

EUROPEAN PPP EXPERTISE CENTRE

# Market Update

## Review of the European PPP Market in 2019



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# Market Update

## Review of the European PPP Market in 2019

### Headlines

- 29 PPP transactions reached financial close for an aggregate value of EUR 9.8 billion
- In value terms, the market decreased by 31% compared to 2018
- In number terms, the market decreased by 24% compared to 2018
- The most active market was the United Kingdom in value terms and France in terms of the number of projects.
- Nine countries closed at least one PPP project
- Transport was the largest sector both in terms of value and number of projects
- 55% of the transactions closed were government-pay PPPs

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## Data Collection and Methodology

The data used in this publication are EPEC's own aggregation of information collected from a variety of sources, in particular Dealogic ProjectWare, Inframation, Partnerships Bulletin, IJ Global and Inspiratia, cross-checked, where appropriate, against the EIB's own project files. The list of PPP projects forming the dataset has been reviewed, where possible, by EPEC members. Project data contained in this publication may be subject to future revisions due to the late availability of information or corrections to previously reported values. Please note that the PPP pipeline section of this publication is under development. The data and the findings of this publication should therefore be treated with appropriate caution.

This publication covers:

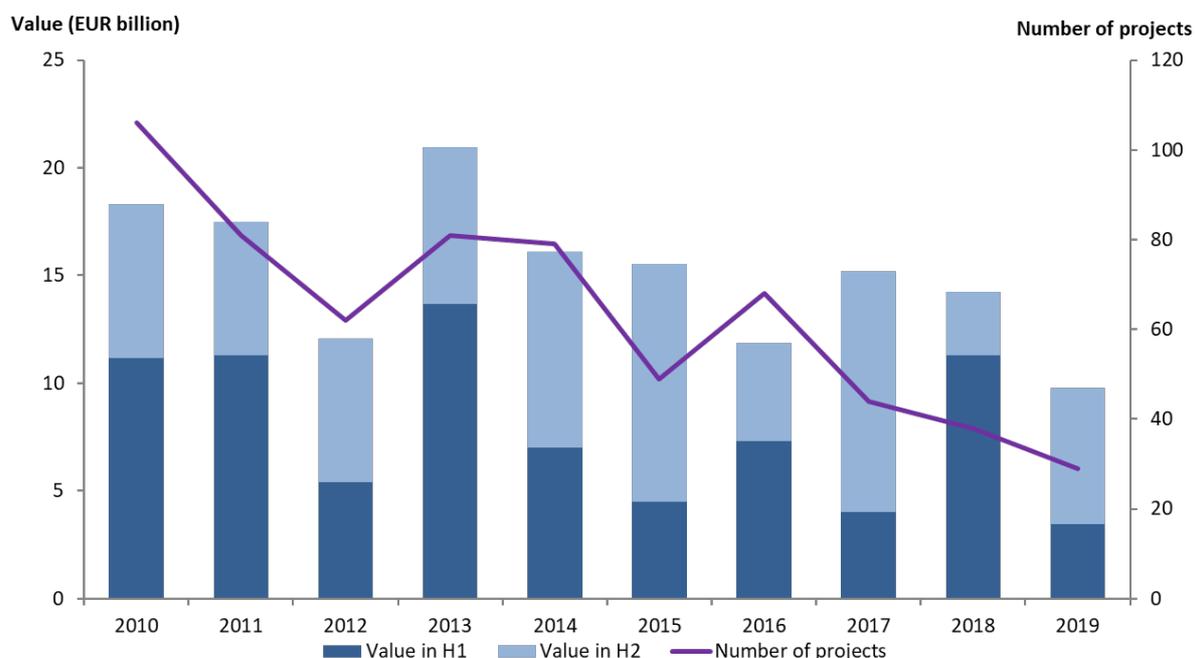
- transactions that reached financial close in EU-27 countries as well as the United Kingdom, Turkey and countries of the Western Balkans region (i.e. Albania, Bosnia-Herzegovina, North Macedonia, Kosovo, Montenegro and Serbia);
- transactions structured as design-build-finance-operate (DBFO) or design-build-finance-maintain (DBFM) or concession arrangements which feature a construction element, the provision of a public service and genuine risk sharing between the public and the private sector;
- transactions financed through 'project financing'; and
- transactions of a value (see definition below) of at least EUR 10 million.

