



OPEN SESSION

“New Financing Trends and their Consequences on the
Tunnelling Projects: The European Perspective”



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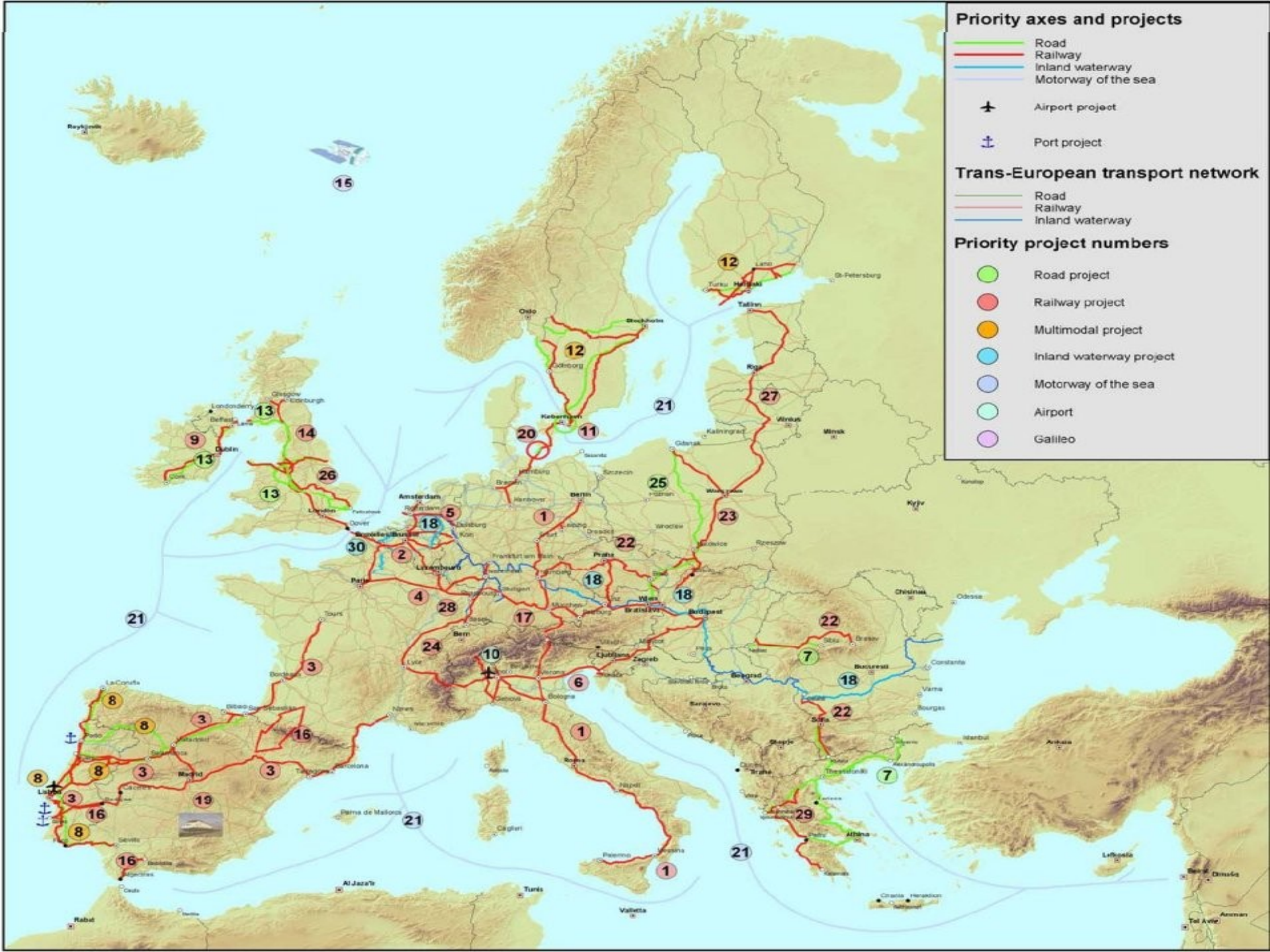
EUROPEAN INVESTMENT BANK



- Estimated future investment levels (2004-2020)
 - Total transport infra (EU-27) = +/- 600 bn
 - Of which TENs-T network = +/- 430 bn

	ROAD	RAIL	WATER WAYS	SEA POSTS	AIRPORTS	TOTAL
EU-15	101,7	196	8	18,5	32,5	356 (83%)
EU-12	36	28	2	2,5	2,4	72 (17%)
EU-27	138	224	10	21	35	427 (100%)

