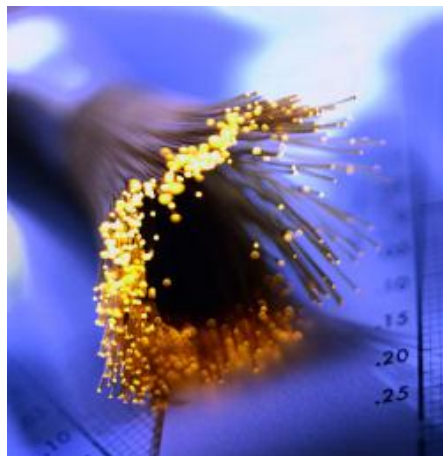


Financing Municipal PPPs

Dr Goetz von Thadden
European PPP Expertise Centre
Brussels, 6 June 2012

Smart Cities need smart solutions

EUR 19.2m
EstWIN broadband,
Estonia



EUR 4.3m
Street lighting,
Lehrte/Germany



EUR 28m
Multimodal terminal,
Antwerp/Belgium

Municipal PPPs can be very big ...



EUR 1.6 billion Karolinska Solna University Hospital, Sweden

... or very small



EUR 12 million Municipal Kindergartens (4) Project, Latvia

Project finance for large projects

- Large municipal PPPs are usually financed on a non-recourse, project finance basis, competing for funds with sovereign deals across Europe.
- Credit rating of municipalities are often lower than that of sovereigns, raising guarantee issues.
- Large municipal PPPs often depend on subsidies (national or EU), causing difficulties of blending PPPs with grants.

Financing projects of small size

- Small PPPs need alternative financing solutions, e.g. on balance-sheet financing of private partner, JESSICA, development finance institutions, and targeted national solutions.
- Small PPPs should be highly standardised to minimise costs for advisors.
- Grouping small PPPs may enhance their bankability.

Financing Municipal PPPs

Bundle at project level

- Find a group of similar projects
- Procure and finance them jointly on a limited recourse basis

