

Blending ESIF grants and PPPs – an EPEC perspective

Conference on “Combining European Structural and Investment
Funds and PPP”
Zagreb, 11 April 2017

Presentation outline

1. Blending: what and why
2. What needed to be fixed
3. Key features of Common Provisions Regulation on ESI Funds for Blending
4. The PPP project blending cycle
5. The PPP Project Preparation Tool

Blending: what and why

Blending: what?

Blending:

- A contribution from ESIF grants
- and
- PPP procurement involving private financing (debt/equity)

Public-Private Partnership (CPR Art 2.24):

- Cooperation between public bodies and the private sector
- Delivery of investments in infrastructure projects...
-or other types of operations, delivering public services
- Risk sharing
- Pooling of private sector expertise or additional sources of capital

Why blend EU funds with PPPs?

From an ESIF grant perspective: PPPs may **improve value for money in the use of EU Funds**, bringing PPP disciplines to bear, including:

- payments based on performance (outputs)
 - project delivery to time and budget
 - long-term life-cycle approach to project cost assessment and delivery
 - professional project management and implementation
 - innovation in asset and service delivery
 - appropriate risk allocation
 - third party investor/lender scrutiny
- **PPPs may help Managing Authorities to improve the quality of expenditure and ensure effective use of EU Funds**

Why blend EU funds with PPPs?

From a PPP project perspective: EU funds may **increase the viability of PPPs**, by:

- reducing the level of **national funding** required for the project
 - lowering the level of **user charges**
 - reducing **private financing needs**
- **EU Funds may make PPP projects more affordable for the procuring authority and/or users and may improve the bankability of PPP projects**

Past blending activities: what needed to be fixed

Key observations and issues

- Difficult integration of the PPP and the EU funds grant application process
- Disbursement mechanism for EU Funds not aligned with standard PPP payment profile (limited risk transfer)
- Difficulties in calculating the funding gap (based on projections)
- Risk of grant amount recalculation
- Institutional capacity
- Negative market perception

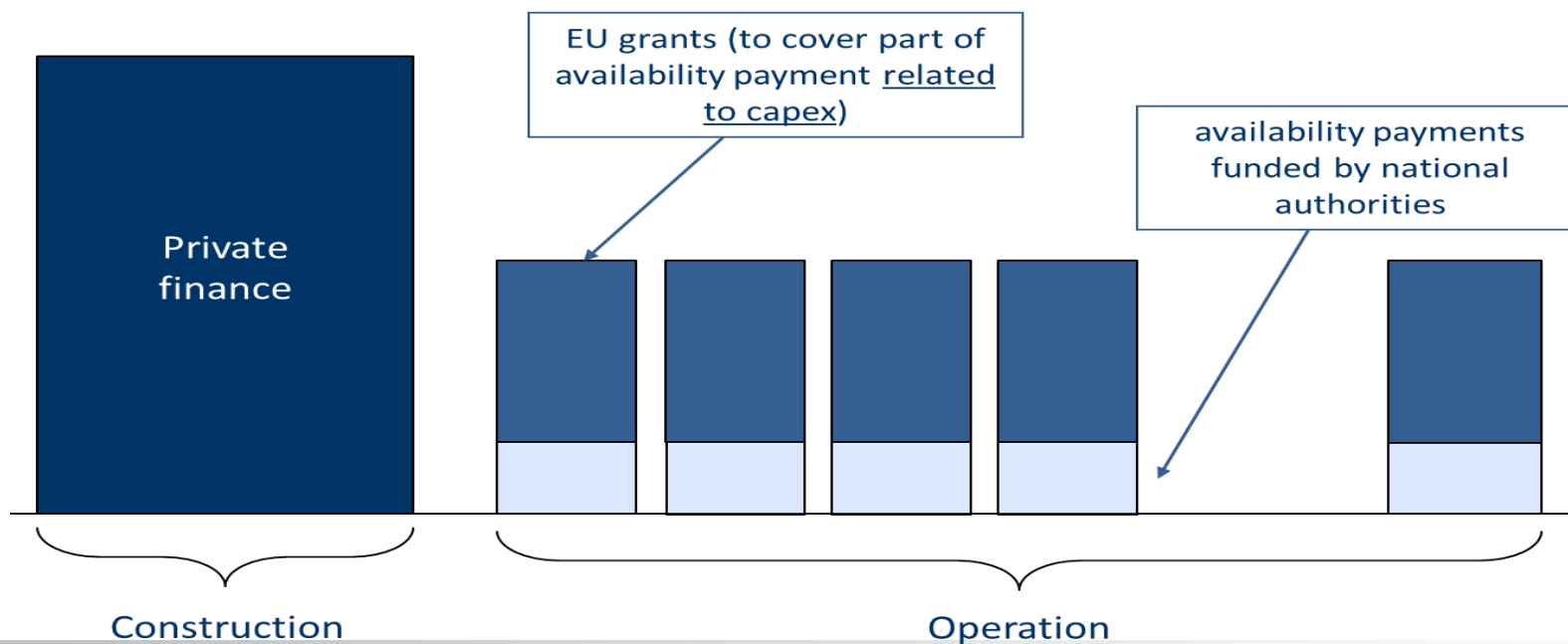
Key features of the 1303/2013 Common Provisions Regulation on ESI Funds for PPPs

