



EIB Funding Urban Development



The Challenge of Appraising Mega Projects

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Problems in financing infrastructure projects



Even where underlying investments are sound, in the post crisis environment, projects can face difficulties in accessing finance:

- ✓ **Heightened degree of risk aversion by commercial banks**
- ✓ **Deteriorating credit rating/debt ceilings**
- ✓ **Difficulties for smaller private-sector providers to access finance**



EIB – Supporting projects promoting EU objectives

- ✓ EU's financing arm, established by the Treaty of Rome in 1958
- ✓ EIB's shareholders are the 27 EU Member States
- ✓ Promoting EU objectives
- ✓ Providing long term loans to the private and public sector, in a broad range of currencies
- ✓ Total lending in 2010: EUR 71.8bn
- ✓ Total lending in 2011: EUR 60.9bn

(EUR 79.1bn in 2009)

**Large increase a consequence of the financial crisis
(after a specific mandate from ECOFIN)**



Objectives and Instruments (a response to the financial crisis)

Objectives

- ✓ Broadening the financing base for infrastructure investments
- ✓ Increasing awareness and deepening the financial sector servicing such development needs
- ✓ Harmonising and coordinating resources

Instruments

- ✓ Medium to long-term senior loans
- ✓ Subordinated loans
- ✓ Letters of credit
- ✓ Guarantees
- ✓ Mezzanine debt instruments
- ✓ Local debt securities
- ✓ Equity
- ✓ Technical Assistance support

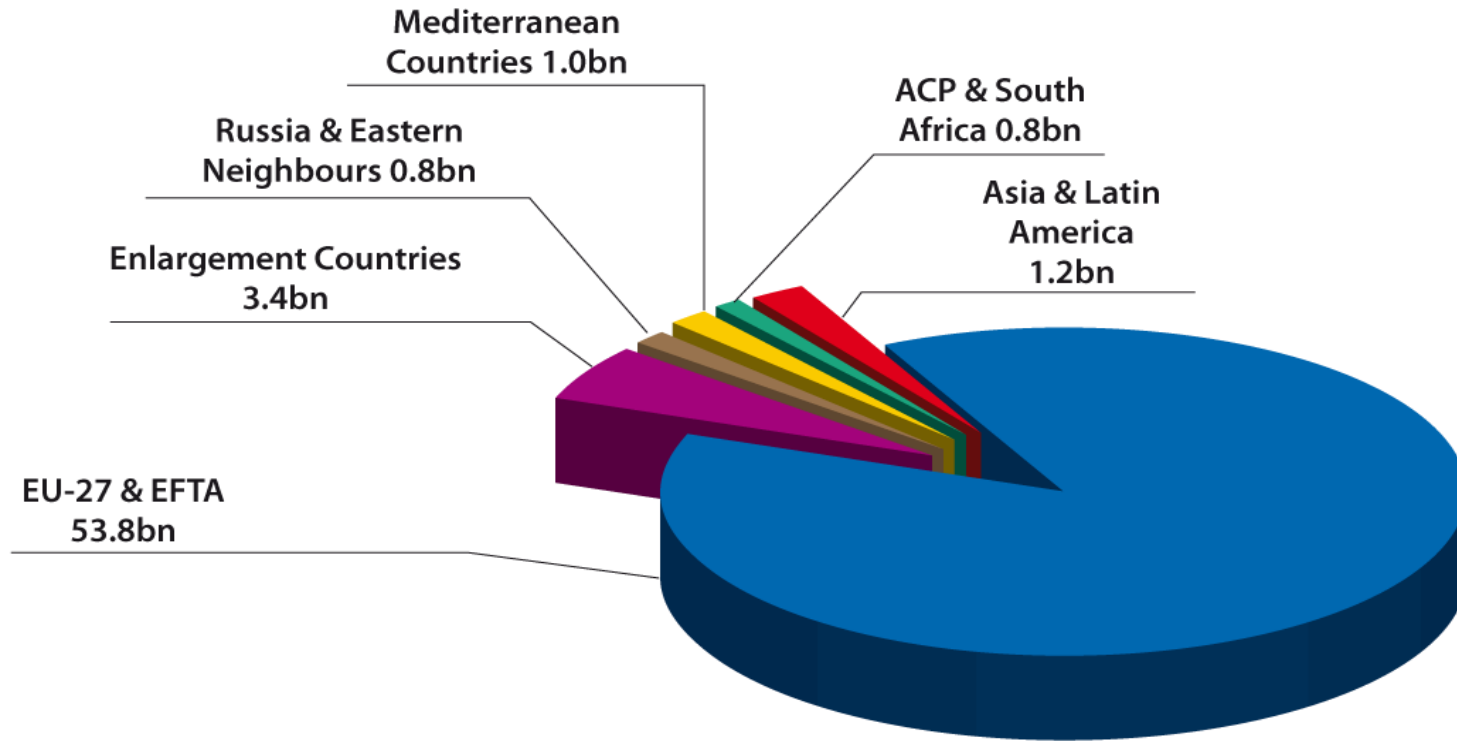


TYPICAL FUNDING INSTRUMENTS

- ✓ **Investment Loans.**
- ✓ **Framework Loans.**
- ✓ **Global Loans.**
- ✓ **Funds.**

