

Global Outlook PPP Projects 2016



Summary

This **Research Report prepared by InfraPPP** looks into those countries offering **attractive PPP opportunities for infrastructure investors**.

We have selected a total of **23 countries** that, according to our database of PPP projects at www.infrappworld.com, may present a **significant flow of deals in this coming year 2016**.

Latin America presents the best outlook for investors with Brazil, Peru, Colombia, Mexico, Chile, Paraguay and Uruguay having a robust pipeline of PPP projects.

Europe

The pipeline of greenfield PPP projects in Europe is no longer as great as it used to be. According to the European PPP Expertise Centre, the size of the PPP market in Europe has progressively decreased from around €27 billion in 2006 to around €15 billion in 2014. And this reduction could have been worst without PPP programs such as the Turkish health program.

We believe that there are two markets in Europe that will offer significant opportunities for transport PPP developers: Germany and Ireland. Other countries such as Netherlands, Turkey and Lithuania also offer a rich, but broader in scope, pipeline of projects.

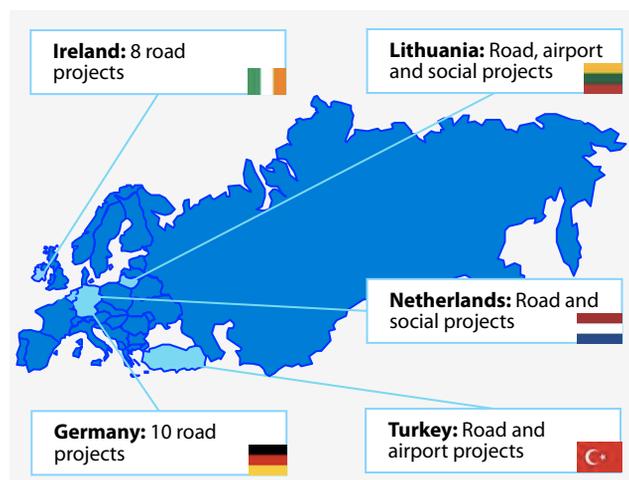
In May 2015, the Government of **Germany**, thought its Finance and Transport Ministers, announced plans to develop ten road PPP projects. The projects will repair and extend around 600 km of motorways as well as maintain and operate existing roads. According to estimates, the country will invest about €100 billion (US\$112 billion) in the road transport sector.

As of January 2016, the Government has already received bids for one of the projects, the A6 Wiesloch/Rauenberg-Weinsberg project, and selected a team led by BAM PPP and Eiffage, as preferred bidder for the A-94 project.

Similarly, in April 2015, the National Roads Authority (NRA) of **Ireland** announced plans to launch tender processes to develop eight toll roads through the PPP model. The projects include a total of 230 km of roads. The total investment is estimated at around US\$1.53 billion. The private sector is expected to provide about US\$1.04 billion.

The case of **Netherlands** is not a surprise as it has developed one of the most active PPP programs globally with many opportunities being tendered every year in the transport, social infrastructure and flooding prevention sectors.

Outlook: Neutral



Lithuania is also very active, with at least 12 PPP projects being structured and tendered. In the pipeline, we find an airport concession, several prison projects and a road project. It seems like Lithuania is taking the right time to prepare, structure and advertise the projects and the program could attract the appetite of foreign investors.

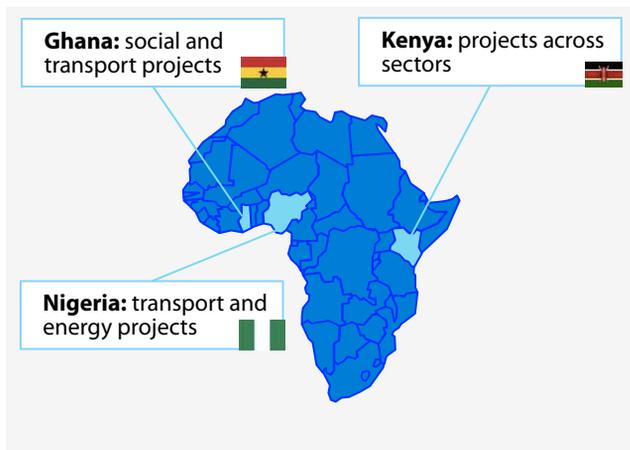
Turkey is expected to continue tendering mega projects after the Justice and Development (AK) Party's victory in the national elections in November 2015. As we reported on www.infrappworld.com in June 2015, the Ankara - Nigde Motorway PPP project (US\$1.5 billion), the Ankara - Kirikkale - Delice Motorway PPP project and Kirikkale Ring Road PPP project (US\$825 million) and the Western Antalya Airport Project may come out to the market in 2016.