The project values quoted in this publication refer to the external financing requirements for projects at the time of financial close (i.e. the sum of debt and equity) and exclude public capital contributions. Readers should note that the external financing requirement of a project can be significantly different to its capital investment cost (the latter being difficult to obtain on a consistent basis).

## 1. OVERVIEW

In 2019, the **aggregate value** of PPP transactions that reached financial close in the **European market**<sup>1</sup> totalled **EUR 9.8 billion**, a 31% decrease from 2018 (EUR 14.3 billion).

**Figure 1: 10-year view of the European PPP Market by Value and Number of Projects (2010-2019)**



- **The number of PPP transactions reaching financial close fell to 29**, compared to 38 in 2018. This is the lowest number of transactions since 1996.
- The **average transaction size decreased to EUR 338 million** (EUR 375 million in 2018).
- **Six large transactions<sup>2</sup> closed** in 2019. Their aggregate value amounted to EUR 5.9 billion, representing 61% of the total market value (compared to 68% in 2018). The large transactions reaching financial close in 2019 were:<sup>3</sup>
  - Silvertown Tunnel – (EUR 1.4 billion) in the United Kingdom;
  - Netz Elbe Spree Rolling Stock – (EUR 1.3 billion) in Germany;
  - Brentwood Borough Regeneration – (EUR 1.2 billion) in the United Kingdom;
  - A9 Amsterdam Motorway – (EUR 850 million) in the Netherlands;
  - Tarn-et-Garonne Broadband – (EUR 656 million) in France; and
  - Tram de Liège – (EUR 558 million) in Belgium.

<sup>1</sup> Defined as EU-27 plus the UK, and countries of the Western Balkans and Turkey.

<sup>2</sup> Defined as deals of EUR 500 million and greater in value.

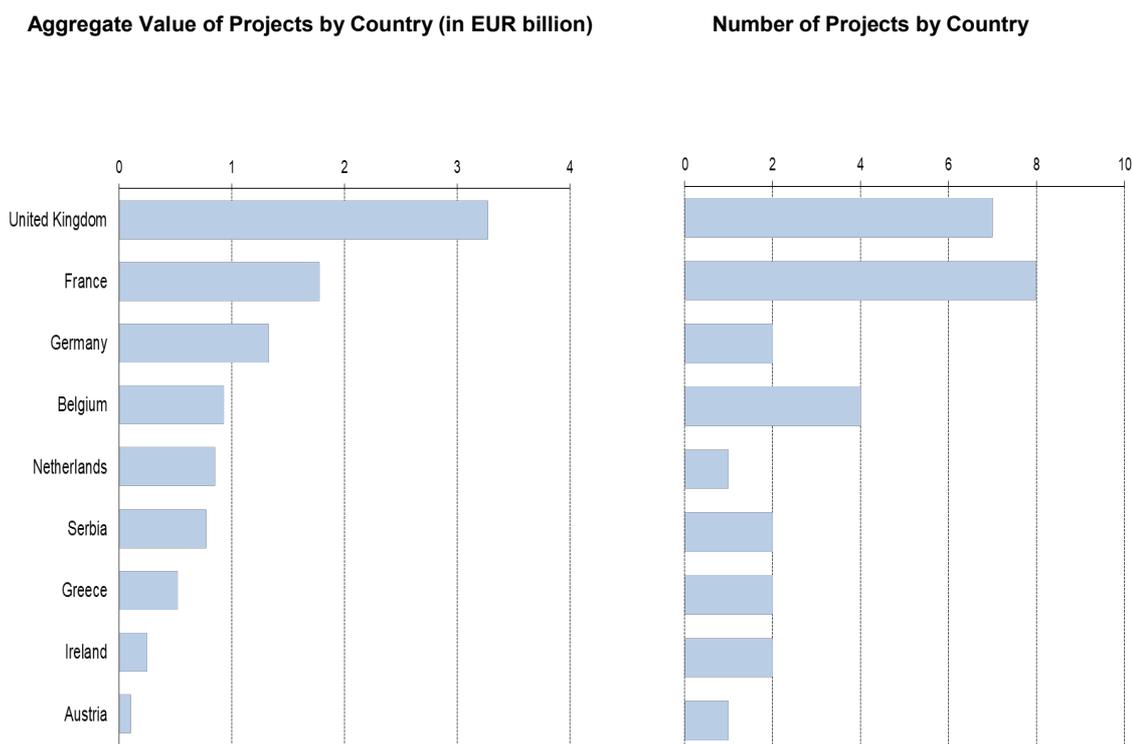
<sup>3</sup> More detail is available in Annex 1.