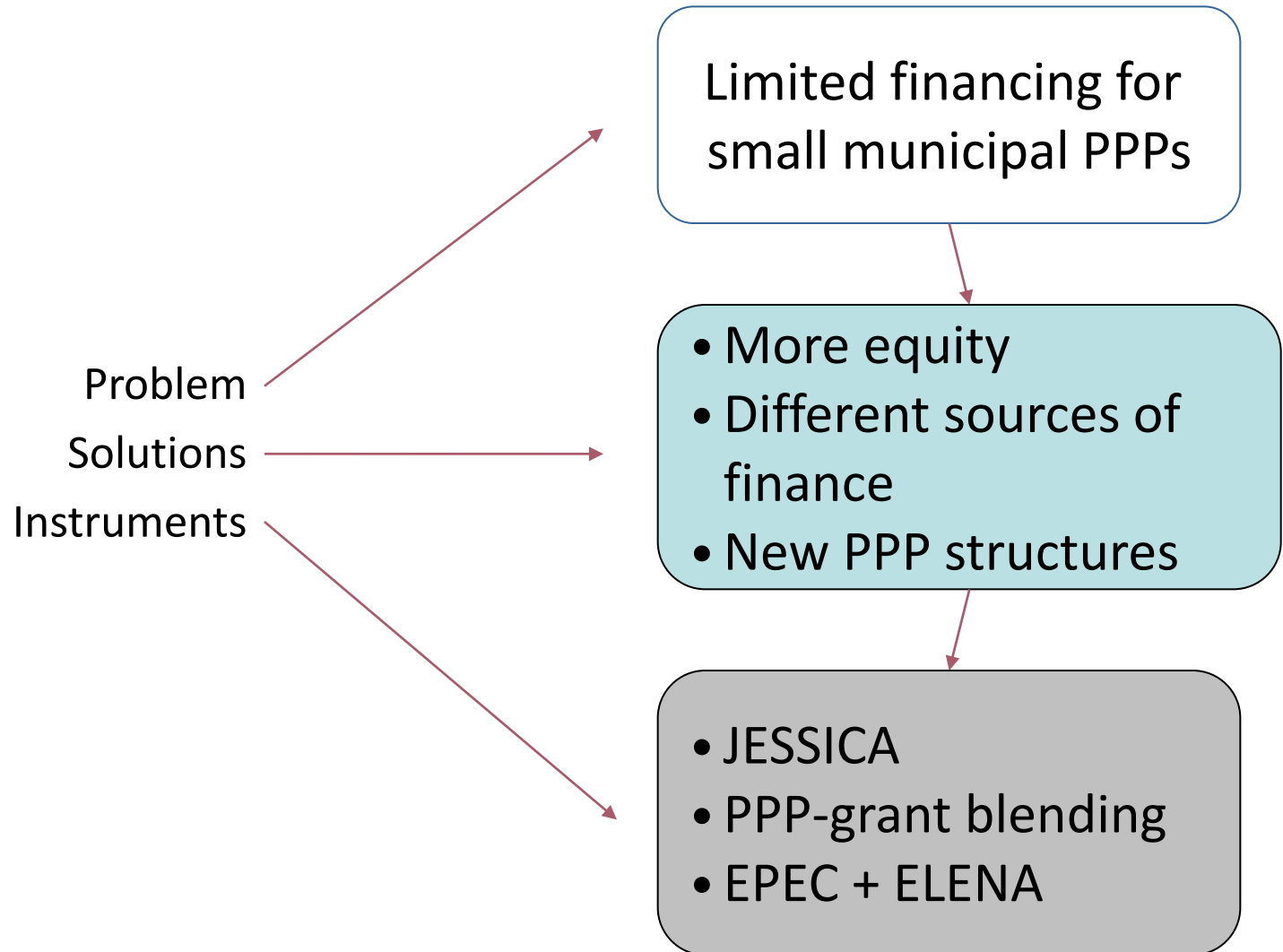
Bundle at partner level

- Private partner finances various small projects on-balance sheet
- Banks securitise the portfolio to free room for new projects

Finance stand-alone

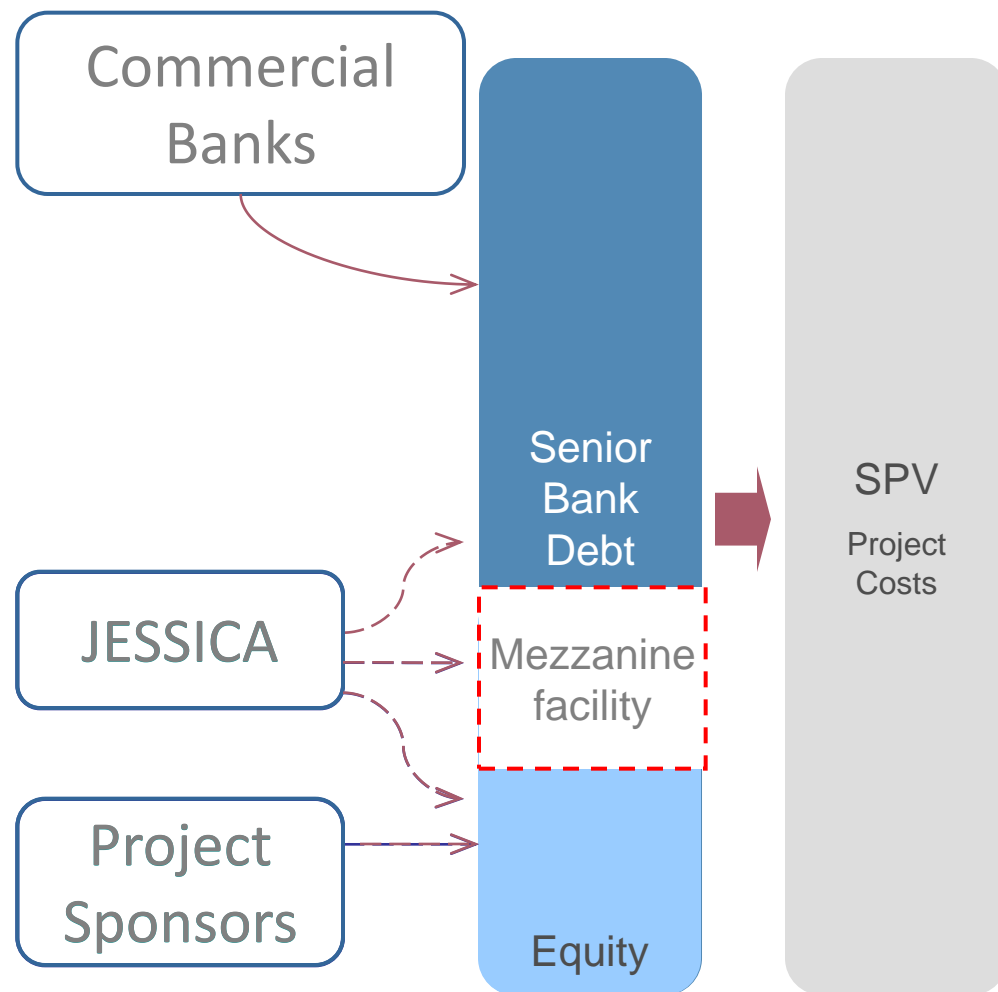
- Small projects normally not to be financed on limited recourse basis
- May need public guarantees
- Need tailored solutions