Timing of PPP and ESIF grant approval

- Earlier assurance of grant availability...
- ...enabling the PPP and the EU grant processes to run together
- Subsequent identification of the private sector beneficiary
- Possible change of the private sector beneficiary during the contract

Timing/flexibility of EU grant disbursement

- Expenses incurred and paid by the private partner are considered incurred and paid by the public sector beneficiary subject to conditions
- Use of escrow accounts to allow for disbursement of grant funding beyond N+3 and 2023



Calculating the Grant amount for Revenue Generating Operations

1. Traditional Funding Gap calculation

- More or less the same as in the past

2. Application of a flat rate

- Co-funding rate of eligible expenditure
= 1- flat rate
- No risk of recalculation

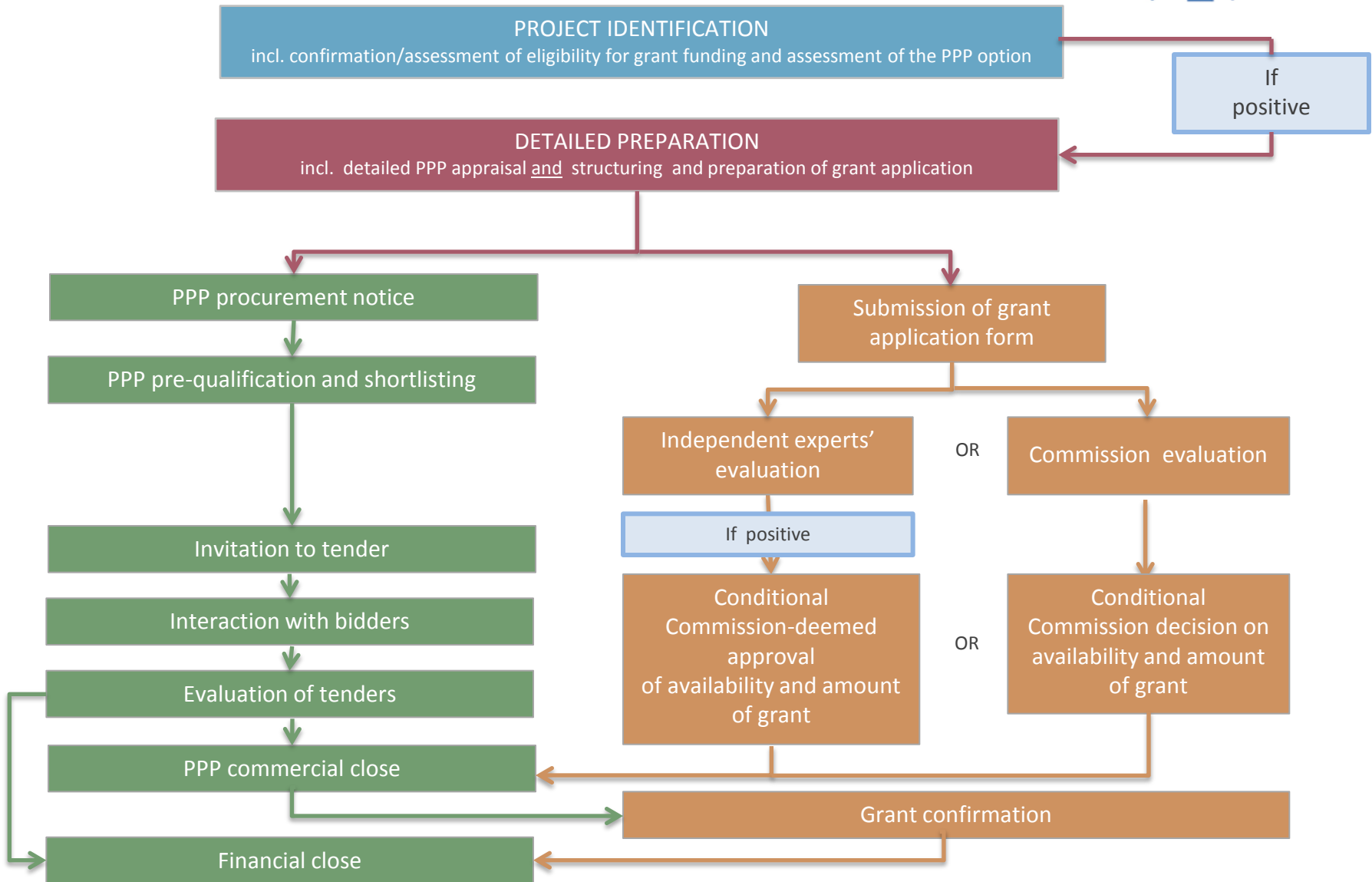
| Sector | Flat rates |
|-----------------|------------|
| Road | 30% |
| Rail | 20% |
| Urban Transport | 20% |
| Water | 25% |
| Solid Waste | 20% |
| RDI | 20% |