**55%** of the transactions closed were **government-pay PPPs** (mostly through availability payments).<sup>4</sup> This is a significant decrease from 2014 where government-pay PPPs accounted for 89% of the transactions reaching financial close.

## 2. COUNTRY BREAKDOWN

- As Figure 2 shows, the **United Kingdom was the largest PPP market in Europe** in terms of **value**, with a total of EUR 3.3 billion (EUR 427 million in 2018) whilst France was the largest in terms of the **number of projects**, with eight deals closed (15 in 2018).

**Figure 2: Country Breakdown by Value and Number of PPP Projects in 2019**



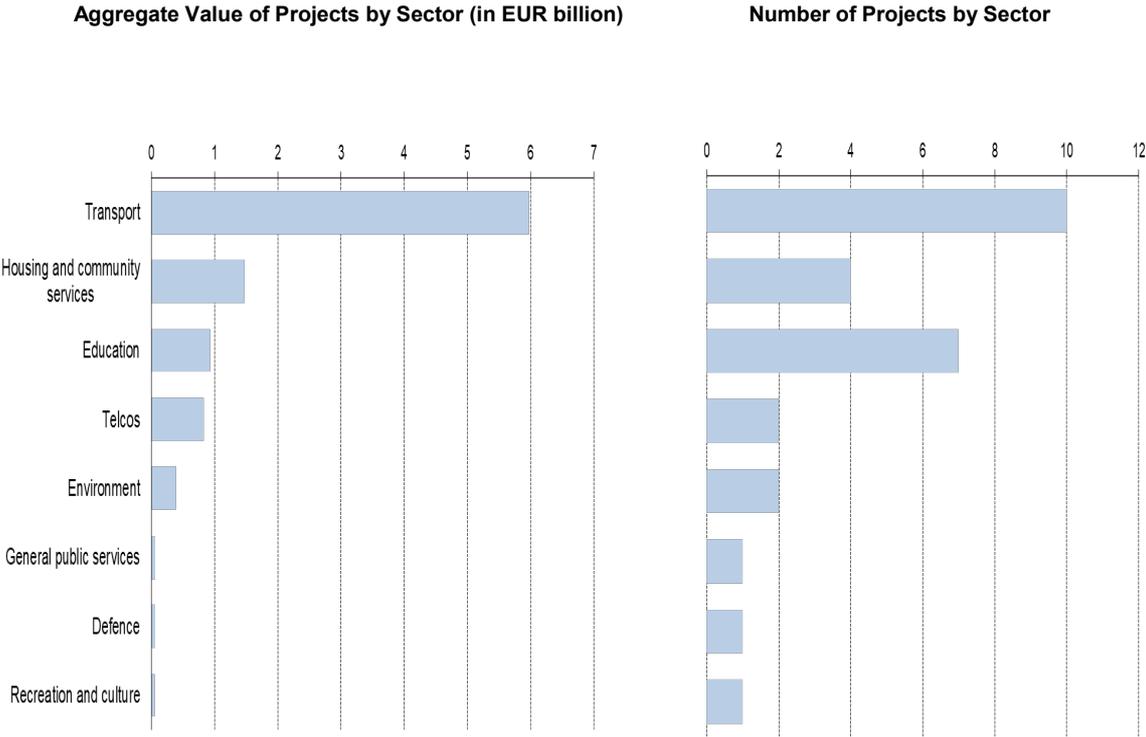
- **France was the second largest PPP market in terms of value**, with a total of EUR 1.8 billion.
- **Serbia** recorded its first two PPP transactions since EPEC started collecting data for the European PPP market. These were the **Belgrade Airport concession** (EUR 420 million) and the **Belgrade Municipal Waste Treatment Plant** (EUR 350 million).
- **Seven countries closed at least two deals** (compared to five countries in 2018) and **nine countries closed at least one PPP transaction** (compared to nine in 2018).
- As shown in Annex 2, over the past five years, the **United Kingdom** and **France** have led the European PPP market in terms of **number of deals closed**.

