

EUROPEAN PPP EXPERTISE CENTRE

Market Update

Review of the European PPP Market in 2018



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Market Update

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Headlines

- 39 PPP transactions reached financial close for an aggregate value of EUR 14.6 billion
- In value terms, the market decreased by 4% compared to 2017
- In number terms, the market decreased by 11% compared to 2017
- The most active markets were Turkey (by value) and France (by number of projects)
- 10 countries closed at least one PPP project
- Transport was the largest sector in terms of value, whilst education recorded the highest number of projects
- Half 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:

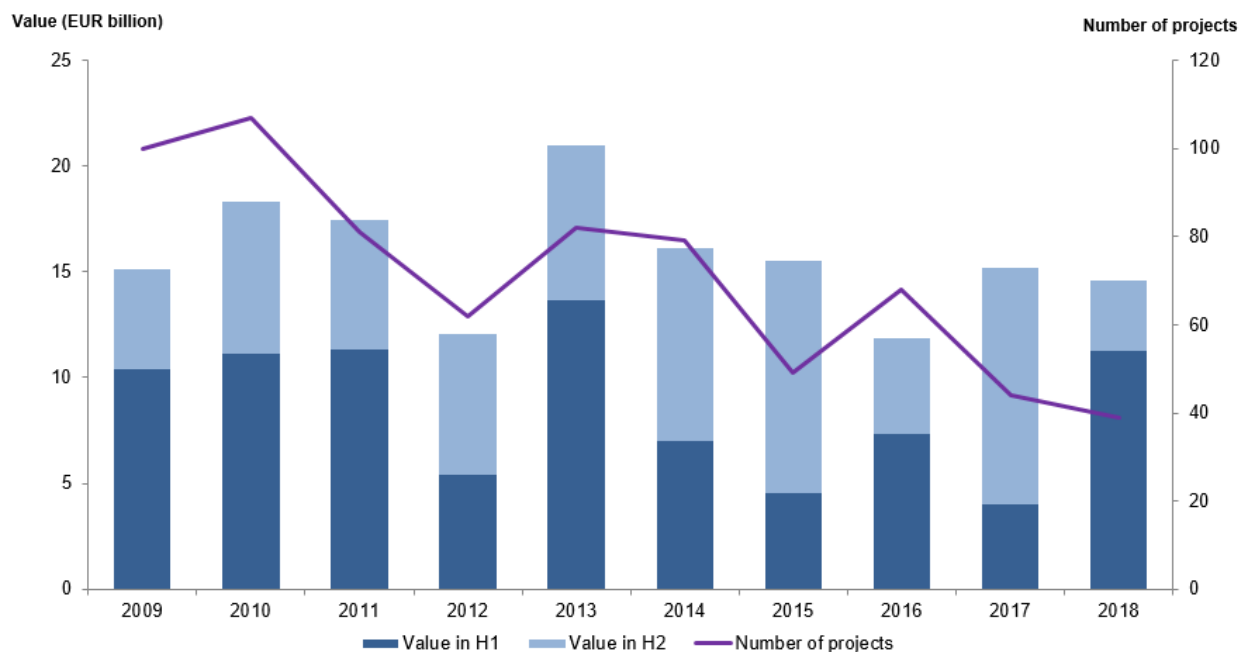
- transactions in EU-28 countries as well as Turkey and countries of the Western Balkans region (i.e. Albania, Bosnia-Herzegovina, FYROM, Kosovo, Montenegro and Serbia);
- transactions structured as design-build-finance-operate (DBFO) or design-build-finance-maintain (DBFM) or concession arrangements 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 2018, the **aggregate value** of PPP transactions that reached financial close in the **European market**¹ totalled **EUR 14.6 billion**, a 4% decrease from 2017 (EUR 15.2 billion).