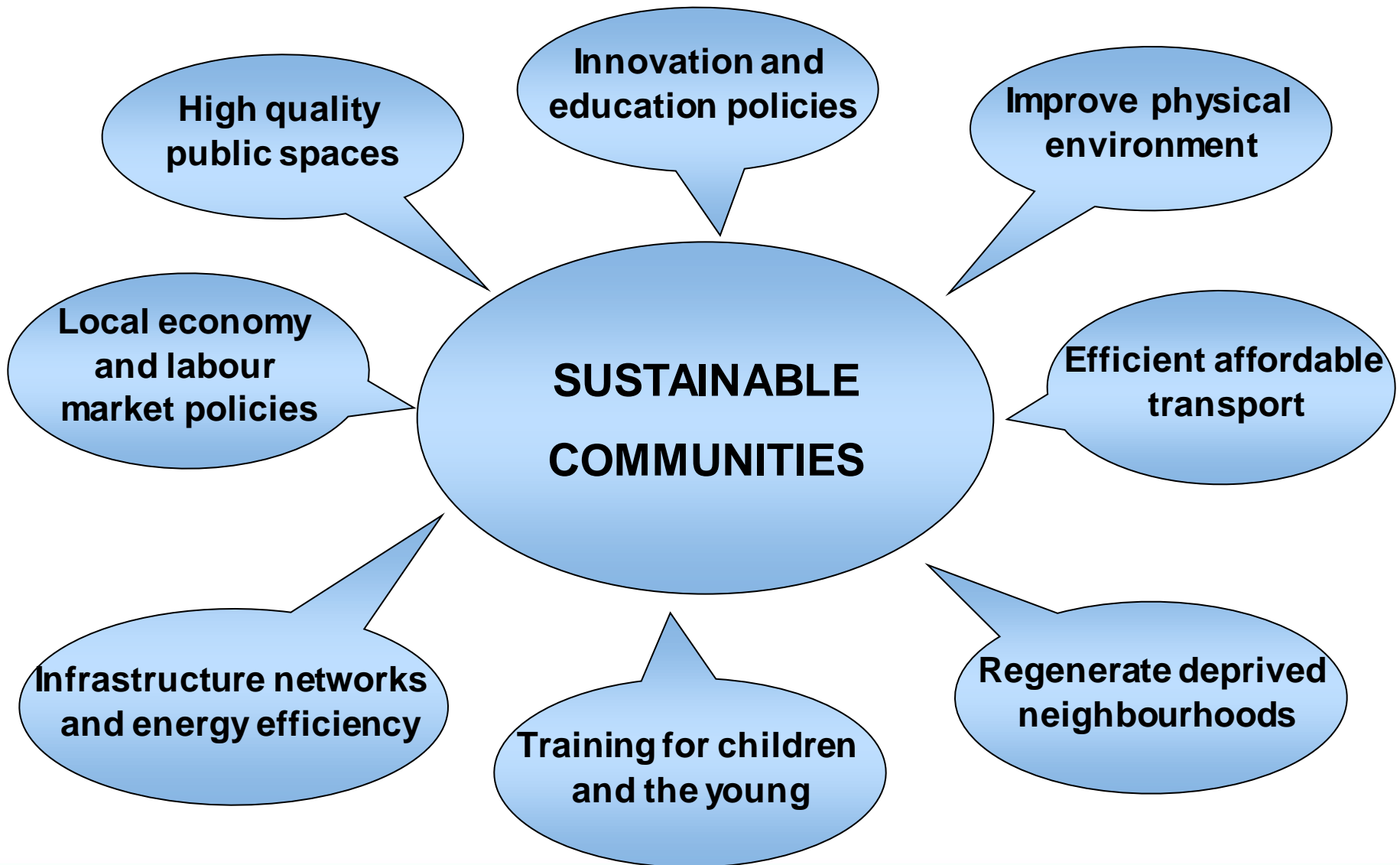


EIB Signatures 2011 (in EUR)





The Leipzig Charter & the EU's Urban Agenda





The Urban Agenda & Sustainable Development

***Sustainable development* has finally moved from the periphery to the mainstream of the urban agenda.**



The Bank Response

An Implicit Action Plan for Cities 2007-2013

Traditional Lending
Structured Finance
Financial Engineering
Technical Assistance



Networking/Partnering
Targeted investment
in more sustainable
urban regeneration
and renewal



The Four Key Elements



✓ Traditional Lending.