3. State Aid limits

Managing market perception

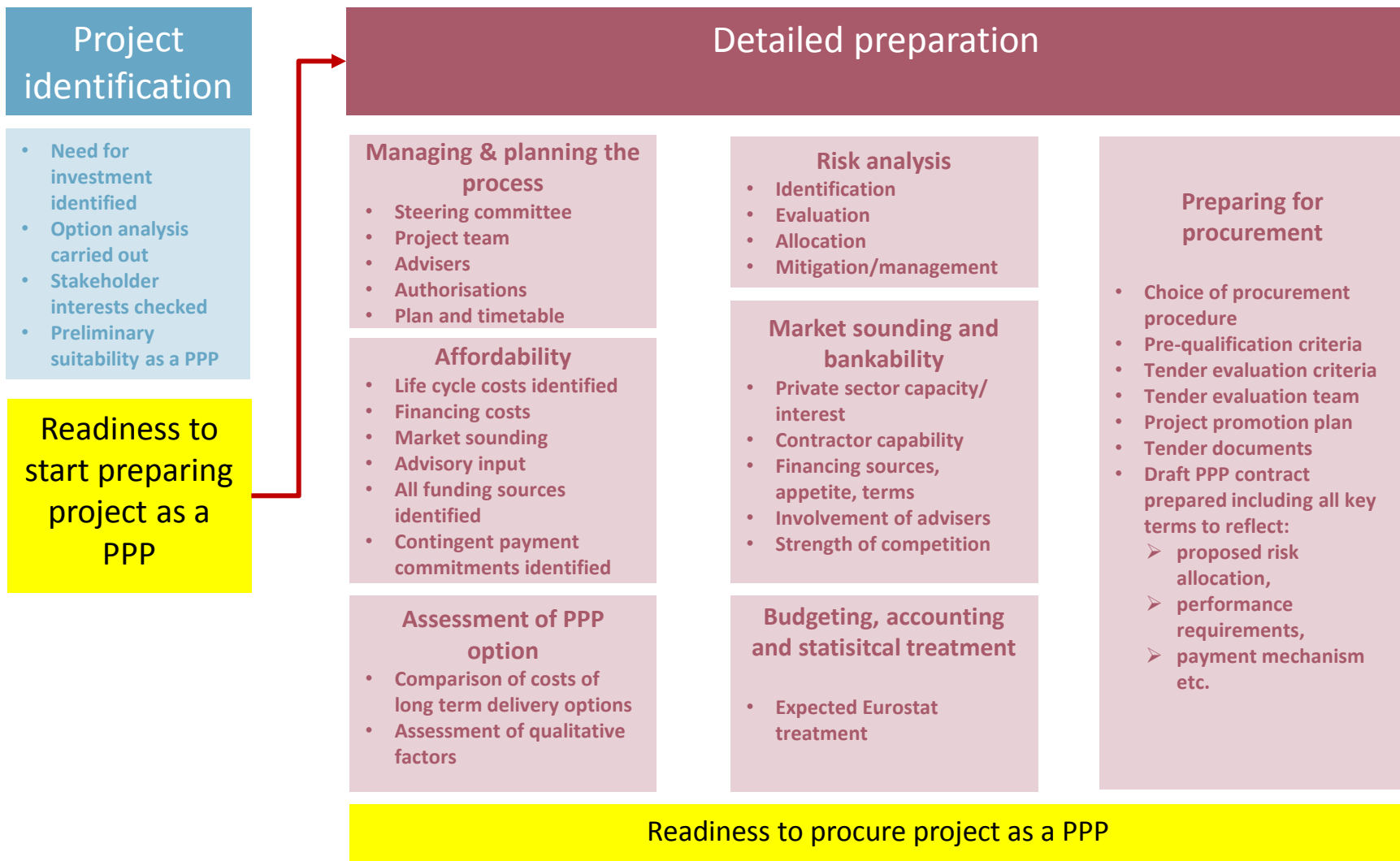
- Blending projects not possible or not welcomed?
- CPR chapter specifically related to PPPs - article 62 explicit on possibility of blending
- A broad definition of a PPP.