<sup>4</sup> PPPs under which 'government' (whether central, regional or local) pays the private partner in relation to the services provided.

3. SECTOR BREAKDOWN

- As shown in Figure 3, in 2019 the **transport sector** remained the largest in value terms with over EUR 6 billion worth of transactions (EUR 7 billion in 2018). Ten transport projects reached financial closure in 2019 compared to seven in 2018.<sup>5</sup>
- The **housing and community services sector** recorded four transactions with an aggregate value of almost EUR 1.5 billion, including two of the Irish Social Housing Bundles and the Brentwood Regeneration project in the United Kingdom.
- In the **education sector**, the number of projects that reached financial close decreased to seven projects whilst the aggregate value decreased slightly to EUR 937 million (EUR 952 million in 2018).
- The **telecommunications sector** closed two projects with an aggregate value of EUR 826 million (EUR 3 billion in 2018). Both are broadband transactions in France.
- Two projects closed in the **environment sector** for an aggregate value of EUR 388 million (EUR 1.6 billion in 2018).

Figure 3: Sector Breakdown by Value and Number of PPP Projects in 2019



<sup>5</sup> More detail on the evolution of PPP market in the transport, healthcare and education sectors over the last five years can be found in Annex 3.

#### 4. FINANCING<sup>6</sup>

- **Ten of the 29** transactions that reached financial close in 2019 (compared to 20 out of 38 in 2018) involved the provision of debt by institutional investors (e.g. insurance companies, pension funds) through a variety of financing models.
- Five countries closed transactions involving institutional investor debt: **Belgium, France, Ireland, the Netherlands** and the **UK** (compared to seven countries in 2018).
- The role of the **EU, national governments** and **public financial institutions** (domestic or supranational) was relatively limited in 2019. As far as the EIB is concerned:
  - The **A9 Amsterdam Motorway** (the Netherlands) benefitted from the support of the European Fund for Strategic Investments (EFSI); and
  - **Six of the 28 PPP projects** that reached financial close during the year were financed by the EIB, for an aggregate lending volume of EUR 981 million.<sup>7</sup>
- **Six large transactions**<sup>8</sup> closed in 2019. Their aggregate value amounted to EUR 5.9 billion, representing 61% of the total market value (compared to 68% in 2018). The large transactions reaching financial close in 2019 were:<sup>9</sup>
  - Silvertown Tunnel – (EUR 1.4 billion) in the United Kingdom;

#### 5. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in 2019:

- The **Tarn-et-Garonne** and **Eure** broadband network projects reached financial close in France as part of its PPP programme to improve high-speed internet provision. These schemes involve the design, building, financing, operation, maintenance and commercialisation of publicly owned fibre broadband networks in low-density areas, not covered by commercial operators.
- The **Vienna Schools Campus PPP (Aron Menczer & Aspern Mord)** projects reached financial close in Austria as part of its wider investment plan in education infrastructure.
- The **Irish Social Housing Bundles I & II** reached financial close in 2019. Bundle I was the first ever **housing and community services sector** projects financed by the EIB.
- The **Silvertown Tunnel** is likely to be the last of the United Kingdom's large transactions to reach financial close prior to formal departure from the European Union on the 31<sup>st</sup> January 2020. The road tunnel will be the first to have dedicated bus lanes with all buses expected to be zero emission vehicles.

<sup>6</sup> As the availability and quality of data on financing terms is limited in places, the information provided in this section should be treated with caution.