- Huge investment effort =
EU-15: +/- 0,9% GDP; EU-12= +/- 0,6 to 1,1%
- Main trends: Focus on rail (+/- 50%)
4 predominant countries:
I (+/- 100bn), F (+/- 50bn); SP (+/- 50bn; D (+/- 30bn)





- Strong Increase of budgetary grants for NMS (EU-12)
 - TENs budget line is minimal: 8,5 bn
= < 2% of TENs-T financing needs
 - Cohesion and ERDF budget lines are massive = 347 bn
 - ✓ Of which 282 bn for 113 “Convergence regions”
= +/- 35-40% of TENs-T financing needs
 - ✓ Of which 65 bn for “Growth and employment regions”
= +/- 15% of TENs-T financing needs in EU-15
- EIB lending in support of TENs-T investment

TRANS-EUROPEAN NETWORKS AND EUROPEAN TRANSPORT CORRIDORS

Projects financed by the EIB (1994-2004)



- Priority TENS
- Section financed
- Other TENS
- Transport corridors, CEC
- Section financed
- Road/Rail
- Electricity
- Gas
- Airport
- Projects of multi-regional character
- Inter-modal freight centre
- Port
- Air traffic management
- Oil/Gas platform



FINANCING TENs-T = EIB LENDING TARGETS (2007-2013)



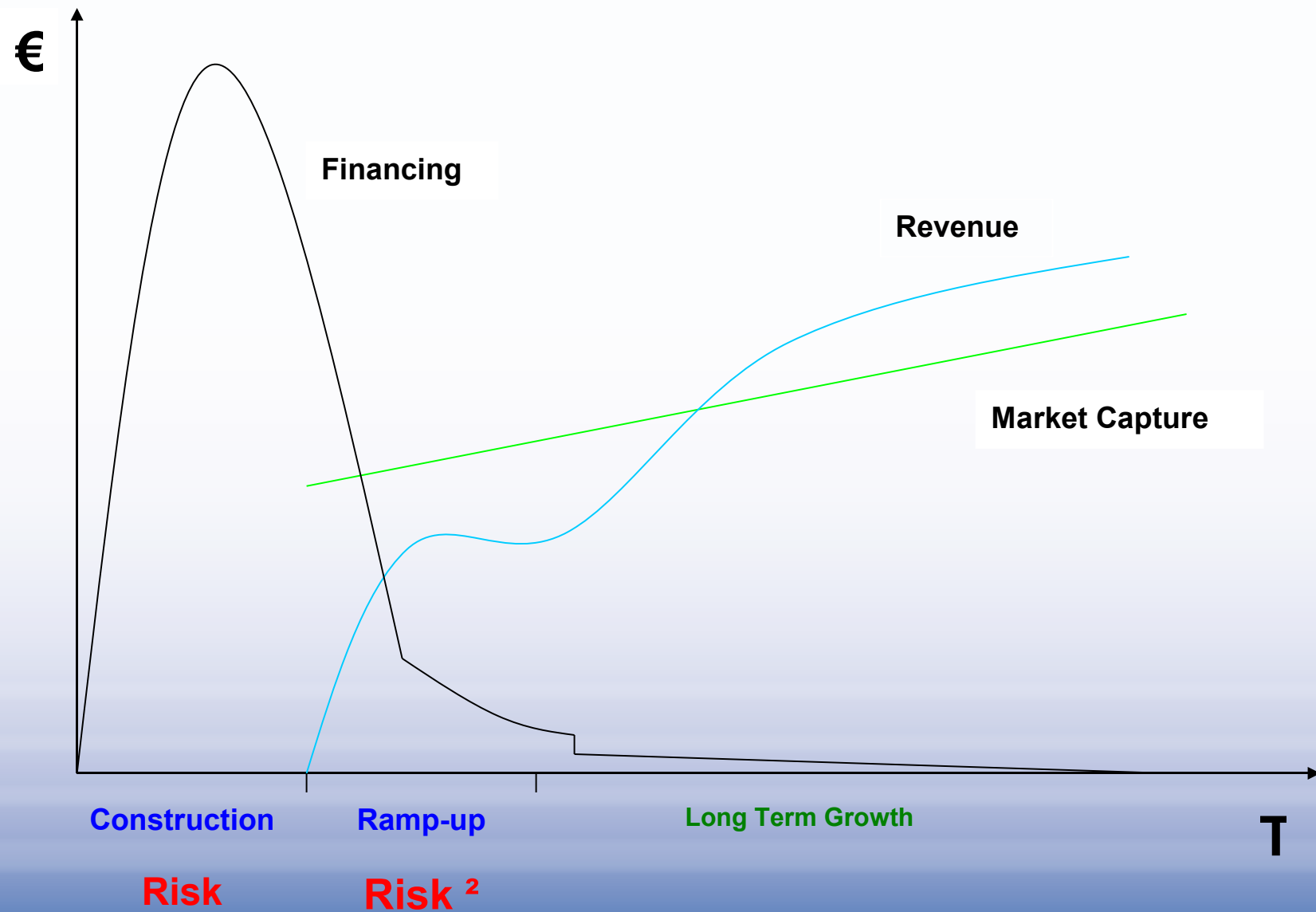
- ❖ Overall Target (EIB Governors: European Action for Growth)
75 bn = 17% of Total TENs-T investment in EU-27
Leverage effect: +/- 225bn (= 60% of total TENs-T)
- ❖ Of which 13 to 15 bn in EU-12
= 19-20% of total TENs-T investment in NMS
- ❖ Of which 55 to 60bn in EU-15
= 15-17% of total TENs-T investment in EU-15