Market gaps in PPP financing

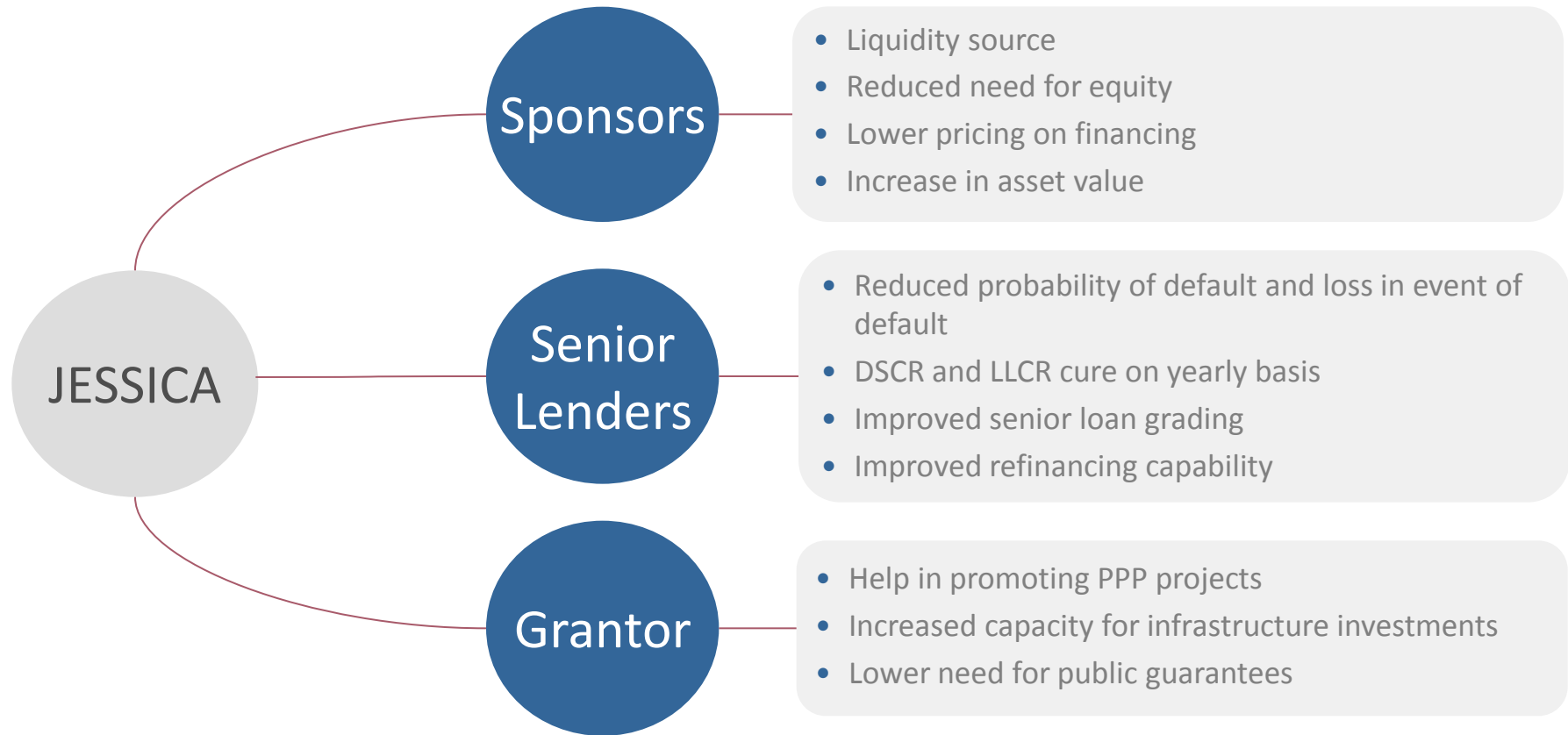


JESSICA in Municipal PPPs

- Specialized instrument jointly developed by the EIB and the EC
- Can provide debt or equity in municipal projects
- Provides additional source of funding and thus lowers senior debt requirements
- Improves capital structure and senior debt credit quality
- Potentially allows for funding cost reduction



JESSICA to reduce the Default Probability



JESSICA improves the financing capacity of municipal PPPs

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