



**European  
Investment  
Bank**

*The EU bank*

# Delivering better infrastructure services in ACP

*The role of PPPs and how EIB makes them happen*

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- I. A quick introduction to Public-Private Partnerships (PPP)
- II. Why government are turning to PPPs in ACP
- III. Key challenges for PPP development in ACP: the investor's perspective
- IV. EIB's support to PPPs in ACP

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# Public-Private Partnerships (PPPs) present specific features...

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- **Long-term contractual relationship** between a Public and Private partner
- **Provision of public services** (normally infrastructure-based)
- **Output approach** in the specification of the service
- **Risk sharing** among partners for the provision of the service
- **Payment upon performance**



# ..and interactions between the public and private sector that require an enabling framework

## Public partner:

- **Defines service specifications**
- **Select the private partner** normally through a competitive procedure
- **Supervises** the provision of the services
- (May) **Pay** for the provision of the services
- (May) **Support financially** the private partner

## Private partner:

- **Invests** (financial resources/know how)
- **Provides/manages** **Design/Finance/Construction/Operation** (or a mix of the above)
- **Is paid by users/government fee** upon performance (normally) until investment is amortized and financing repayed
- (May) **Return the infrastructure** to the public partner

# ..to attract sustained investment, due to long payback periods and large project sizes



Source KPMG

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# ACP faces large gaps in the stock and quality of infrastructure, which hampers economic growth

- Africa is estimated to miss 2 percent of Gross Domestic Product (GDP) growth per annum without adequate infrastructure endowment
- The Caribbean region alone is facing an infrastructure gap of USD 21.4 billion over the next eleven years
- Meeting demand for increased investment governments must contend with: (i) fiscal, (ii) institutional and (iii) financial constraints



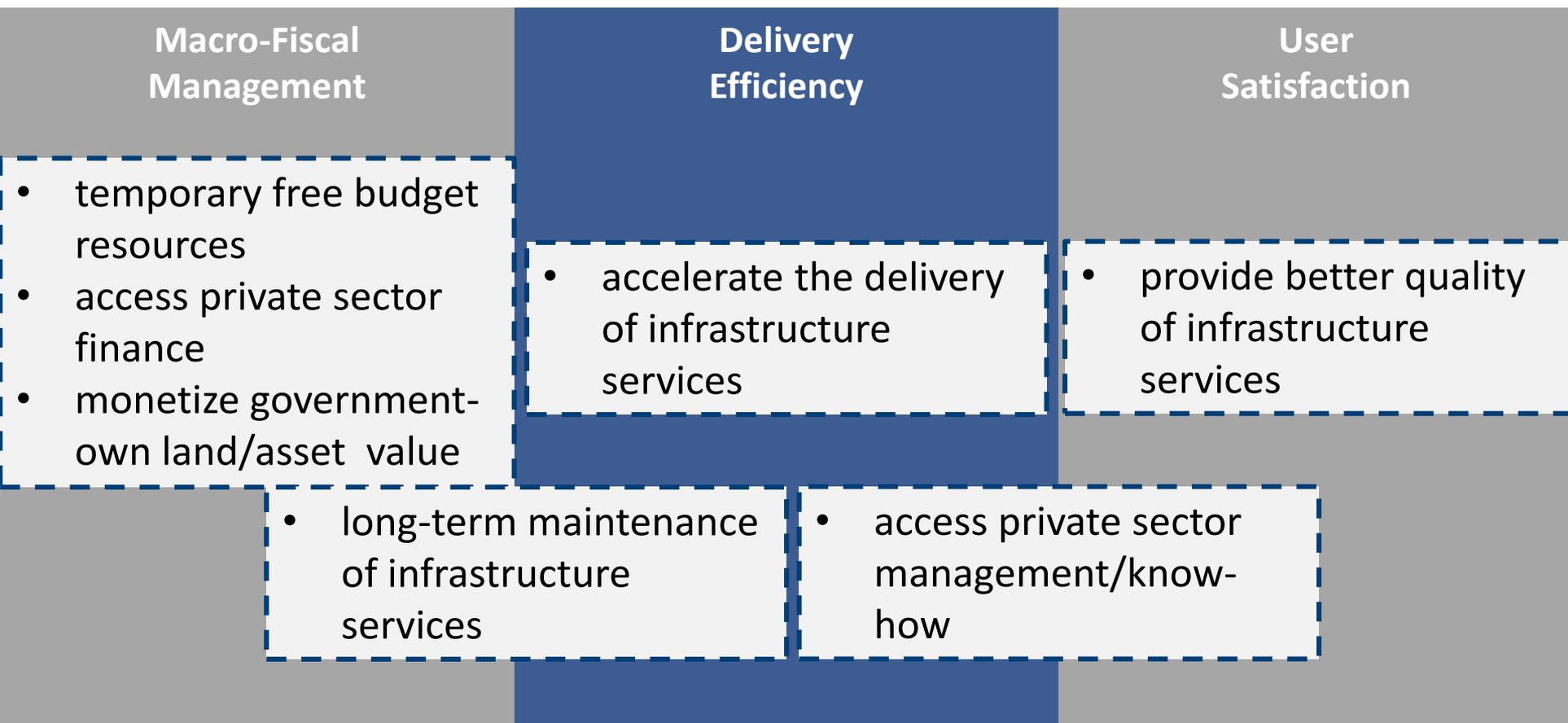
- **Government are increasingly turning to Private-Private Partnership (PPP) for delivering Policy Aspiration**