Increase lending by encouraging greater use of framework and global loans, as well as project-specific investment loans.

✓ Structured Finance.

Taking more risk by extending the scope of the Bank's Structured Finance Facility (SFF) to include urban investments.

✓ Financial Engineering.

Support the use of new financial instruments such as JESSICA and JEREMIE.

✓ Technical Assistance.

Provide technical assistance to support bankable projects, e.g. JASPERS, ELENA etc.



Overcoming Fragmentation Integrated Planning

An integrated approach to urban development for effective improvement in the socio-economic conditions of settlements, whatever spatial scale, requires identification of the co-operating elements of infrastructure investment with the evolution of the social capital that should be developed simultaneously in the areas where applied.



Integrated Planning and EIB's Three Pillars

A project assessment with many facets, but three key elements in the appraisal process.

- ✓ **Eligibility, i.e. consistency with EU priorities.**
- ✓ **Technical quality and economic soundness.**
- ✓ **Financial viability and adequate security.**

Projects must also comply with EU procurement, environmental and social protocols.

Mega Projects Supported by EIB Funding



Examples/Case Studies

- ✓ Channel Tunnel Rail Link S2 – TEN (2003)
- ✓ Panama Canal Expansion (2006)
- ✓ Rotterdam Port Second Maasvlakte – TEN (2007)
- ✓ AVE Madrid-Valencia (High Speed Rail) (2008)
- ✓ London Crossrail (2008)
- ✓ Metro De Barcelona Estaciones PPP (2009)
- ✓ New Karolinska University Hospital (2009)



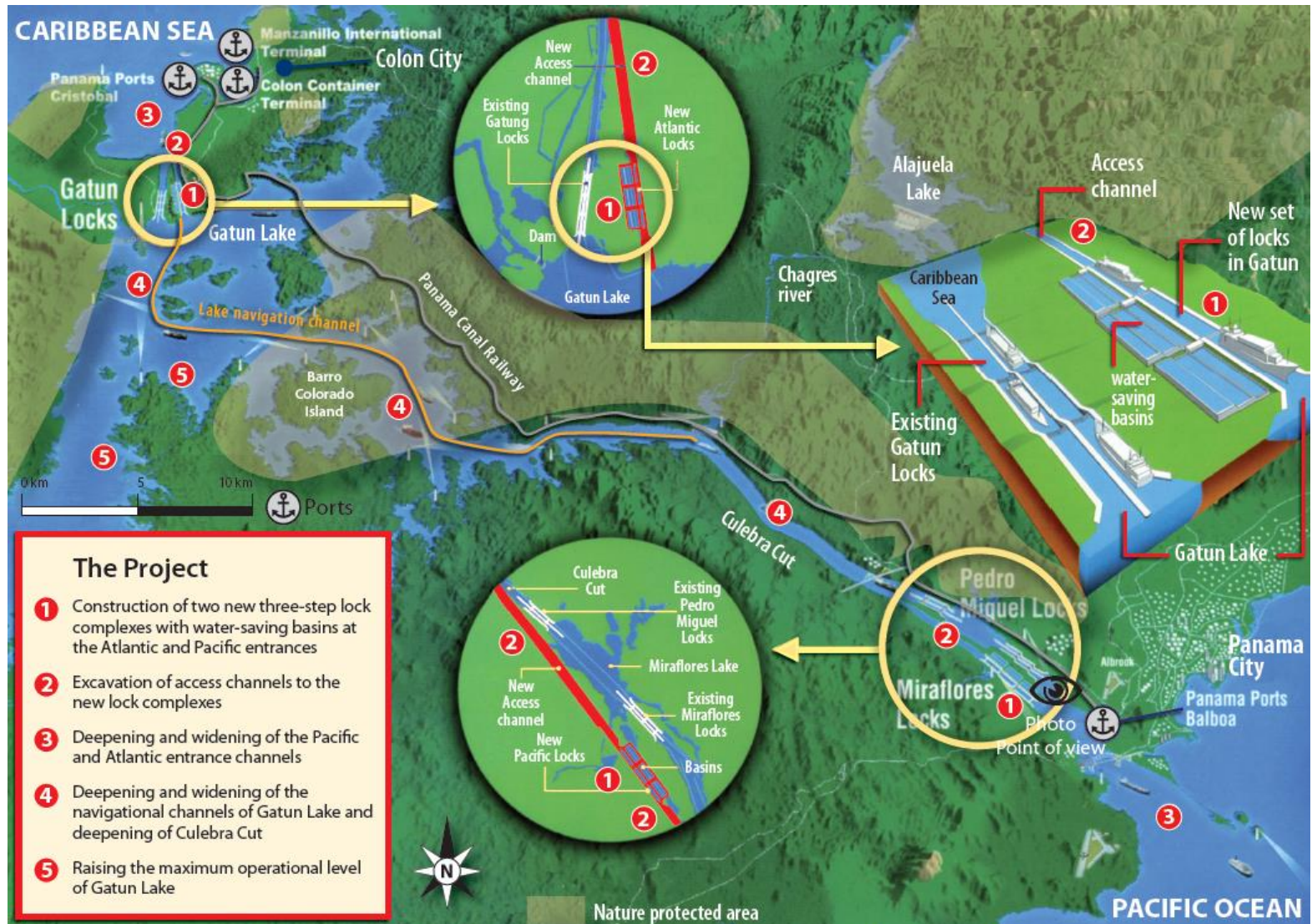
- ✓ The design and construction of Section 2 of a 109 km high-speed railway line from the Channel Tunnel to London.
- ✓ A large, expensive and complex project with a number of technically demanding construction features and many interfaces with outside bodies which require careful design and management control.
- ✓ Investment cost: GBP 3,530m; EIB loan: GBP 400m.
- ✓ Total cost of sections 1 and 2: GBP 5,414m.
- ✓ Appraisal methodology: primarily CBA.
- ✓ The economic rate of return was estimated at between 4 and 5%.