- Meet a double Challenge
 - Help “New” MS to achieve their economic transition
 - Help “Old” MS to maintain their investment level despite lowered budgetary resources

- Therefore, strong needs for:
 - Coordination of respective national transport investment policies
 - Capacity building in new member states
 - Private sector involvement
 - Addressing the issue of risk management

TYPICAL TENs-T investment profile



THE WORLD HAS CHANGED !



Since mid '90s, completion of integration and Monetary Union has:

- ❖ Maximised **macro-economic convergence** among EU-MS
- ❖ Placed EU and MS's **budgetary policies** under growing constraints
- ❖ Speed-up merger and acquisitions processes among market players, allowing **Corporates to develop at a continental size**
- ❖ Deepen and **broaden financial markets**
- ❖ Fostered **exchange of experiences** among EU economies (ex. PPP)



- ❖ Project matching with EU policy objectives
 - EU integration / EU standards (“aquis communautaire”)
 - Economic and social cohesion (“regional development”)
 - Environmental protection / improvement
 - Freedom of movement (Treaty of Rome’s 3 Liberties)
- ❖ Technically sound
- ❖ Economically justified
- ❖ Financially viable (at least for the debt component)
- ❖ Construction and commercial risks well appraised and managed

i.e.: not just the project or one of its components;
the project fitting with its environment

THE CRITICAL POINT = Traffic forecast and management



❖ External factors

- Market size: Origin - destination + network effect
- GDP growth and final consumption capacity
- “Willingness to pay” = time value, service value, image effect
- Alternative offered by competing modes of transport
- Political back-up & commitment

❖ Project-specific factors:

- Average time gains
- Frequency of services & network connectivity
- Pricing framework
- Qualitative factors: Convenience, comfort, reliability, etc.

WHAT CAN EIB OFFER ? (I)



- Financing options tailor-made to TENs projects
 - Long/extra long term maturities (up to 35 years)
 - Early disbursements & grace periods
 - (construction + ramp-up periods)
 - When appropriate: feasibility studies financing

- Risk sharing financial options (PPP)
 - Structured Finance Facility (1,25bn € provision)
 - TENs Loan Guarantee Facility (1bn € provision)
 - TENs Risk Capital Facility (90m €)