Figure 1: 10-year view of the European PPP Market by Value and Number of Projects (2009-2018)



- **The number of PPP transactions reaching financial close fell to 39**, compared to 44 in 2017. This is the lowest number of transactions since 1997.
- However, the **average transaction size increased** to EUR 375 million (EUR 345 million in 2017).
- **Eight large transactions**² **closed**, as in 2017. Their aggregate value amounted to EUR 9.6 billion, representing 66% of the total market value (compared to 69% in 2017). The large transactions reaching financial close in 2018 were:³
 - Canakkale bridge – (EUR 3.1 billion) in Turkey;
 - Ankara-Nigde motorway – (EUR 1.2 billion) in Turkey;
 - Gironde broadband network – (EUR 1.2 billion) in France;
 - Blankenburg tunnel – (EUR 1 billion) in the Netherlands;
 - A16 Rotterdam highway – (EUR 930 million) in the Netherlands;

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

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

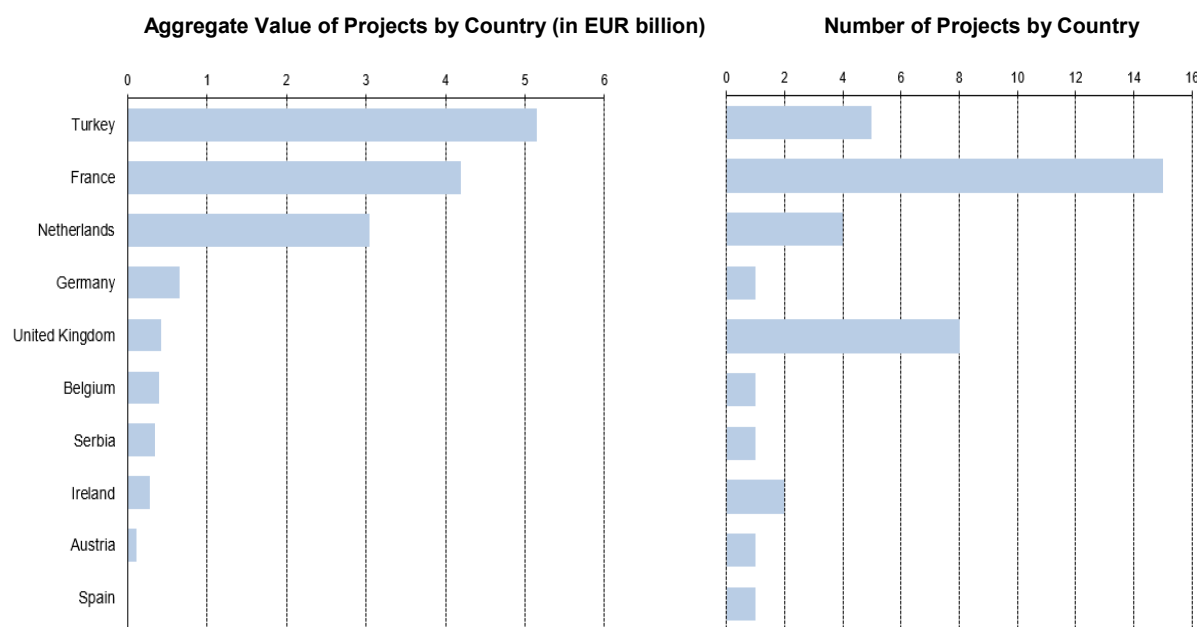
³ More detail is available in Annex 1.

- Afsluitdijk dam – (EUR 810 million) in the Netherlands;
 - Bilkent laboratory – (EUR 711 million) in Turkey; and
 - A10/A24 Neuruppin-Pankow road – (EUR 652 million) in Germany.
- **51%** 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 5.1 billion (EUR 6 billion in 2017), and **France was the largest in terms of number of projects**, with 15 deals closed (nine in 2017).

