

PPP/PFI - OPENING UP TO NEW ENTRANTS - GARRIGUES

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Spain's regions have woken up to the attraction of small-scale PPP/PFI projects says José Guardo of Garrigues.

With a tighter credit market and lowering levels of inactivity from the Spanish administration, the short-term will see smallscale PPP/PFI projects in Spain believes José Guardo, head of project finance at Garrigues in Madrid.

'The success of the Madrid administration in realising its hospitals projects over the last few years has clearly prompted other regions of Spain to look to PPP/PFI to develop projects on a similar scale,' he says.

While there is still a lot of ongoing work, including some consolidation of projects, an increasing number of new PPP/PFI deals involve smaller developments, which are inevitably pulling in smaller players, he explains.

'The bigger PPP/PFI players cannot cater to the whole market so we are seeing new developers,

companies and finance houses beginning to get involved.'

Such a development he believes is good for the sector. The market is seeing increasing interest in areas such as leisure and hospitals, while new areas such as water and irrigation are opening up. In addition there has been a rebalancing of the power of the banks, he says. 'Up until the credit squeeze the financial markets were very liquid, so the negotiating position of the banks was not always strong. Now, with a tighter financial scenario, and smaller operators on the scene, the banks are once again beginning to impose their own terms on deals.'

But despite the wide scale of PPP/PFI activity in Spain it is not yet commoditised, says Guardo. 'The level of expertise is still under-developed in certain areas, and there are certain aspects that can still benefit from deeper analysis by structured finance teams, such as ongoing and maintenance related issues.' Next year will likely see a continuation of the prevailing trend but the medium-term is more positive, he believes. 'Spring 2008 will see national elections so we are not expecting a big year for big projects. But a short-term paralysis within the administration should mean a backlog of deals to come.'