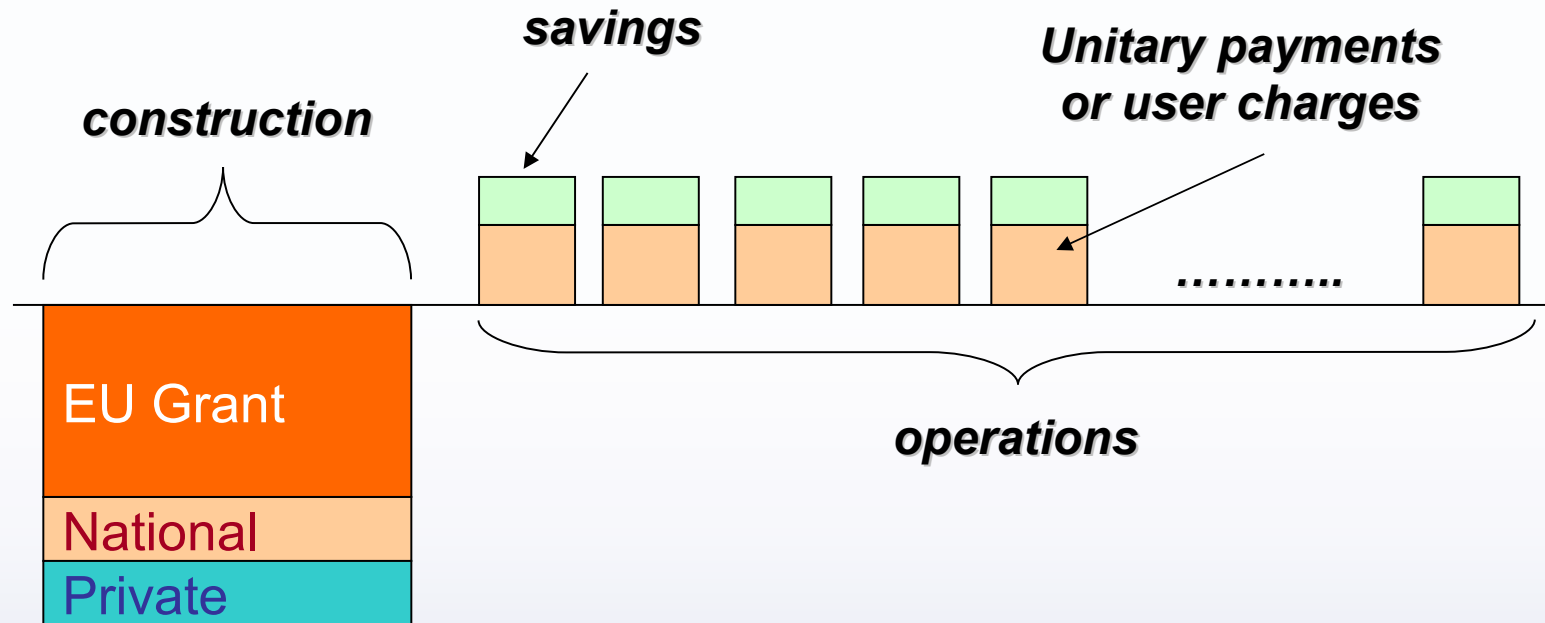
- Expected leverage effect on private capital mobilisation:
20bn €

WHAT CAN EIB OFFER ? (II)



- ❖ Capacity building for project identification and set-up:
 - JASPERS Technical Assistance (in the NMS)
 - TEN's Center of Expertise (all EU)
 - ✓ Support to national policy definition
 - ✓ Best practice dissemination
 - ✓ Advisory activities to planning?? authorities, project and staff training
- ❖ Close coordination with EU Commission to enhance synergies between EIB loans and EU grants

Models (1) Capex subsidy



Characteristics:

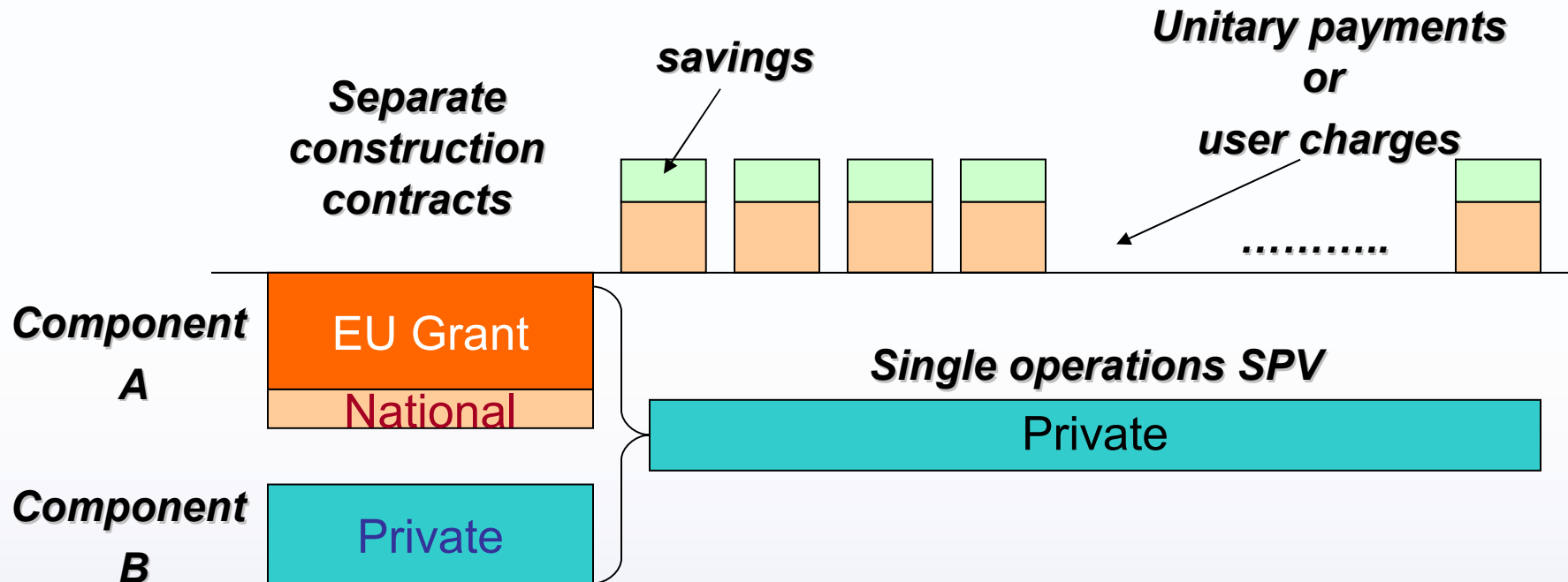
- ❖ Common in transport
- ❖ Leverage: Moderate
- ❖ Incentives: Moderate