Figure 2: Country Breakdown by Value and Number of PPP Projects in 2018



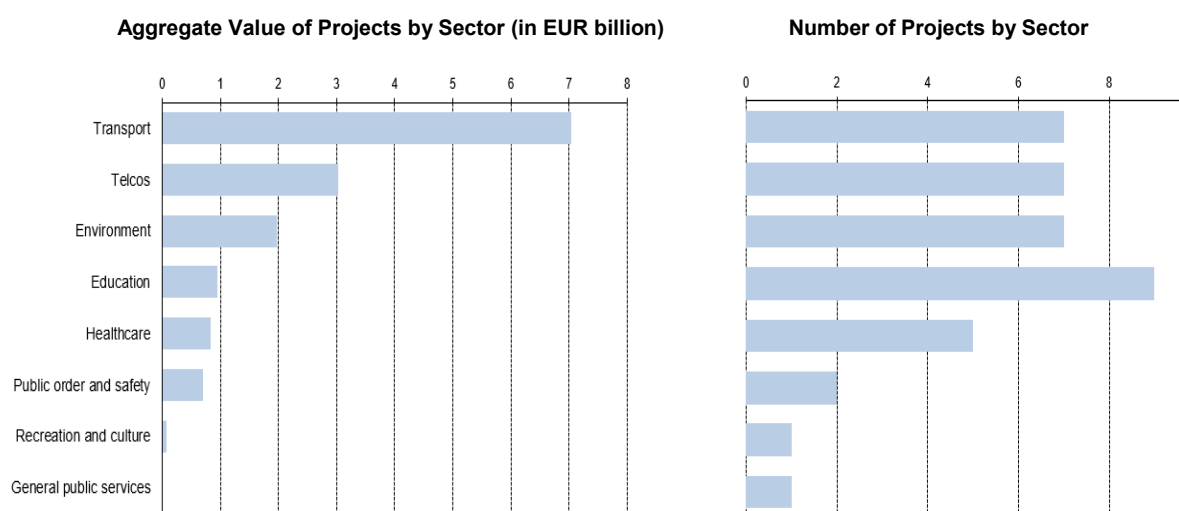
- **France was also the second largest PPP market in terms of value**, with a total of EUR 4.2 billion.
- **Five countries closed at least two deals** (compared to eight countries in 2017) and **ten countries closed at least one PPP transaction** (compared to 12 in 2017).
- As shown in Annex 2, over 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 22.8 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 2018 the **transport sector** remained the largest in value terms with over EUR 7 billion worth of transactions (EUR 7.6 billion in 2017). However, 2018 represented the lowest number of projects closed in the sector in the last 20 years (only seven transactions closed).⁵
- The **telecommunications sector** was the second most active one in terms of value with seven projects closed and an aggregate value of EUR 3 billion (EUR 2.1 billion in 2017). This is mostly due to the six broadband transactions closed in France.
- In the **education sector**, the number of projects that reached financial close decreased from ten to nine and the aggregate value similarly decreased to EUR 952 million (EUR 958 million in 2017).
- Seven projects closed in the **environment sector** for an aggregate value of EUR 2 billion (EUR 462 million in 2017).
- The **healthcare sector** contracted significantly both in terms of value (from EUR 3.8 billion in 2017 to EUR 828 million in 2018) and number of projects (from nine projects in 2017 to five projects in 2018).

Figure 3: Sector Breakdown by Value and Number of PPP Projects in 2018



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 39 transactions** that reached financial close in 2018, **21** (compared to 13 out of 44 in 2017) involved the provision of debt by institutional investors (e.g. insurance companies, pension funds) through a variety of financing models.
- **Eight** countries closed transactions involving institutional investor debt: **Belgium, France, Germany, Ireland, the Netherlands, Serbia, Turkey and the UK** (compared to five countries in 2017).
- The role of **the EU, national governments and public financial institutions** (domestic or supranational) remained significant in 2018, for example:
 - The **A355 Strasbourg West bypass** (France), **A10/A24 Neuruppin-Pankow road** (Germany), **Afsluitdijk dam** and **Blankenburg tunnel** (Netherlands) projects all benefitted from the support of the European Fund for Strategic Investments (EFSI); and
 - The EIB financed four of the 39 PPP projects that reached financial close during the year, for an aggregate lending volume of EUR 1 billion.⁷

5. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in 2018:

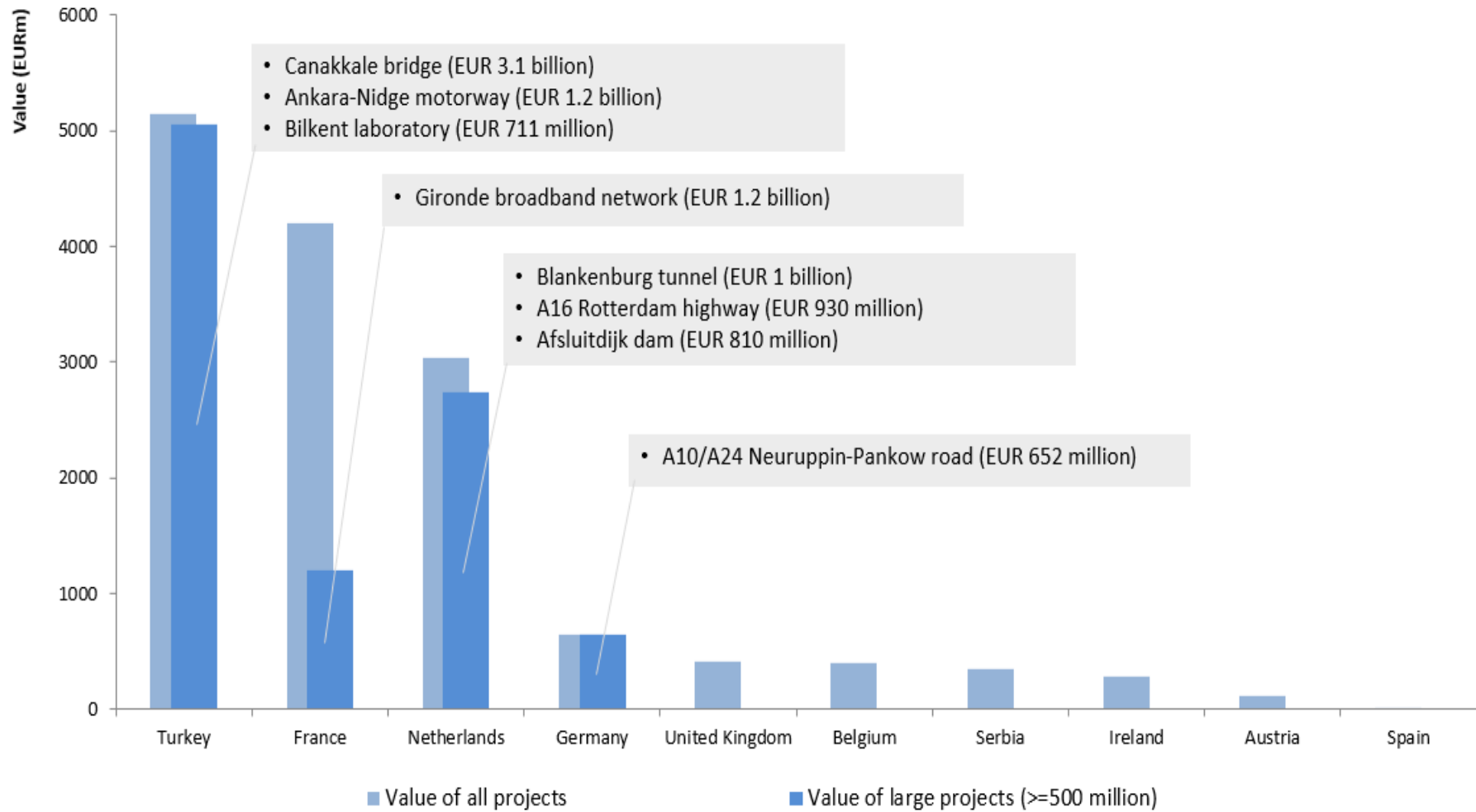
- The **Calvados, Gironde, Haute-Garonne, Herault, Maine-et-Loire** and **Val de Loire** broadband network projects reached financial close in France as part of its PPP programme to improve high-speed internet provision. These schemes involve the design, building, financing, operation, maintenance and commercialisation of publicly owned fibre broadband networks in low-density areas, not covered by commercial operators.
- The **Grangegorman campus** projects reached financial close in Ireland as part of its wider investment plan in education infrastructure. This scheme allows for the consolidation of the Dublin Institute of Technology (DIT) into a single campus, through the design, building, financing and maintenance of two academic buildings.

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/epcc-ppps-financed-by-the-european-investment-bank-since-1990>