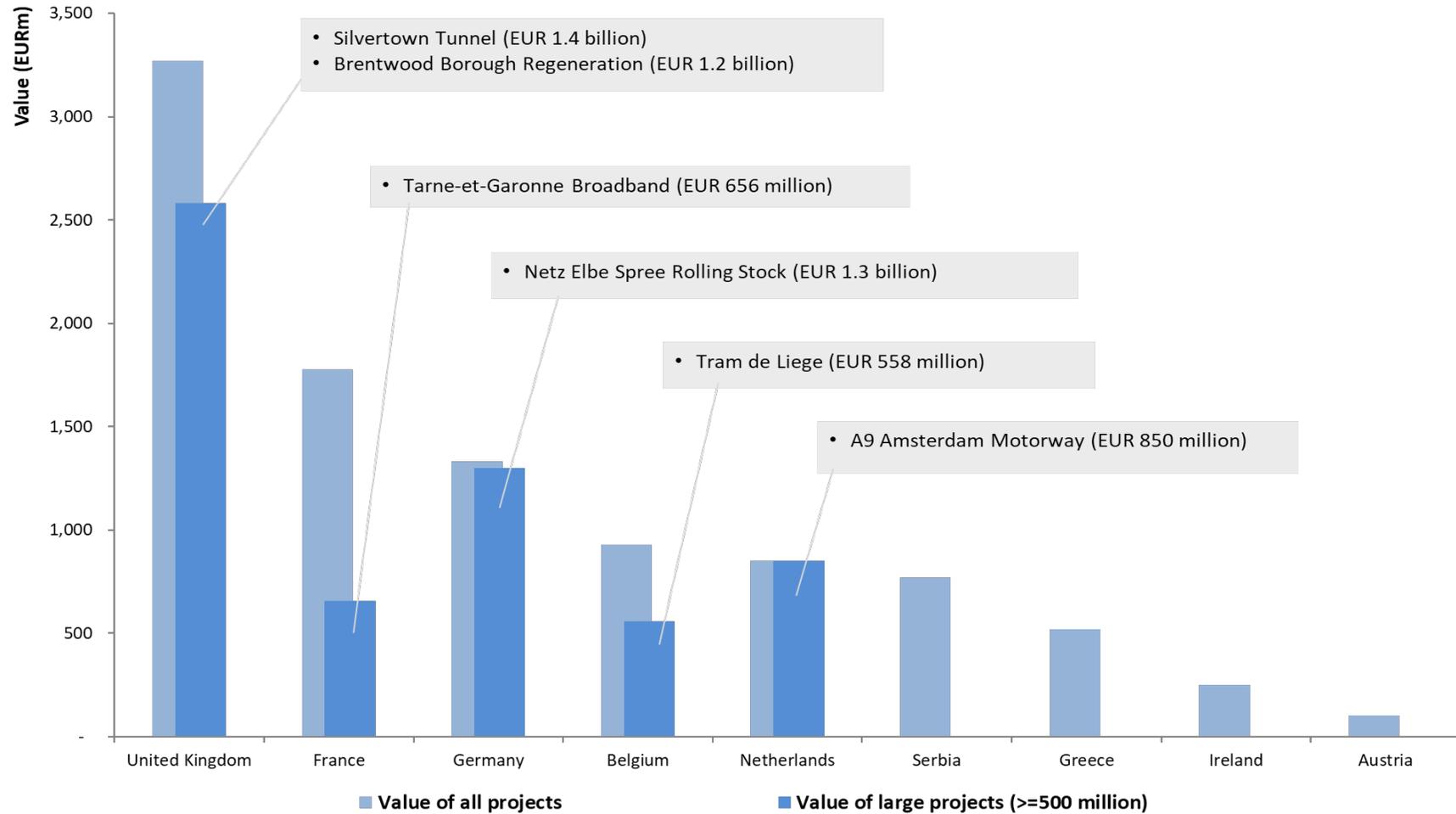
<sup>7</sup> Annual updates of the list of PPPs financed by the European Investment Bank are available at: [Public-private partnerships \(PPPs\) financed by the European Investment Bank from 1990 to 2019](#)

<sup>8</sup> Defined as deals of EUR 500 million and greater in value.

<sup>9</sup> More detail is available in Annex 1.