Improving Sector  
Performances  
(delivering project)

Improving Public  
Investment Management

# How can government use PPPs to improve sector performances?

## PPP can change:



# How can government use PPPs to implement public investment management?

PPP can also have an impact on improving:

## Private Sector participation in Infrastructure (PPI)

- Infrastructure productivity

## Fiscal management

- Investment analysis options

## Good Governance

- Service standards for public services and users satisfaction

- Allocation of Public finance (Blending – focus on market failure)

- Assessment, Budgeting and Control of infra lifecycle cost

- Public administration transparency and accountability

# ... but PPPs are not meant to substitute other infrastructure delivery options

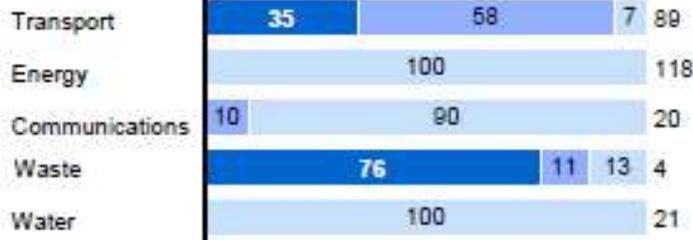
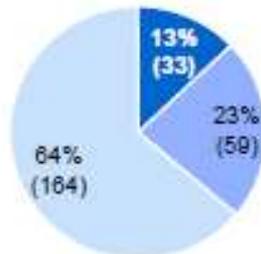
The share of public and private capital in infrastructure development varies significantly across countries and assets

%; \$ billion

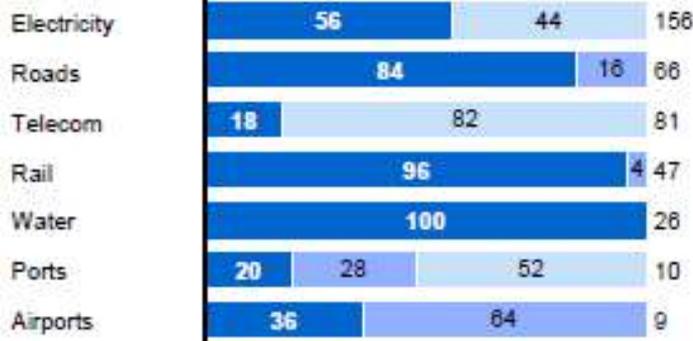
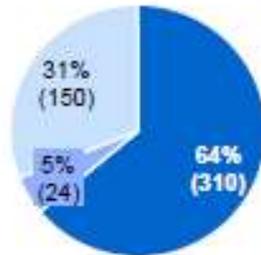


Planned public, PPP, and private investment in core infrastructure  
Ratio per sector

