

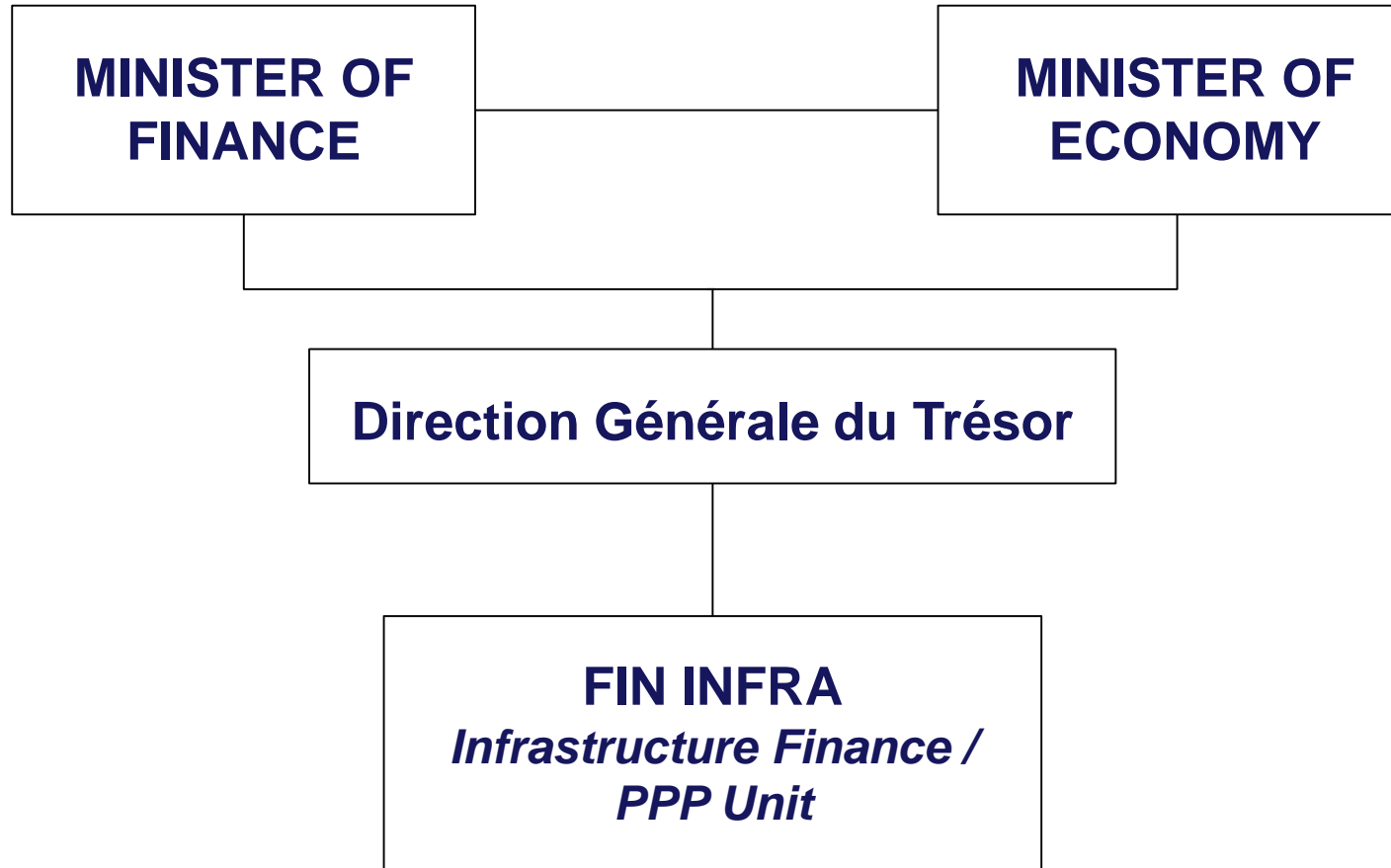


Qualifying the Infrastructure Funding Gap
Salim Bensmail – Managing Director
Infrastructure Finance Unit