Issues:

- ❖ Interface problems
- ❖ Ability to slice up project

Fiscal risk depends on payment mechanism & guarantees

Models (2) Parallel Co-finance



Characteristics:

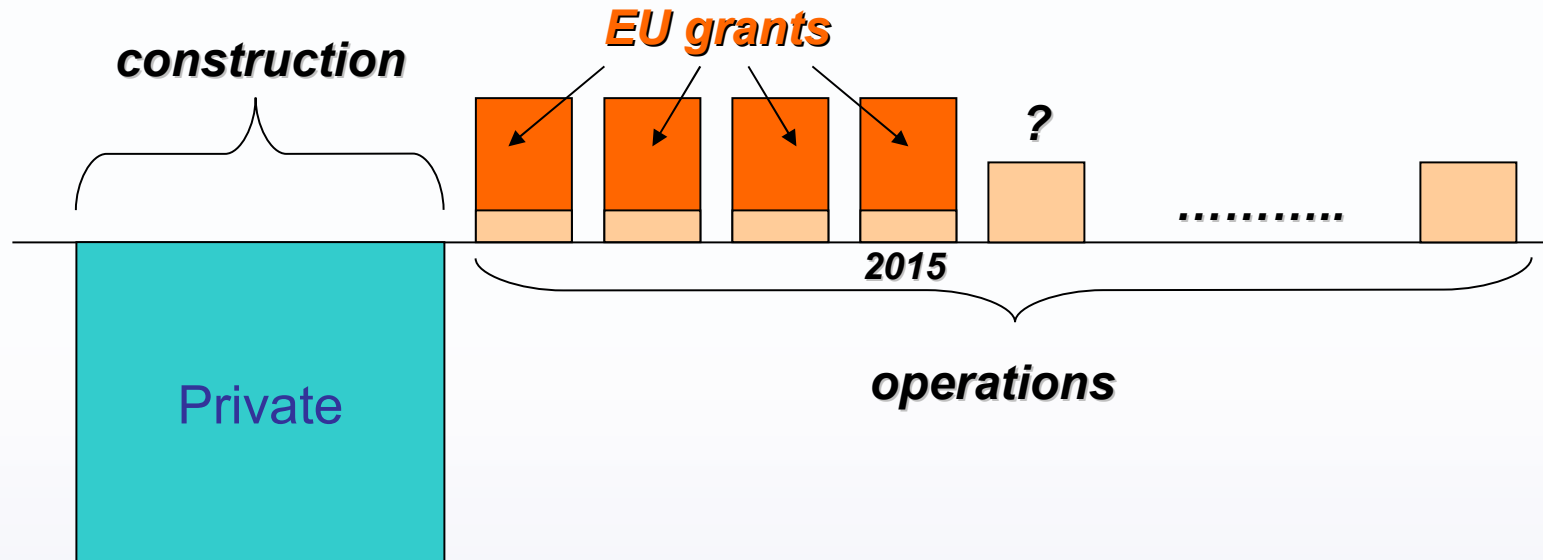
- ❖ Common in transport
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- ❖ Incentives: Moderate

Issues:

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Models (3) Payment subsidy



❖ Characteristics:

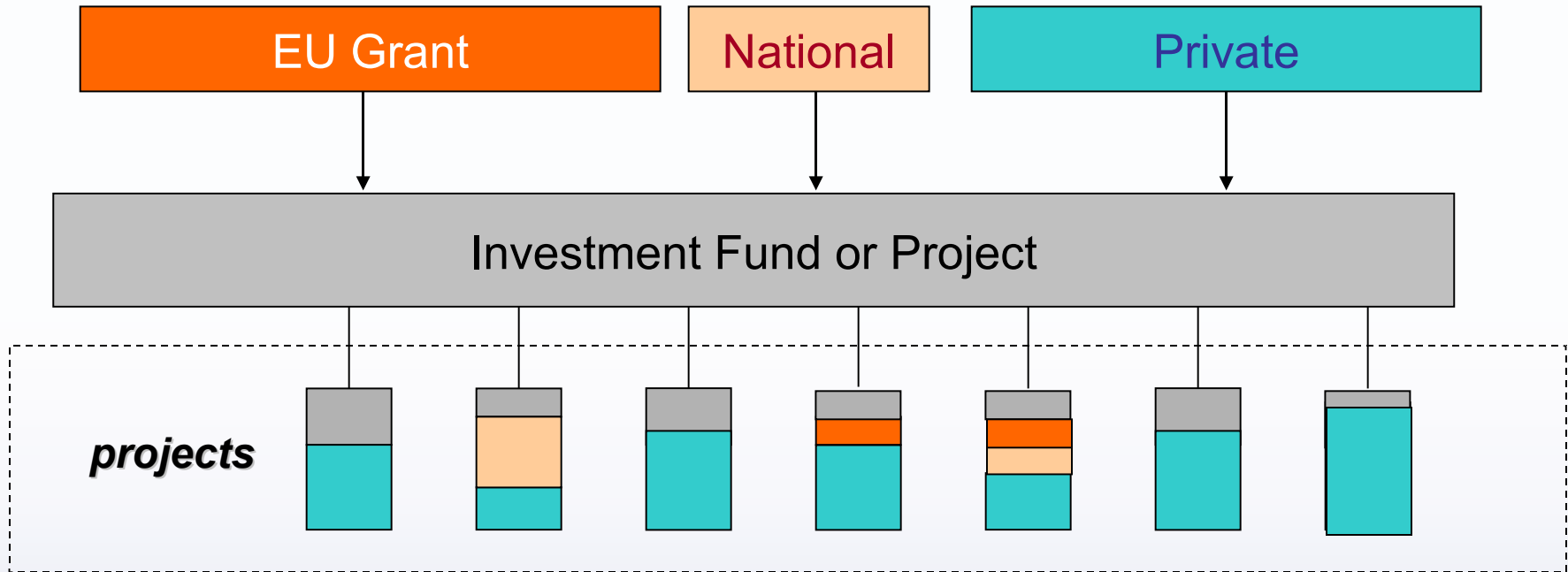
- ❖ Similar to UK PFI credits?
- ❖ Leverage: High
- ❖ Incentives: High

❖ Issues:

- ❖ Only for availability schemes
- ❖ Eligible expenditure period
- ❖ Regulations unclear

Fiscal risk depends on payment mechanism & guarantees

Models (4) Co-Investor (Fund or Project)



Characteristics:

- Like urban regeneration funds
- Leverage: High
- Incentives: High

Issues:

- Social objectives v profitability
- Selection of private partner
- Recycling of profits

No fiscal risk as funding on equity basis

For further information, please visit: <http://www.eib.org>



About EIB financing of the TENs:

- <http://www.eib.org/site/index.asp?designation=tens>

and

- <http://www.eib.org/publications/publication.asp?publ=41&txtFreeSearch=TENs>

About EIB's role in financing PPPs:

- <http://www.eib.org/publications/publication.asp?publ=189&txtFreeSearch='PPP&goPL=Go>

About EIB's financing instruments:

- <http://www.eib.org/projects/index.asp?designation=policies>

About ex-post evaluation of PPP projects financed by the EIB:

- <http://www.eib.org/publications/publication.asp?publ=207&txtFreeSearch='PPP&goPL=Go>

and

- <http://www.eib.org/publications/publication.asp?publ=253&txtFreeSearch='PPP&goPL=Go>

About EIB's technical assistance to infrastructure projects "JASPERS":

- <http://www.eib.org/publications/publication.asp?publ=277&txtFreeSearch=projects>

About project appraisal:

- <http://www.eib.org/projects/index.asp?designation=appraisal>