

**Speaker:** José Manuel Vassallo

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José is Professor and Head of the Transportation and Land Use Department of Universidad Politécnica de Madrid (UPM). He is also a member of the academic staff of the Transportation Research Centre (TRANSYT) where he leads the transport management and financing research area. He was research fellow at the Kennedy School of Government (Harvard University).

He is a current member of the Revenue and Finance Committee of the Transportation Research Board (TRB). Presently, José teaches “Transportation Economics and Planning” and “Infrastructure Financing” in Madrid. His research activity during the last years has been focused on transportation management and financing, infrastructure regulation, socioeconomic evaluation of projects, and public-private partnerships. In his academic career, he has published three books and many papers in prestigious journals. José has also received several awards for his research and publications. Presently he is Associate Editor of *Transport Policy*. He has worked as a consultant for the Government of Spain for the design of concession contracts and procurement mechanisms. He has also worked for several institutions such as the World Bank, the Government of Chile, the Andean Corporation of Development, and the European Conference of Ministers of Transportation and the European Investment Bank.

**Title of the presentation:** Public–private partnership (PPP) in financing of infrastructure

Europe needs sufficient and well-functioning transport networks across all modes (roads, rail, ports, airports, urban networks) to increase the productivity of its economy, enhance its competitiveness, and facilitate economic growth and high employment. However, the sovereign debt hangover from the rescue of failed banks in many countries across Europe, and the austerity measures adopted to control unsustainable levels of public debt, have translated into a lack of public funding for much needed infrastructure investments, including transport infrastructure.

Budgetary resources have funded around one third of all infrastructure investment across the EU. The private sector is therefore the predominant source of funding. However, the greatest part of the private sector’s infrastructure investment was made directly by utility and transport companies, so called corporate finance. Since the 1990s, national policies of many Member States have sought to increase private sector participation in the financing and implementation of infrastructure projects by other complementary means, notably through project finance. Overall, around 10% of private sector infrastructure investment uses project finance, including PPPs.

Over the last few years, different PPP approaches have been implemented by many governments in Europe at different levels to circumvent budgetary constraints and encourage efficiency and quality in the provision of public infrastructure. However, PPPs are controversial. On the one hand, they are regarded by governments as an opportunity to draw private capital to fund socially efficient projects that contribute to growth and employment. On the other hand, the experience with these schemes has not been always positive. Some projects using PPPs failed because of the lack of a right institutional framework. Others experienced severe cost overruns and revenue shortfalls, which prompted long and tough negotiations between private developers and governments. These renegotiations often ended up being costly for users and taxpayers.

In the last few years, PPPs have been constrained by growing difficulties to have access to long-term funding. Borrowing from banks is currently constrained due to liquidity, maturity and capital limitations of the major banks; the low volume of syndications; and a marked reduction of the average amount each bank is prepared to commit for each transaction. In such a context, it is crucial to explore the challenges of PPPs so that they that can contribute to scale up transport infrastructure investments in Europe, including attracting additional sources of long term private finance such as, for example, pension and insurance funds.