

PPP Challenges in Central Eastern Europe and Mediterranean Region

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Content

CEE PPP market

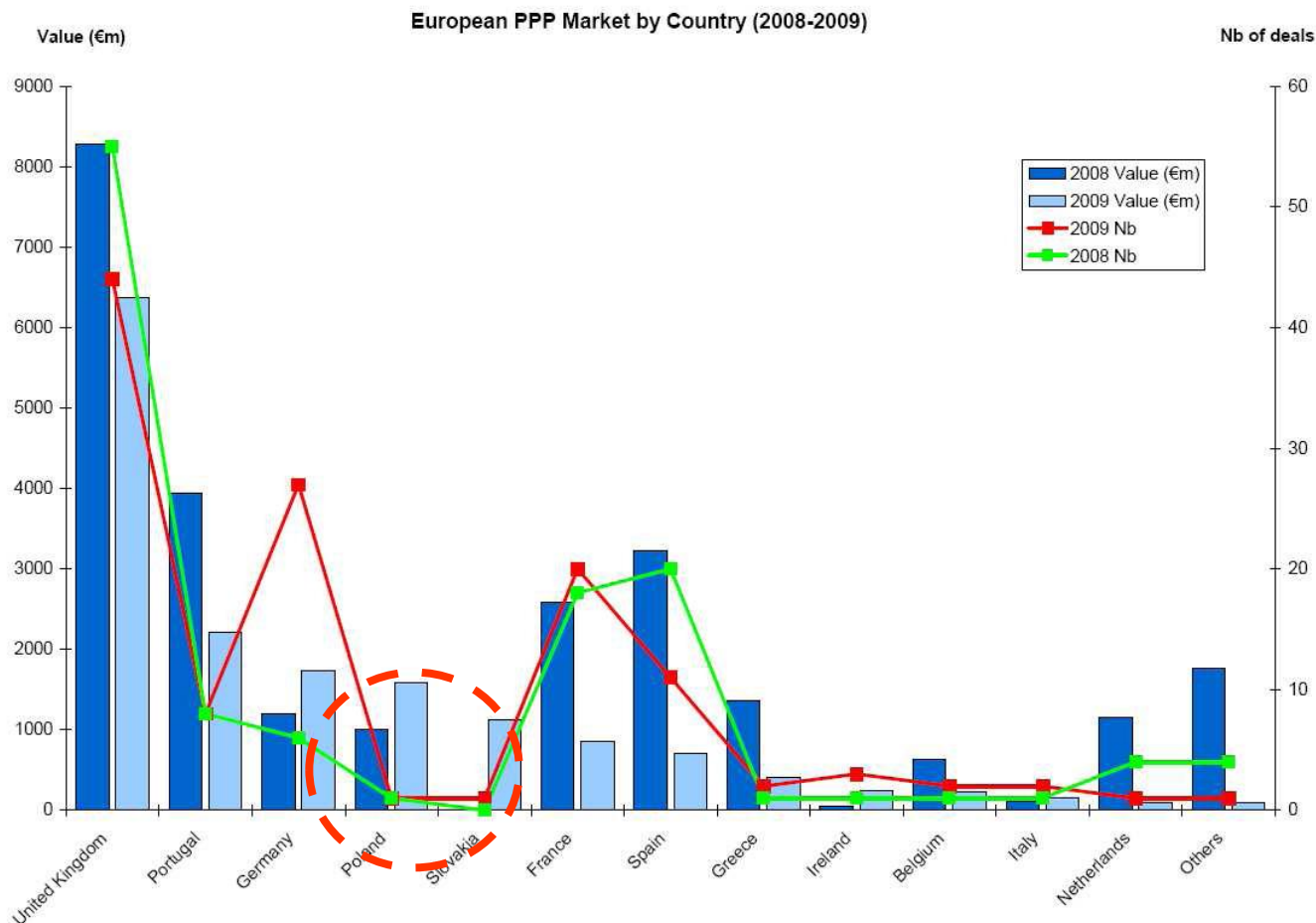
- Snapshot of 2009-2010 Market
- Impact of the financial crisis
- Public sector response
- Systemic problems
- Involvement of EPEC