Africa

The lack of well-structured PPP projects is the biggest constraint Africa has to have a more extended use of the PPP model to fill the US\$93 billion per year infrastructure gap (World Bank).

Although many countries are working on the direction of structuring a solid PPP project pipeline and hiring transaction advisors to properly structure PPP projects to attract investors, we do not foresee many countries will tender a constant flow of PPP projects during 2016.

We expect Ghana and Kenya to reach this level at some point of time in the next years, but 2016 is probably too soon for that to happen.



Outlook: Negative

Both countries have been working on their PPP programs with the economic support of the World Bank, what has allowed them to dedicate financial resources to hire international transaction advisors to structure projects and to enable a PPP framework to attract investors.

Kenya is expected to tender soon several greenfield and brownfield road PPP projects (2nd Nyali Bridge, Nairobi-Nakuru, Nairobi-Mombasa), but also port, energy and social infrastructure PPP projects.

The case of Ghana is similar but with the size of the project pipeline being smaller. Future PPP projects to be tendered in 2016-2017 include: Accra-Tema, Accra-Kumasi, Accra-Takoradi road PPP projects; two rail projects and several social infrastructure projects.

Nigeria, the biggest economy in Africa, offers a bittersweet landscape for investors. There are PPP opportunities such as the \$5bn NNPC Calabar - Kano Gas Pipeline project, the Rehabilitation and upgrade of 368 Km Shagamu Benin-Asaba Expressways, or the Inland Ports Concession at Onitsha, Baro, Lokoja & Oguta. However, recent PPP failures and the lack of transparency in dealing with regional and national governments do not invite to much optimism.

It is likely that good opportunities arise in countries where there is not a PPP pipeline but there is a donor agency supporting a concrete project. This has been the case of the Kampala - Jinja expressway (Uganda; tendered in 2015) or the Kigali water PPP project (Rwanda; signed in 2015).

Asia - Pacific

In December 2014 **China's** Ministry of Finance (MoF) formally established a central Government PPP Center. The MoF has released several key documents, including draft PPP Guidelines, a circular on assessing fiscal affordability for PPP projects and information about 1,000 projects, open to both private and foreign investors and worth US\$317.75 billion.

However, foreign investors are just welcomed "as long as they belong to categories that are encouraged or permitted in the Catalog for the Guidance of Foreign Investment".

Additionally, the award of the first PPP projects in China did not show signals of international presence.

In summary, greenfield opportunities in China remain closed for international investors. A better strategy for foreign investors could be getting local presence through the acquisition of new-formed PPP portfolios.

The Government of **India** has announced its plans to award 5,000 Km of road projects worth around US\$3.2 billion to private companies this fiscal year. The projects will be up for bidding under an hybrid annuity model model.

The cabinet has also approved developing 400 railway stations next fiscal through the Swiss challenge formula (private entity proposes project to the Government).

These opportunities are just examples of projects in India that may be open for international investors.

Outlook: Positive

There is also an opportunity to get into stalled road projects, which may be transferred now to a third party due to the implementation of a new piece of legislation.