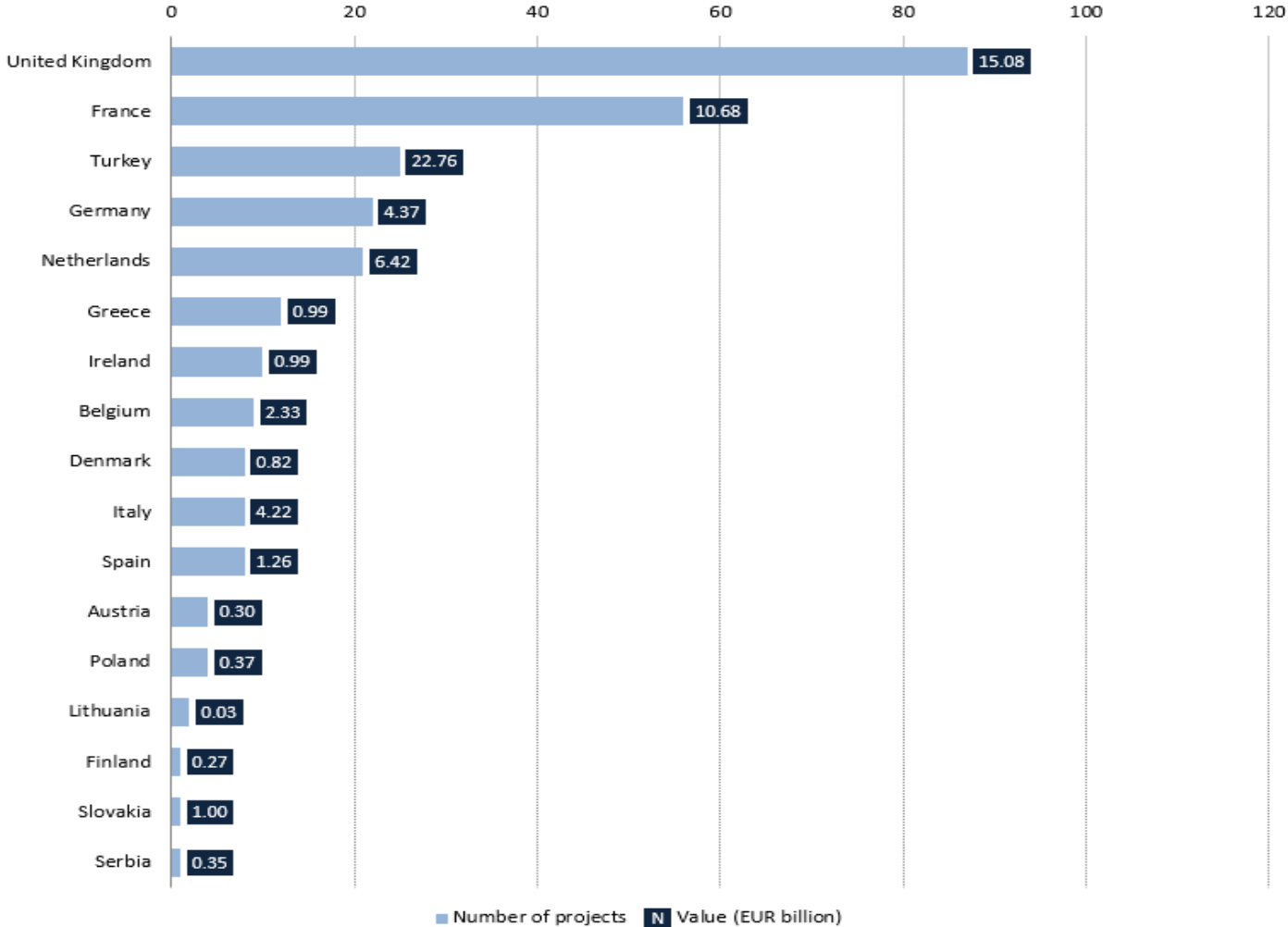
Annex 1

Large PPP Projects (EUR 500 million or more) as a proportion of overall activity in 2018



