

How does the credit crunch impact the PPP market? What solutions did we find?

- Shortening of maturities due to liquidity risk aversion while PPP contracts remain long by nature
 - 5-10 years “mini-perms“ for 20-30 years PPP contracts lead to a refinancing risk sharing between private and public sector
- Lower underwriting tickets due to closure of syndication/securitization and scarcity of banks capital
 - “Club deals” are necessary but increase transactions delivery time
 - Public sector guarantees (eg France, Portugal) and/or partial acceptance of the PPP receivables assignment (eg France, Germany) in order to reduce capital consumption and deepen liquidity

Is PPP then still a solution? Yes

- Enables public sector to deliver projects from their stimulus plans in a swift and efficient manner
- PPP margins have increased to c. 1.5%-2.5% pa but the premium compared to direct public finance is rather stable at around 1% pa
- Banks are back in this market due to credit quality and relative isolation from economic crisis
- However requires stronger expertise from public sector side which excludes smaller projects