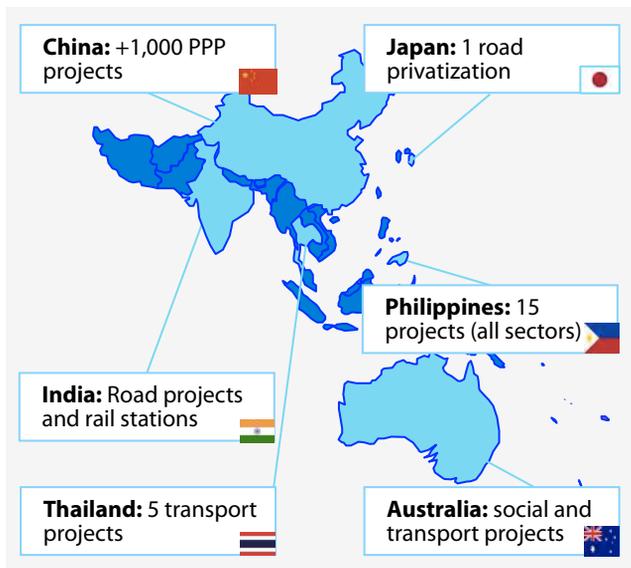
The development of other laws has made the secondary market in the road sector in India an appealing opportunity for investors.



Thailand's Public-Private Partnership (PPP) Committee announced in November plans to boost five PPP transport

Asia - Pacific

projects to stimulate the country's economy and improve its transport system. The Government expects to tender the projects soon to finish the bidding process by H1 2016.



The five PPP transport projects, which involve a total investment of approximately P334 billion (US\$9.27 billion), include three metro projects and two road projects.

The **Philippines** has tendered a big volume of PPP projects in 2015 and expectations for 2016 are high as well. At least, until President Aquino steps down in the middle of 2016. Around 15 PPP projects are currently under procurement and around 10 more are getting approval soon.

However, according to a national law, foreign companies can only own a maximum of 40 % of public utility franchises, which by definition in local law include public transport, roads, water, and other projects. Although this is discouraging for foreign investors, it is unclear whether this limitation applies only to the operator company or at the concessionaire level.

It will take it time but **Japan** is increasingly looking into PPPs to foster economic growth under the Abenomics policies. Japan already awarded two airport concessions in 2015 and the next project to be launched to the market, in 2016, is the concession of a toll road network in the Aichi Prefecture.

The market in **Australia** remains strong with a few big-ticket transport PPP projects coming to market in 2016.

Central & South America

Brazil expects to auction the concession of 16 toll-roads in 2016 as part of the Program for Investment in Logistics. The public auctions will be evaluated in accordance with the lower-tariff criteria.

The investments in the port sector for next year include 50 new leases, 63 new Private Use Terminals (TUPs) and 24 renewals of existing leases.

Brazil also expects to concession four federal airports, including the International Airports of Salvador, Fortaleza, Florianopolis and Porto Alegre, with the public auction anticipated for the 1st quarter of 2016.

The state of São Paulo announced in 2015 a plan of transport PPP projects but the tender schedule is still unknown.

The current economic crisis in Brazil, with GDP declines in 2014, 2015 and probably in 2016, may influence negatively in the interest of international investors towards these investment opportunities.

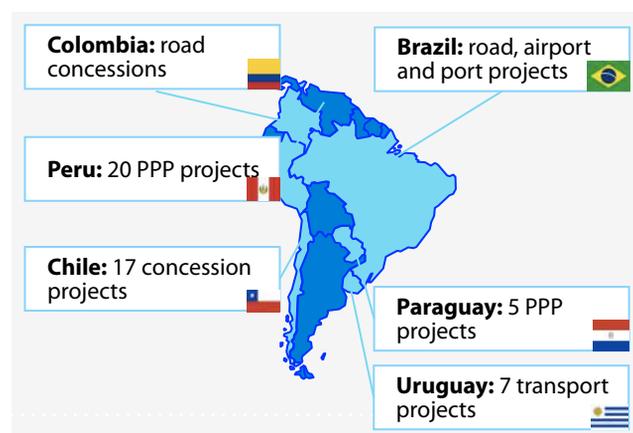
Chile will offer significant investment opportunities in infrastructure concessions in 2016. According to a national investment brochure, investment opportunities with a value of US\$1.13 billion are expected to be offered in 2016. However, the country has still to award most of the concession projects expected for 2015, which have a value of around US\$2.5 billion.

