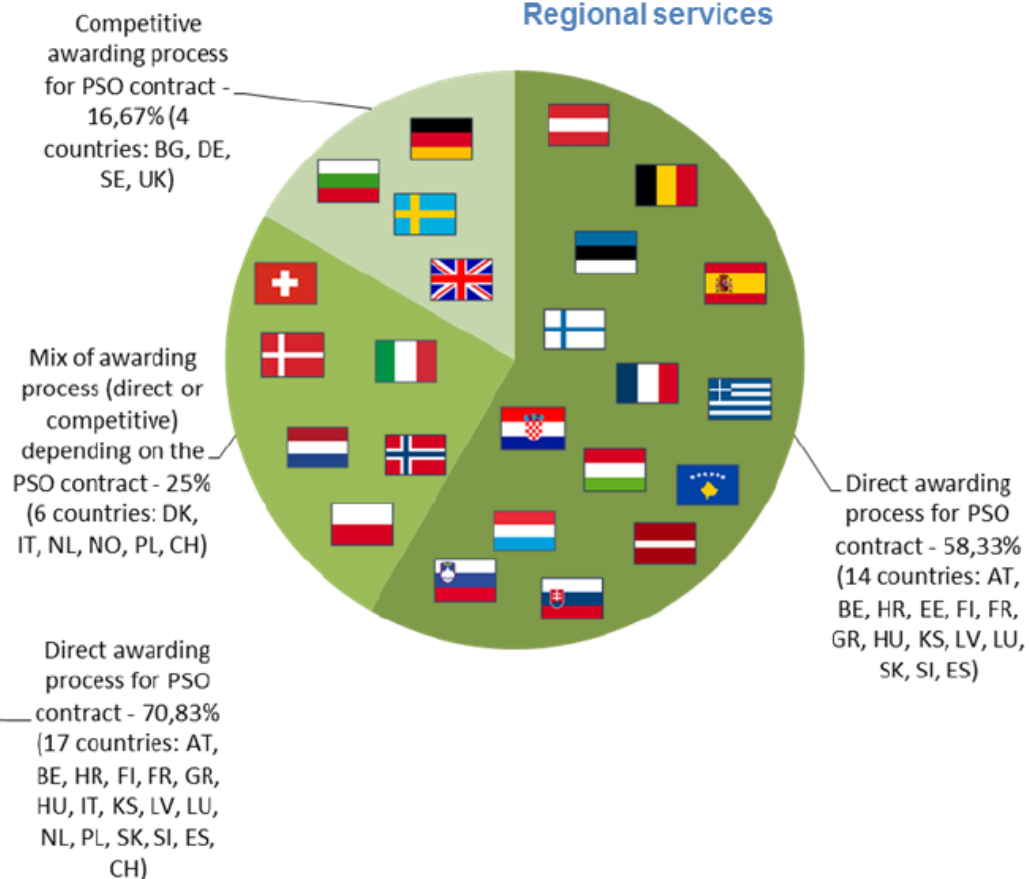
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# Competition for the market – PSO awarding rules for passenger transportation

## Long-distance services

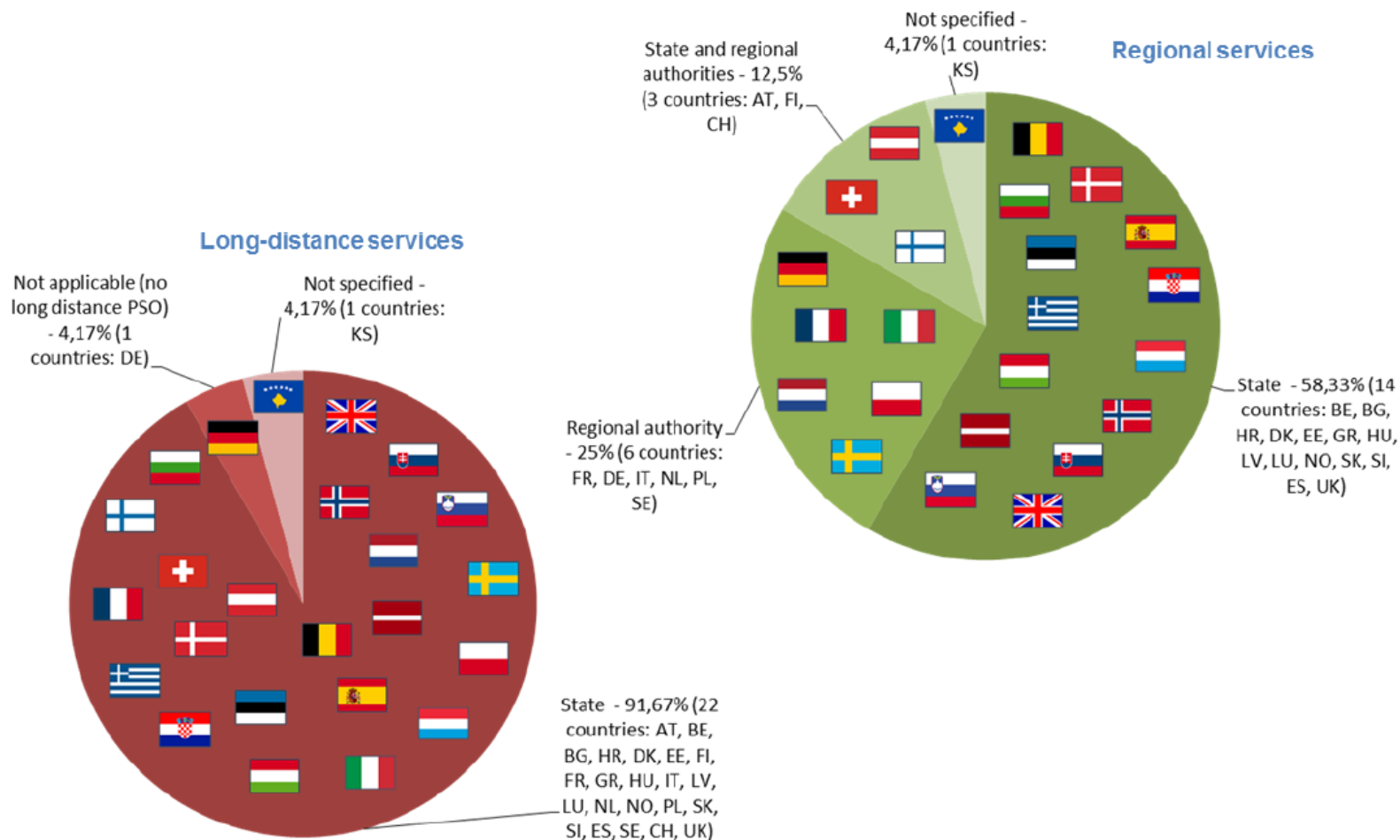


## Regional services



Source: IRG-Rail 5th Annual Monitoring Report, 2015

# Public contracting authorities for PSO services



Source: IRG-Rail 5th Annual Monitoring Report, 2015

# Some observations about rolling stock (financing)

- ▶ EU: Railway Packages requirements (prerequisite for EIB support)
- ▶ (Slow but) Ongoing market opening, in particular for regional services under PSO
- ▶ In countries introducing competition: Non-incumbents gain market shares, have rolling stock needs
- ▶ Emerging financing needs for regional RUs, (public) rolling stock pools, increased interest in lease financings and financings for leasing companies.  
Not typically PPP, but often project finance structures.
- ▶ Rolling stock financing including structuring elements is gaining in importance and volume for EIB



# Thank you!

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