The PPP project blending cycle



The PPP Project Preparation Tool

Outline of the Tool



Example of Tool Questions

Upravljanje i planiranje procesom

Osnivanje i struktura projektnog tima

Pritisnite ako želite znati više o ovoj temi (EN)

Je li osnovano stručno povjerenstvo (stručna komisija) koja će nadgledati pripremu projekta i proces javne nabave?

--Molimo odaberite--

Ako DA:

Je li u javnom tijelu odabrana osoba odgovarajućih ovlasti koja će voditi stručno povjerenstvo (stručnu komisiju) te preuzeti ukupnu odgovornost za realizaciju projekta?

--Molimo odaberite--

Jesu li odabrani ostali članovi stručnog povjerenstva (stručne komisije) u skladu s njihovom raspoloživošću te sposobnošću da upravljaju i donose odluke za vrijeme faza pripreme i nabave projekta do potpisa ugovora.

--Molimo odaberite--

Jesu li pravila postupanja stručnog povjerenstva (stručne komisije) dogovorena u nadležnom javnom tijelu?

--Molimo odaberite--

Je li za projekt osnovan Projektni tim?

--Molimo odaberite--

Ako DA:

Je li odabran Voditelj projektnog tima?

--Molimo odaberite--

Je li Voditelj projektnog tima radio na sličnim projektima (sektor, veličina i tehnička zahtjevnost) u prošlosti?

--Molimo odaberite--

Je li Voditelj projektnog tima već radio na jednom ili više projekata JPP-a?

--Molimo odaberite--

Je li Voditelj projektnog tima posvećen projektu puno radno vrijeme?

--Molimo odaberite--

Jesu li procijenjeni ljudski resursi potrebni za pripremu i nabavu projekta?

--Molimo odaberite--

Da li ta procjena uzima u obzir potrebnu razinu stručnosti i količinu ljudskih resursa?

--Molimo odaberite--

Da li se ta procjena temelji na analizi ljudskih resursa u ranijim sličnim projektima?

--Molimo odaberite--

Da li ova analiza sadrži ljudske resurse dostupne u javnom tijelu i javnom sektoru te vanjske usluge konzultanata koje trebaju biti ugovorene?

--Molimo odaberite--

Jesu li procijenjeni ukupni troškovi potrebnih internih i vanjskih aktivnosti?

--Molimo odaberite--

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