**United Kingdom**  
2011-15  
100% = \$257 billion



**India**  
2007-11  
100% = \$485 billion



SOURCE: HM Treasury, United Kingdom; Planning Commission, India; McKinsey Global Institute analysis

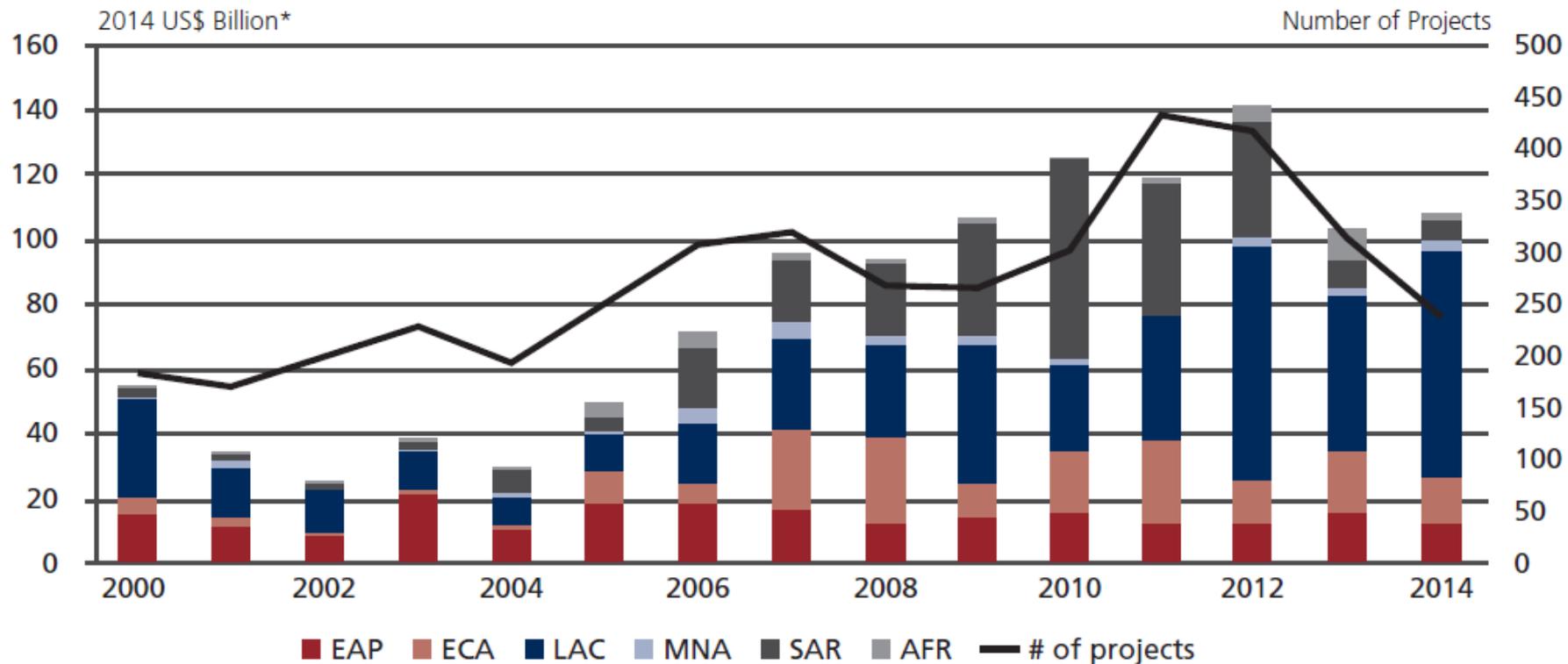
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# Governments turned to PPI with large variations across regions



Source: World Bank and PPIAF, PPI Project Database.

