

PPP Eurostat Rules and key issues for bankability

Turin, 18.10.2018



PPP key issues for bankability

Bankability used here in a slightly wider concept, as:

- Provision of market standard clauses that lenders expect to find in project documents, in particular in the Concession Agreement (*Convenzione* – Convention)
- Transfer of risk based on risk matrix
- Abidance to certain Eurostat rules for statistical purposes

PPP key issues for bankability – cont.d

The Concession Agreement

- PPP Light structure
- Availability payments based on contract performance
- Provisions concerning the lenders' involvement in the project and the pertinent actions from the PA
 - ✓ to implement such security package: usual security package provisions (such as credit assignments, pledge on SPV credits vis-à-vis PA, pledge on SPV bank accounts, other securities)
 - ✓ lenders' step in rights
 - ✓ lenders' involvement in crucial decisions (amendments to the Concession Agreement, to the financial model assumptions)
 - ✓ channeling of availability payments

PPP key issues for bankability- cont.d

Early involvement of Lenders in the negotiation phase to test lending market:

- Early stage – lenders participation to the competitive dialogue
- Intermediate stage – Technical and Economic Feasibility Study examined by lenders' TA and generic commitment to finance based on term sheet agreed and subject to time limit (long stop date)
- Offer stage – offer accompanied by lenders' confirmation of precedent commitment subject to approval process and long stop date for financial close (signing)

PPP key issues for bankability- cont.d

Risks allocation

- ✓ In line with ANAC and EPEC indications
- ✓ Divided into pre-construction / construction / operation phases

A thorough analysis of

- ✓ EPEC Guide
- ✓ ANAC guidelines
- ✓ Project Risk Matrix

led to a comprehensive risk allocation in the draft Concession Agreement

Legal Framework

Starting point for drafting the bidding documentation:

- Legislative Decree 50/2016 (Public Contracts Code) and ANAC guidelines no. 9 on Public Administration monitoring on PPP contracts

and

- Statistical aspects monitored by Eurostat through EPEC (a BEI advisory service)
 - ✓ the state of the art PPP literature, including (above all) EPEC Guide to Statistical Treatment – September 2016: a guide aimed at *PPP practitioners, using a PPP lens*, as opposed to a statistical lens
 - Main features: practicability - comprehensiveness – clarity – stability
 - ✓ The legislative framework:
 - European System of Accounts (ESA 2010)
 - the Manual on Government Deficit and Debt - implementation of ESA 2010 with supporting Clarification Note on the Statistical Treatment of PPP Contracts (MGDD 2016)

Eurostat Rules

EPEC Guide applies to PPPs, i.e., projects where the majority of the revenues that the private partner is entitled to receive comes from a government entity, as opposed to the majority of the revenues coming from the end users of the asset

Concession Agreement has been drafted following closely the indications set forth under the EPEC Guide with the assistance of EPEC and CDP as advisors

Concession Agreement in line with state of the art hospital business concession standards