FEMIP Study on PPP legal framework in in the North Africa and Middle East region

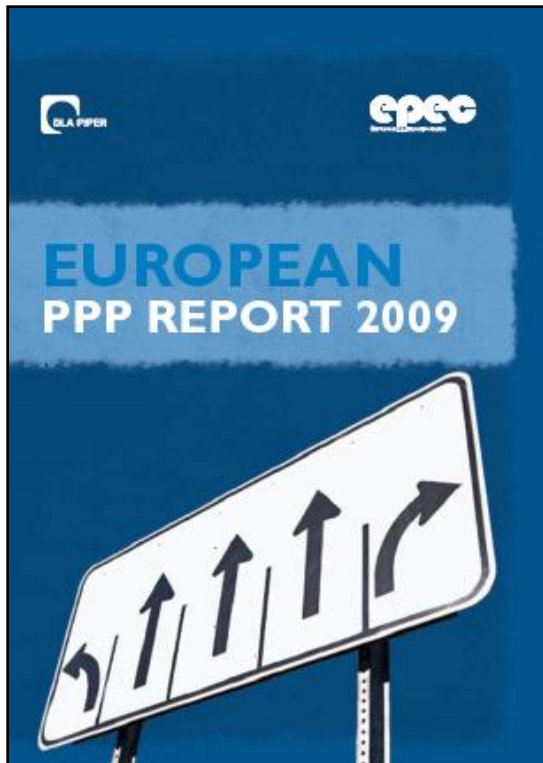
- Overview of the study

CEE PPP Market

European PPP Market 2008-2009



CEE PPP market in 2009



Key deals reaching financial close

- R1 in Slovak Republic (1.1 bn Euro)
- A2 in Poland (1.6 bn Euro)

Polish A1 cancellation shows market fragility

Slovak D1 will show the trend the CEE PPP market and whether a deal of this magnitude can still be financed through the debt markets

Impact of the crisis on the PPP market in CEE



Collapse of the inter-bank lending market

Liquidity shortage

Syndication market effectively stalled

Capital markets lost as source of PPP finance

Collapse of the monoline insurers

Increase of bank margins (and bond spreads)

Impaired bank balance sheets

Senior debt tenors significantly reduced

Many large banks reduced their PPP activities or withdraw from the market

Public Sector Responses in the CEE

To be established

Enactment of anti-crisis measures

- Adjustment of national procurement process

Provision of government support

- Up-front government payments
- Co-lending
- Direct/indirect guarantee facilities

Debt facilities

- Debt funds

Country responses to the crisis and attitude toward PPPs

Romania

- Implementation of PPPs is a priority of the government's anti-crisis programme

Bulgaria

- Unblocking EU funds and create of a favourable environment for PPP is a priorities of the new administration

Slovakia

- R1 PPP road project reached financial close and D1 reached commercial close.
- The success of the D1 and R1 projects should stimulate further interest in PPPs

Poland

- the government passed a new PPP law in Feb. 09 that triggered interest in PPP schemes, particularly among municipalities with an emerging pipelines of projects

Lithuania

- The government support PPP development as a stimulus to local industry

Turkey

- The government is keen to implement a PPP program
- 2009 Bosphorus tunnel is the flagship project

CEE public sector systemic problems

Know how

- Incomplete legal frameworks and high level of litigation
- Limited public sector capacity and experience in the implementation of PPP projects
- Uncertainties with the allocation of main project risk

Finance

- Distressed public finance
- Impact of structural and cohesion funds
- Difficulties in grant funding
- Contractor strength
- Currency risk

Political willingness

- Corruption and procurement
- Appeal of pilots not programmes
- Concern over balance sheet treatment

EPEC activities in CEE

Working Groups

Eurostat

Grant loan
blending

PPP Units

Bilateral

Romania

Poland

Lithuania

Turkey

Know How

- Institutional strengthening
- Programme support

Finance

- Grant-loan blending
- Debt fund with Jessica

Political willingness

- Sharing experience

FEMIP STUDY

Overview of the Study

Phase I

- Legal and Financial diagnostic of PPP Market in FEMIP region
- 9 Country analysis
Syria, Egypt, West Bank, Lebanon, Jordan, Israel, Algeria, Tunisia, and Morocco
- benchmarking with 5 countries
- Workshop
- Policy advice (specific recommendations)

Phase II

- Selection of 4 FEMIP countries for a sector specific analysis
- Selection criteria:
 - Political will to move ahead with the PPP agenda
 - Market readiness but lack of mature market
 - Selection of marketable project pipeline
 - Draft of ToR for feasibility studies