European International Contractors Conference

Paris – 13 October 2017

The French Infrastructure Finance Unit : FIN INFRA – Mission d'appui au financement des infrastructures



FIN INFRA : Who we are

► From a PPP Unit ... to an Infrastructure Finance Unit

- ◆ *Replaced MAPPP in April 2016*
- ◆ *“Service à compétence nationale” reporting to DG of the Treasury*
- ◆ *Strengthened financial, legal and technical skills*

► Mission statement

- ◆ *Facilitate the financing of public infrastructure projects*
- ◆ *Maximize the value for money of projects*
- ◆ *Identify and mitigate the risks of projects*

► What we do

- ◆ *Advise government and public sector entities on the structuring of projects, negotiation of concession and PPP contracts, infrastructure finance more broadly*
- ◆ *Ex ante control of recourse to PPP by State and local government*
- ◆ *Not a procuring authority !*

No systemic infrastructure gap in France

- ▶ **Public investment still at comparatively high levels**
- ▶ **Extensive infrastructure base & networks**
- ▶ **Shift from infrastructure assets to service based approach ?**
- ▶ **Specific infrastructure needs to be assessed on a case by case basis**
- ▶ **Need to put socio-economic cost-benefit analysis at the center of the debate on infrastructure**

Hard realities : there clearly is a funding problem

- ▶ **Estimated 10 Bn€ funding gap over the next 5 years for existing commitments in Transport alone**

- ▶ **Gouvernement announced « pause » for major projects + full review of projects pipeline and funding options**

No easy way out of the funding problem

▶ PPPs and private capital

- ◆ *Financing ; not funding !*
- ◆ *Increasingly demanding Eurostat requirements for off balance sheet treatment*

▶ User fees :

- ◆ *Heavily regulated at both national and European level*

▶ Taxation, congestion charges :

- ◆ *Highly sensitive*

How did we get here ?

- ▶ **Intrinsically difficult to build a comprehensive and robust project pipeline**
- ▶ **Key issue : consistency between fiscal strategy and long term commitments needed for infrastructure policy**
- ▶ **Runaway decision making on projects**

What we are doing about it

- 1) Redefining infrastructure priorities
- 2) Rebuilding the decision making process
- 3) Defining a robust medium term project pipeline

Redefining infrastructure priorities

- ▶ **New administration has defined a clear set of priorities for infrastructure**
 - ◆ *Focus on asset regeneration*
 - ◆ *Day to day mobility services*
 - ◆ *Network congestion*
 - ◆ *Ecological transition*
 - ◆ *High speed broadband networks*

Rebuilding the decision making process

SOCIO-ECONOMIC CASE

Does this project make sense ?

⇒ *Socio -economics cost benefit analysis*

Who will pay for the project ? Users vs. taxpayer

OPERATIONAL CASE

How should we deliver this project ?

What are the procurement options ?

Which option is best suited to the projet ?

Can the market deliver these options ?

Can this option be cost effective ?

FINANCIAL CASE

Is this project affordable ? => Fiscal sustainability for public entities ; financial sustainability for entities involved

Delivering a robust medium term project pipeline

- ▶ **« Grand Plan d'Investissement » announced by the government in September 2017**
- ▶ **Loi d'orientation des Mobilités and « loi de programmation » in H1 2017**

Contributing to a comprehensive infrastructure policy

INFRASTRUCTURE POLICY

- ✓ **Building a clear infrastructure strategy**
 - *Clear priorities*
 - *Robust project pipeline*
 - *Structured decision making process*

- ✓ **An efficient policy environment**
 - *Clear and flexible legal framework*
 - *Streamlined procurement process*
 - *Efficient and standardized contract policy*

- ✓ **Bringing well structured projects to market**
 - *Value for money for government*
 - *Sustainable risk / return profile*
 - *Critical size*