

---

## Portugal

---

### *Financial Crisis and PPPs*

When almost everyone thought that the international financial crisis of September 2008 had come to an end, the sovereign debt crises that had started in Greece, spread to Ireland and finally hit Portugal with full force, and still no one knows where the crisis will stop.

The sovereign debt crises drew the attention of investors to the real magnitude of public and private debt in Portugal, leading to a substantial increase in interest rates (in both the public and the private sector) and to a more limited access to financing in general. As a result, the costs of recently undertaken projects have increased significantly. PPP projects require abundant capital and are particularly affected by this. At the same time, Portugal needs to curb public and private recourse to debt, in order to regain investors confidence and be able to provide finance at lower interest rates.

It is primarily the State as a whole (rather than individual companies) that is hit by the sovereign debt crisis but PPP projects are significantly affected as well due to the increased interest rates and the limited access to investment funds.

To address these issues, the Portuguese Government has created an expert commission to analyze all PPP projects that are already announced (and in some cases already in place, meaning under construction).

This commission will decide which projects will be postponed and which will be carried out as planned, being implicit that those already awarded would be softer any set back.

The expert commission has not yet come to any conclusions, however, some major projects are likely to be postponed, such as the extension of the Oporto and Coimbra underground, the new road concessions or the high-speed train connection from Oporto to Lisbon and from Oporto to Vigo.

Yet the two main projects in Portugal – the high speed train connection from Lisbon to Madrid and the new Lisbon airport – are expected to be maintained, since they are crucial to the development of the country and object of international agreements and can therefore not be unilaterally postponed.

However, as the commission has not yet reached any final decisions, it is difficult, if not impossible,

to anticipate with any degree of certainty what the future will bring. Furthermore, given the fact that the Portuguese Government has just resigned, the referred Expertise Commission is likely to suspend the studies in course and, obviously, new PPP projects are not to be expected in the near future.

*Pedro Melo*

*Diogo Duarte de Campos*  
*PLMJ – Law Firm*

---

## United Kingdom

---

### *Current Developments in the United Kingdom September – December 2010*

The autumn of 2010 marks a significant turning point for the UK PPP industry. Having waited it seems for most of 2010 for answers the PPP industry began to get some (but annoyingly not all). As expected, the autumn's events underscored the shift from social to economic infrastructure and from PFI to new models (although at the time of writing it is still unclear what these will be). In the short term, there will be fewer projects as the Government's priority is deficit reduction but its stated intention to spend £193 bn over the next 5 years heralds opportunities in the longer term.

In the period 1 September to 31 December, 15 projects reached financial close with an approximate value of £1.5bn (although almost half of this is accounted for by Suffolk Waste). This compares with 12 projects reaching financial close with an approximate value of £725m in the period 7 May to 31 August and 11 projects closing with an approximate value of £1.5bn in the period 1 January to the General Election on 6 May. Surprisingly, given the scrapping of the Building Schools for the Future programme in July, 10 of these projects were BSF projects with 2 energy projects, 2 health projects and one waste project.

#### **I. Policy**

There has been so much in the way of policy announcements over the autumn that it has been difficult to keep up. To what extent the various initiatives will be found to fit together once the dust has settled, only time will tell. For the PPP industry