Panama Canal Expansion



- ✓ Construction of a third lane of larger locks and improvement of the existing navigation channels.
- ✓ The project aims at expanding the Canal capacity and allowing the inter-ocean transit of Post-Panamax vessels, equivalent to containerhips with a capacity of up to 12,000 TEUs. The new locks and their channels will be integrated in the existing canal system.
- ✓ Investment cost: EUR 4,117m; EIB loan: EUR 396m.
- ✓ Appraisal methodology: primarily CBA.
- ✓ The financial rate of return was estimated at 9%.
- ✓ The economic rate of return was estimated at greater than 6%.

Panama Canal Expansion





- ✓ Construction of the first phase of a major extension to the Port of Rotterdam.
- ✓ The project will expand the capacity of the Port of Rotterdam to accommodate future growth mainly in container and chemicals traffic.
- ✓ Investment cost: EUR 2,155m; EIB loan: EUR 900m.
- ✓ Appraisal methodology: primarily CBA.
- ✓ The financial rate of return was estimated at between 8% and 10%.
- ✓ The economic rate of return was estimated at between 6% and 8%.

Rotterdam Port Second Maasvlakte – TEN



AVE Madrid-Valencia (High Speed Rail)



- ✓ The high-speed rail infrastructure between Madrid and Valencia
- ✓ The project forms part of the TEN-T Priority Project No 19 – promoting high speed interoperability on the Iberian peninsula. It was also a key connection in developing the Spanish high speed rail network from Madrid to the eastern seaboard.
- ✓ Investment cost: EUR 5,712m; EIB loan: EUR 1,300m.
- ✓ Appraisal methodology: primarily CBA.
- ✓ The economic rate of return was estimated at approximately 5%.





- ✓ **The project consists of the construction of an east-west urban rail link connecting central London with key suburbs and with TEN-T nodes of Heathrow Airport and the high-speed railway stations of Paddington and Stratford.**
- ✓ **The total length of the project is some 119 km, with 8 new subsurface stations and 23 km of new underground infrastructure. In part, it uses existing rail corridors that will be upgraded. Important interchange stations with railway and underground lines are also foreseen.**
- ✓ **Investment cost: GBP 14,169m; EIB loan: GBP 1,000m.**
- ✓ **Appraisal methodology: primarily CBA.**
- ✓ **The economic rate of return was estimated at between 4 and 5%.**



- ✓ The new L9 is the centrepiece of the City's public transport development strategy.
- ✓ The project consists of the construction of the 51 stations of the new metro Line 9 (49 km in length) through four DBFO concession contracts, corresponding to four different sections of the line.
- ✓ The Bank has been involved with the Line 9 project from the outset, financing the construction with three separate loans amounting to EUR 1,800m.
- ✓ Investment cost 2,710m; EIB loan: EUR 400m.
- ✓ Appraisal methodology: primarily CBA
- ✓ The economic rate of return was estimated at between 3.5 and 4%.

New Karolinska University Hospital



- ✓ **The project involves the creation of the new Karolinska University Hospital Solna (NKS), and will replace, modernise and fundamentally transform the existing university hospital service, thereby contributing to the reconfiguration of healthcare services across the Stockholm area.**
- ✓ **NKS will be built adjacent to and adjoining the Karolinska Institute (KI), one of Europe's largest and most respected medical universities, providing health care, research and education on a large scale. NKS will operate in close association with KI, the Royal Institute of Technology and Stockholm School of Economics.**
- ✓ **Investment cost: EUR 2,214m; EIB loan: EUR 700m.**
- ✓ **Appraisal methodology: MCA, Value for Money.**

New Karolinska University Hospital





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