

# Blending EU grants with PPPs in the next MFF

CSI-Europe towards 2014-2020  
Financial Instruments for Cities  
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# Agenda

- The principles of blending PPP with EU Funds
  - Why blending EU Funds and PPPs
  - Which funds can be used for blended PPPs and how?
- Next budgetary period 2014-2020: how to benefit from EU funding in PPPs?
  - A list of past challenges to blended projects
  - How these challenges have been addressed in the new MFF
  - What MAs should do in programming blended PPPs
  - Open issues for 2014+

# The European PPP Expertise Centre

Established in September 2008

A unique cooperative initiative of the EIB, the European Commission and EU Member and Candidate States

International team of 13 professionals

Membership: initially 20, now 39 Members

Strengthen the ability of the public sector to engage in PPPs by helping Members to share experience and expertise, analysis and good practice



# Blended PPP projects: what?

- PPPs
  - Procurement of physical asset to deliver public services and operation of the asset
  - Risk sharing scheme between public and private sector
  - User- or government pay
- Blended PPPs
  - Financing scheme involving private funds (debt / equity), and
  - A contribution from EU funds (grants / financial instruments)

## Blended PPP projects: why?

- Possible benefits of PPPs?
  - Project delivery on time and on budget
  - Innovation in asset and service delivery
  - Professional project management and implementation
  - Life-cycle approach with constant performance throughout concession/contract period
  - Assets off-budget, (partially) financed by the private sector
- What can EU funds bring to PPPs?
  - Risk mitigation mechanisms
  - Bridging market gaps
  - Provision of additional liquidity
  - Increasing financial viability

# Which funds can be used for blended PPPs and how?

- The EU offers different funds...
  - European Structural and Investment Funds - ESIF (mainly: ERDF, Cohesion Fund, ESF)
  - Connecting Europe Facility - CEF
- ... for different purposes:
  - Grant co-financing
  - Financial instruments
  - Funding of advisory services and studies

## A list of past challenges to blended projects

- Limited public sector capacity to deliver complex structures  
**Single most important barrier**
- Blended projects were not perceived to be positively viewed  
**Negative market perception is a powerful thing!**
- Uncertainties in the funding gap components and risks of recalculation  
**The private sector does not deal well with uncertainties related to funding issues**
- Decision on when to submit the grant application and how this interfaces with the PPP procurement process  
**Difficult to time the PPP process with the EU funds grant application**
- Timing for disbursing the grant into the project  
**Disbursement mechanism for EU Funds not aligned with standard PPP funding practices**

## How the challenges have been addressed in the new regulatory framework (CPR)

- New Recital, New Definition, New Chapter specifically related to PPPs!
- Makes it crystal clear to all that blending is possible

**Market perception addressed!**

- Additional method to calculate the grant amount: flat rates  
**The vicious circle of the funding gap calculation can be broken**

- Extension of the concept of the beneficiary
- Usage of escrow accounts and eligible expenditures

**Channeling the grant to the project and to the private partner**



# What should MAs do in programming blended PPPs?

- General
  - Project size: small projects vs major projects
- PPP
  - Project identification / scope
  - Government- or user-pay PPP (revenue generation)
  - Initial assessment of the PPP option (affordability, risks, bankability, value for money, deficit and debt treatment)
- EU funding
  - Eligibility (11 thematic objectives, Operational Programme)
  - Selection of the funding instrument (grant, financial instrument)

**A careful selection of well prepared candidates for blended PPPs!**

## There is still homework for everybody before 2014+...

- The EC has to clarify a number of open issues (delegated and implementing acts)
- Member states have to set up networks facilitating PPP/grant blending
- Managing Authorities have to consider at early stage the potential for PPP procurement in the sectors covered by Operational Programmes
- The private sector has to learn about possible structures and support their development

**PPP/grant blending needs to be pushed at all levels!**

## European PPP Expertise Centre

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