Annex 2

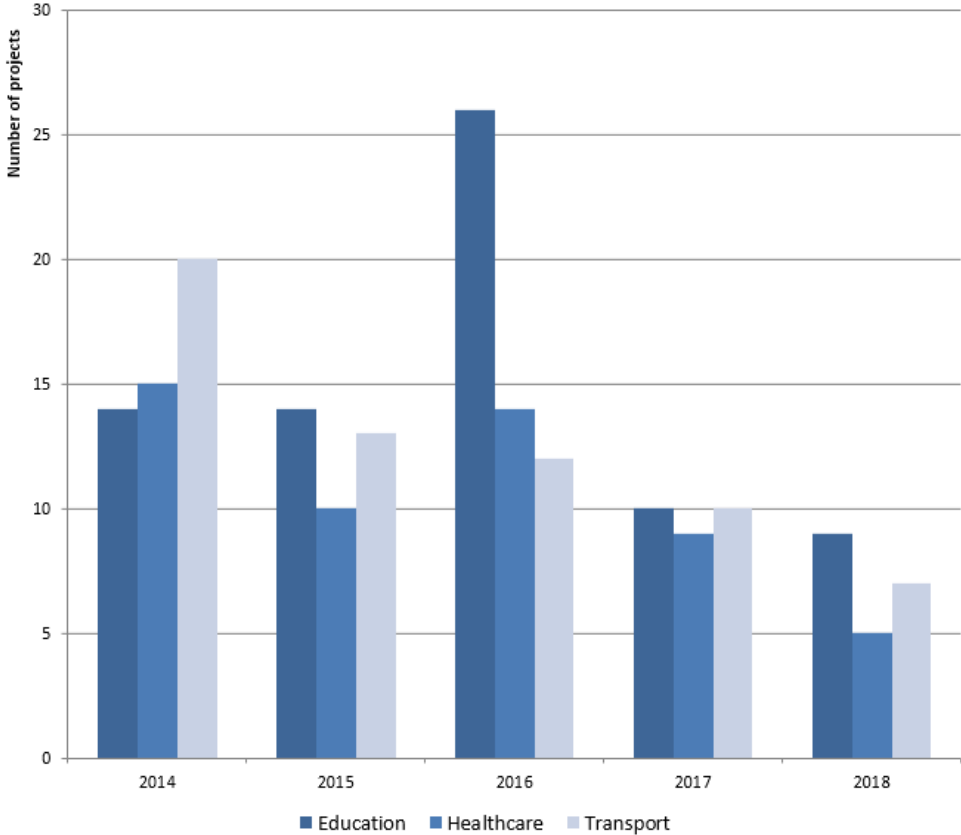
Evolution of the European PPP Market by Country (2014-2018)



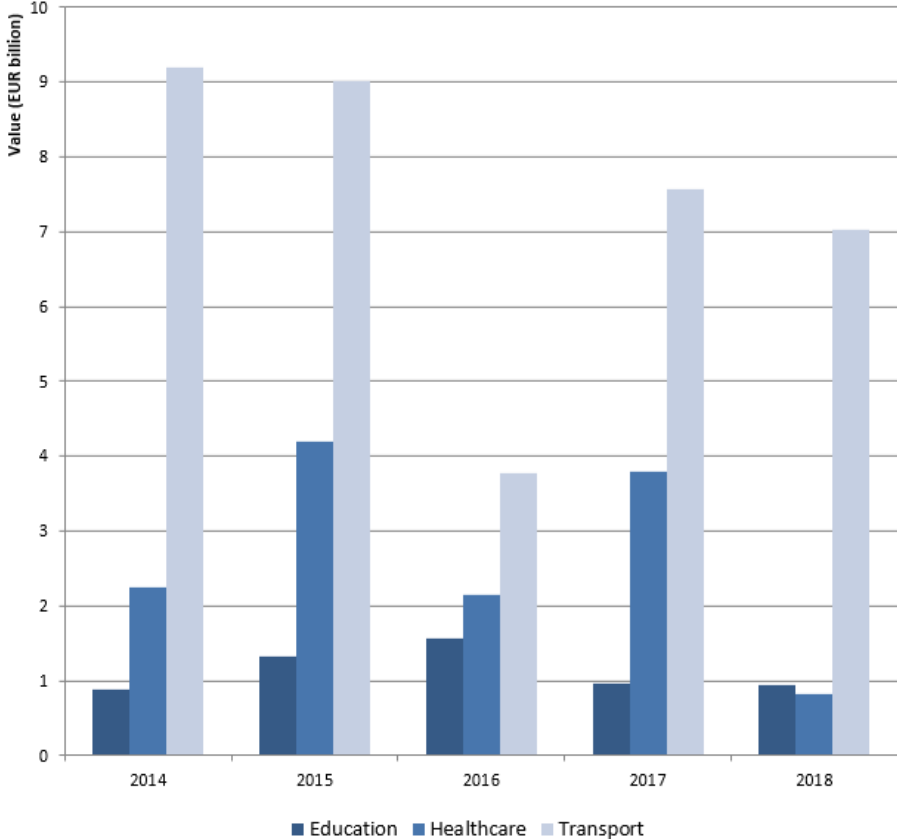
Annex 3

Evolution of the Main PPP Sectors (2014-2018)

Number of Projects by Sector



Aggregate Value by Sector



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