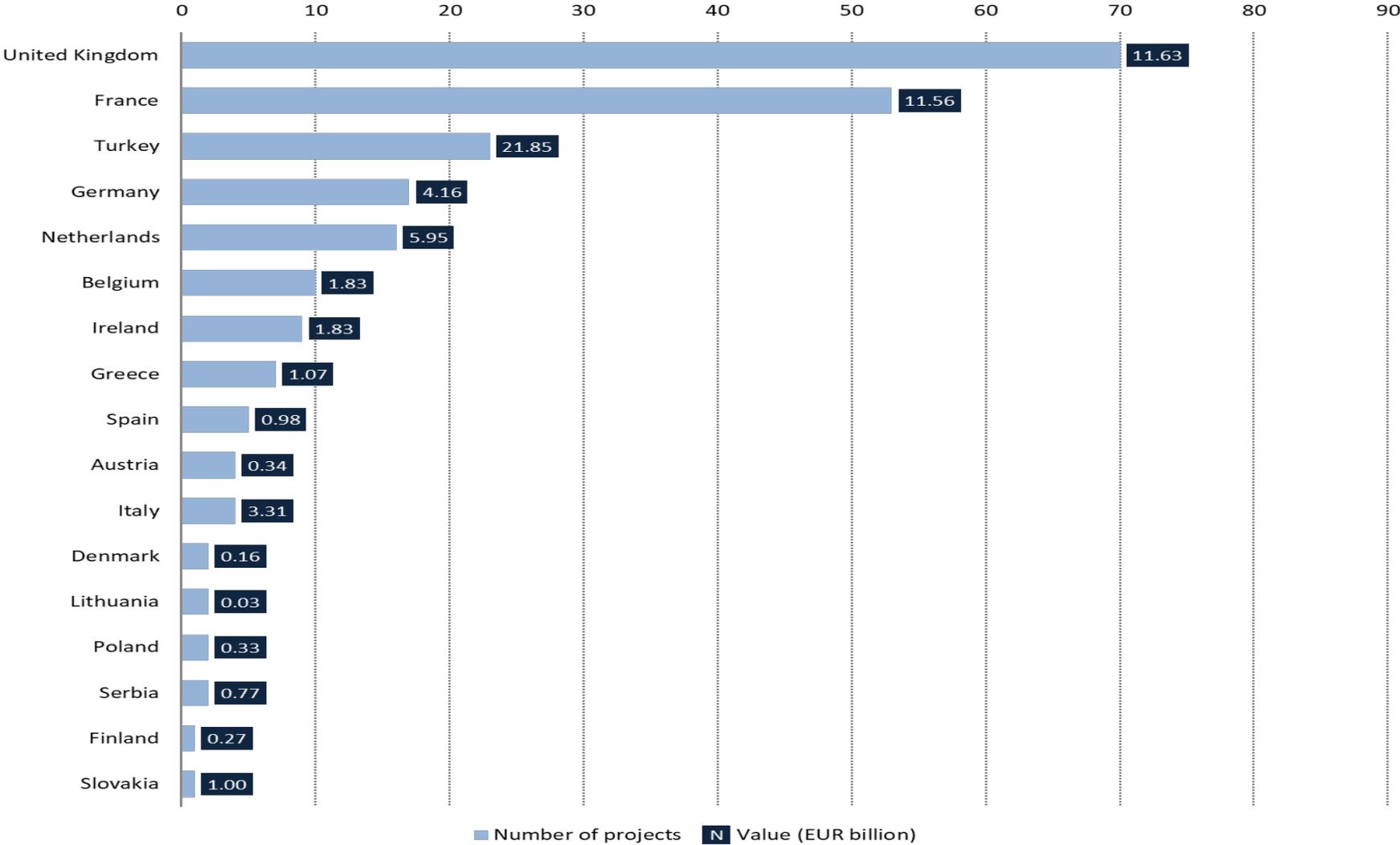
## Annex 1

**Large PPP Projects (EUR 500 million or more) as a proportion of overall activity in 2019**



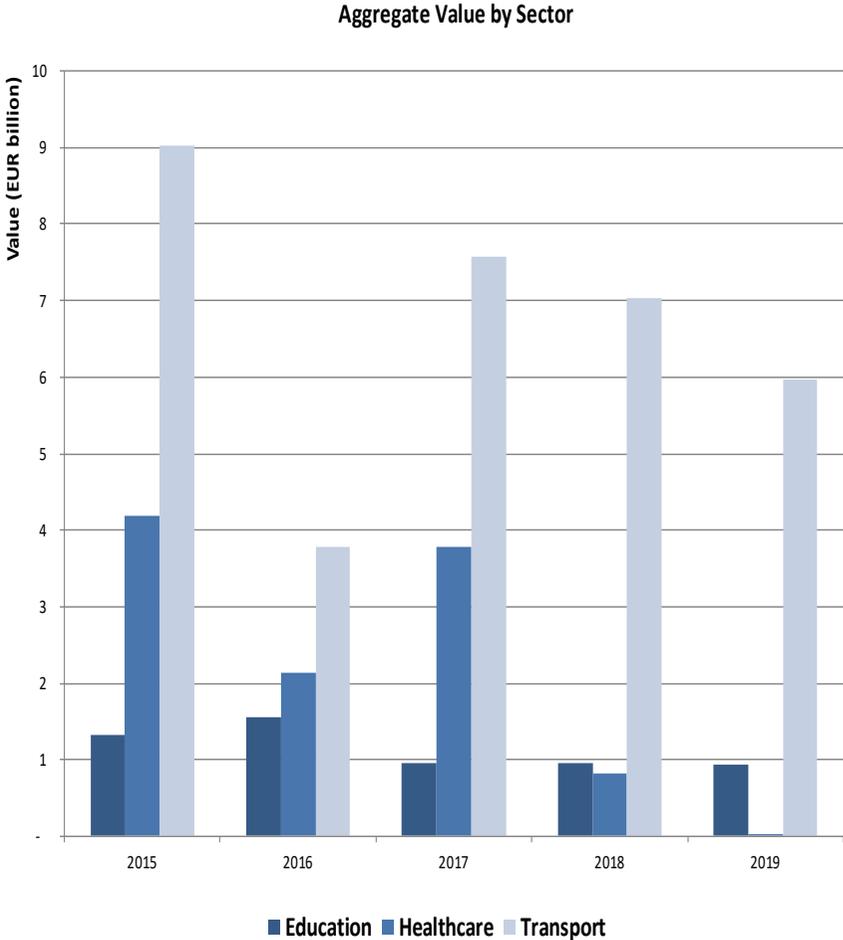
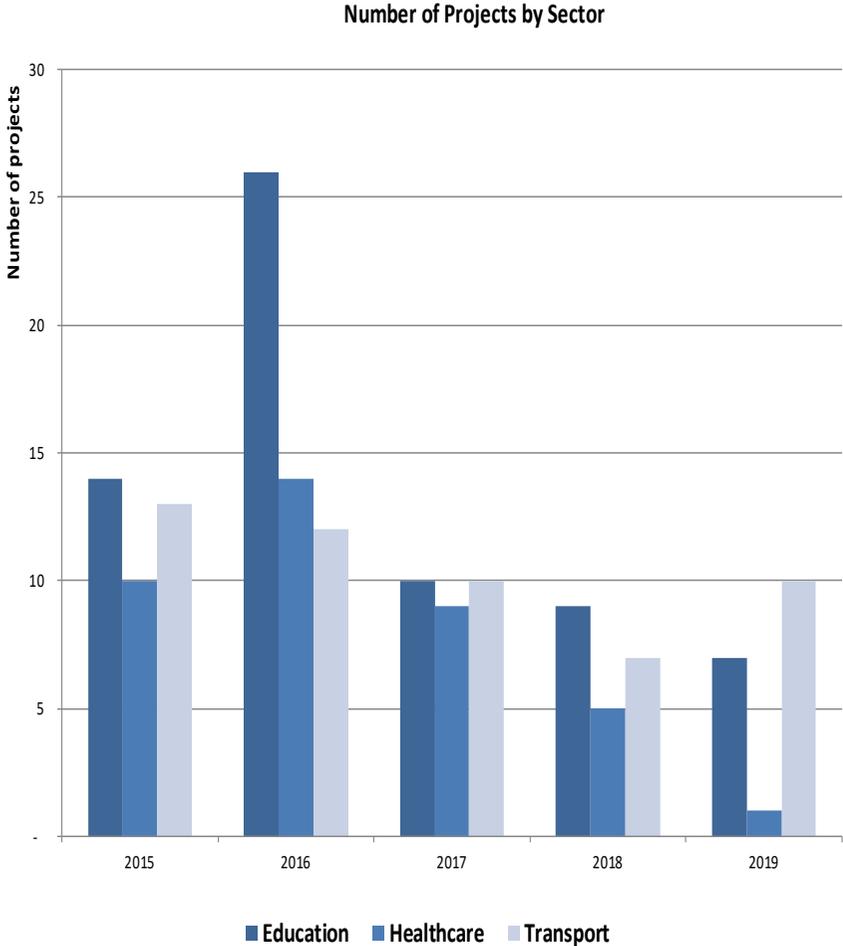
### Annex 2

Evolution of the European PPP Market by Country (2015-2019)



### Annex 3

#### Evolution of the Main PPP Sectors (2015-2019)







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