Peru offers a similar landscape with 20 projects in its energy and infrastructure portfolio featuring investments with a value higher than US\$5 billion. These projects include the ones tendered in 2015 and the ones to be tendered in 2016.

Outlook: Positive

Colombia is currently tendering the second wave of road concessions part of the 4G Concessions Program. Although opportunities to invest in road projects still exist, the Government is looking at private initiatives because apparently it lacks the resources to afford more PPP projects in the future. Private initiatives are supposed to generate enough resources to recover the investment without Government involvement.

Uruguay is gaining momentum and in December 2015 the Government has tendered two road projects and is planning four other road PPPs and a rail PPP contract in 2016.



Paraguay has also announced plans for five PPP projects worth US\$800 million and including two road projects and an airport project.

North America

Outlook: Neutral

In late December, **Mexico** launched the tender process for three road concessions: La Raza – Indios Verdes Santa Clara highway, San Blas – Tepic highway, Las Varas – Puerto Vallarta highway. The submission of proposals will be in March and April 2016.

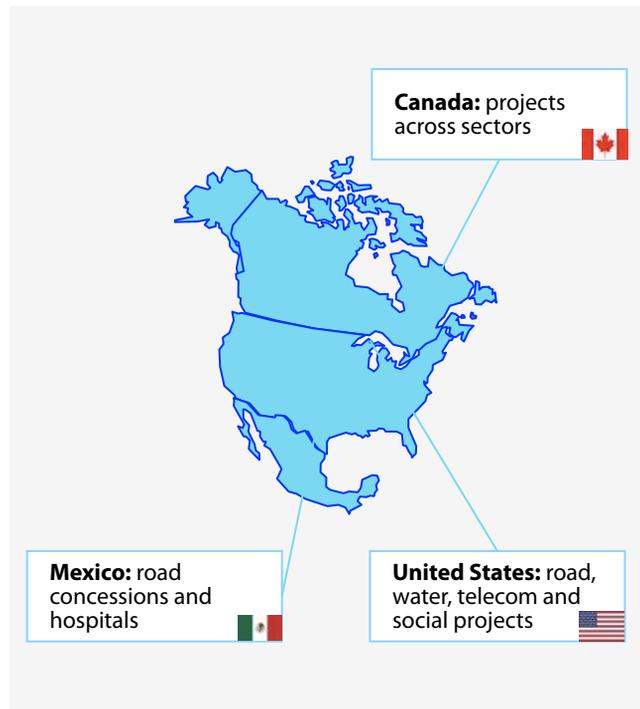
Additionally, IMSS, the Mexican Social Security Institute, announced in October 2015 plans to develop a total of seven hospitals through the public private partnership (PPP) model. The Government has allocated resources for those projects in the 2016 budget. The expected investment amount for those projects is around US\$520 million.

In the **United States**, opportunities vary from state to state. Virginia and Pennsylvania are two states offering a more robust pipeline of projects but many states are structuring deals that can come to the market in 2016.

Opportunities exist in the road, student housing, telecom, water and social infrastructure sectors.

Canada has a great pipeline of PPP projects with Ontario leading the way. Projects in structuring and tender stages in Ontario add up to a total of 35.

The states of Alberta, Nova Scotia and British Columbia also offer a few PPP opportunities across sectors.



About us

- InfraPPP is a **market intelligence and advisory firm** specialized in Infrastructure-related, Development, Sustainability and Public Private Partnership consulting assignments at a global scale. We manage the market intelligence platforms: www.infrappworld.com (focused on PPPs) and www.ippjournal.com (focused on private investments in the energy sector); as advisors we work for clients around the world in different kinds of consulting assignments.
- Our team is composed by Engineers, Economists and MBAs, having worked in **different types of projects worldwide**, analyzing and executing market research and business consulting projects in more than 15 countries and three continents. As strategy, engineering and financial advisors we work in an ample range of consulting assignments, for Private Investors, Sponsors, Operators, Development Institutions or Public Bodies.
- We are part of **Aninver InfraPPP Partners**, a business advisory and market intelligence group based in Malaga but working globally for relevant public and private clients.
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