\*Adjusted by US CPI

# In ACP infrastructure projects struggle to progress beyond the concept stage

Key challenges in ACP include weaknesses in:

## Enabling environment

- Political commitment
- Policy & legal framework
- Implementation capacity
- Fiscal and financial management capacity
- Institutional coordination of stakeholders (e.g. on tariff level and financial support by the government)
- Procurement/selection of private sector partners

## Project Preparation

- Project preparation resources (expertise/financial capacity) are insufficient to advance project to an economically viable/bankable stage

## Transaction

- Project affordability/creditworthiness of off-takers need to be better addressed to ensure the bankability of projects
- Allocation of risks between the parties

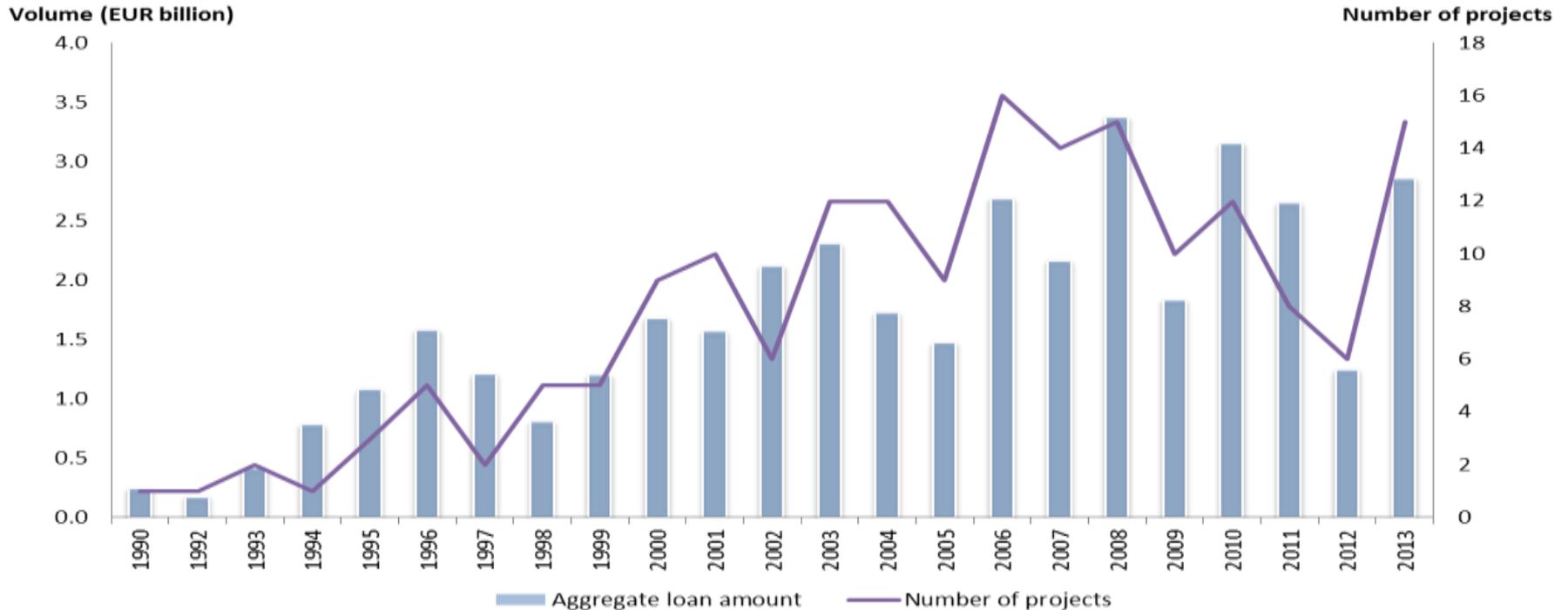
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# The EIB is a leading player in the EU PPP market



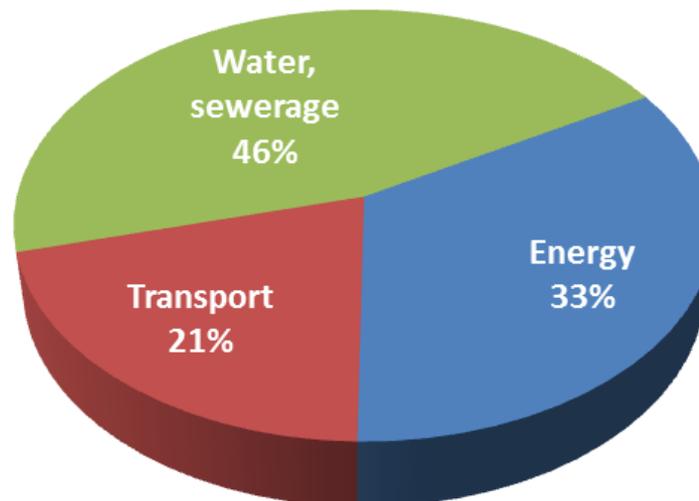
- EIB has provided substantial **policy support and organizational capacity** to foster the development of PPP markets and investments since the 1990s
- **EIB lending** has been a **key source of medium and long term debt** for the European PPP market since 2008

# ..and outside the EU, although under different conditions and EIB resource availability

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- Since 1998 (year of the first PPP transaction signed outside Europe), the EIB has financed:
- **15+** projects (9 in ACP)
- **EUR 1+** billion total lending volume of about

## Sector involvement



# EIB is uniquely positioned to add value to PPPs in more challenging environments

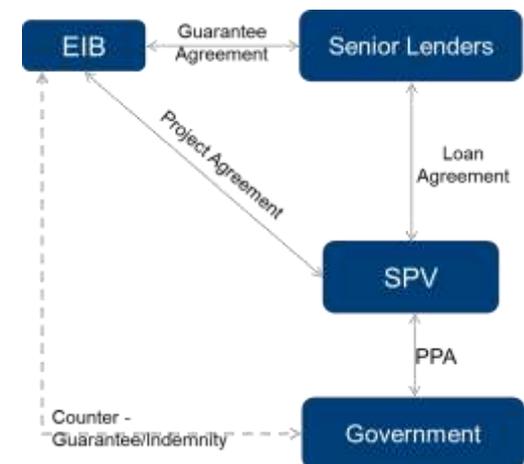
## EIB adds value by:

- Providing upstream and project preparation support
- Ensuring quality and soundness of projects
- Providing Financial benefits of EIB funds (large amounts, long maturities and attractive rates, currency diversification)
- Leveraging EU Grants and subsidies

## EIB also provide a Political Risk Guarantee

### Typical risks that can be covered:

- Non transfer/convertibility of currency
- Expropriation
- War or civil disturbance
- Denial of justice upon breach of contract
- Obligations of governments concerned



# ... to support sound projects...

## Lake Turkana Wind Power project

**Description:** The Lake Turkana Wind Power Project involves the construction and operation of a 310 MW wind power plant. The wind farm design includes 365 turbines and ancillary infrastructure including a 33/200 kV substation.

### Role of the EIB:

- Largest lender: **EUR 200 mln**
- **Use of various instruments:**
  - **EUR 50 mln** under Investment Facility (full risk)
  - **EUR 100 mln** under Investment Facility with EKF comprehensive guarantee
  - **EUR 50 mln** under Own Resources with commercial guarantee from 2 RSA banks, with Political Risk retained by the EIB (covered by EU member states)
  - **EUR 25 mln** from EU-ITF blending mechanism in the form of preferred equity -> **Innovative use of EU-AITF**

**Total cost:** EUR 613 million

**Equity 20%**

**Subordinated debt 10%**

**Senior debt 70%**



### Impact EU-AITF Grant:

- **Catalytic impact:** allowed for financing gap that cannot be closed in the market
- **High leverage:** 1:25 in terms of Project cost and up to 1:52 when revenues are included
- **Efficient:** structure lowers project cost
- **End-result: affordable clean energy for Kenyans**

# ... and contribute to achieve

## Sustainable Development Goals (SDG)

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- **Cape Verde Wind Farm:** encouraged and promoted effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships [SDG 17.17]
- **Lake Turkana Power Project:** strengthened the means of implementation and revitalize the global partnership for sustainable development Finance [SDG 17]
- **Khi Solar:** contributed to ensure access to affordable, reliable, sustainable and modern energy for all [SDG 7] and took action to combat climate change and its impacts [SDG 13]
- **Jamaica Toll Road:** supported the financing of purpose-designed resilient infrastructure [SDG 9]

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