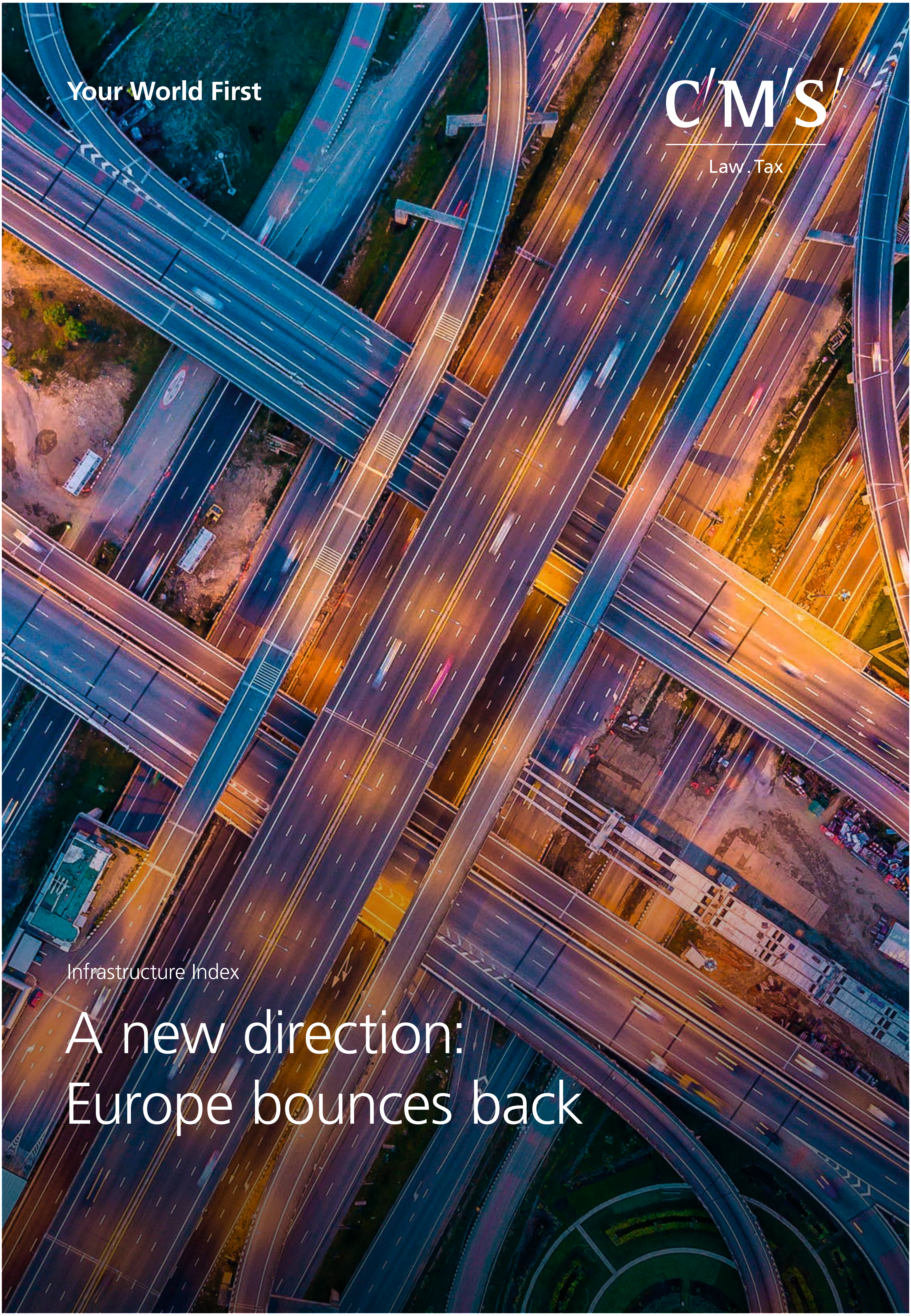

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Infrastructure Index

A new direction: Europe bounces back

The Infrastructure Index results

The CMS Infrastructure Index analyses data across 40 jurisdictions against six key criteria to create a guide to the most attractive destinations for infrastructure investment.

Top 10

1	Netherlands	89
2	Canada	88
3	Germany	87
4	United Kingdom	87
5	Australia	86
6	Singapore	86
7	United States	85
8	Norway	85
9	France	83
10	United Arab Emirates	80

> “National governments need to stimulate their economies by creating more projects which the private sector can invest in. There is a lot of private capital waiting.”
>
> *Wim Blaasse, DIF*

Countries ranked 11-40

11	Chile	75
12	Qatar	71
13	Czech Republic	70
14	Spain	69
15	Slovakia	67
16	Italy	66
17	Poland	66
18	Saudi Arabia	64
19	Malaysia	60
20	China	58
21	Mexico	57
22	Oman	57
23	Hungary	56
24	Peru	56
25	Colombia	56
26	Romania	54
27	India	53
28	Indonesia	51
29	Philippines	50
30	Bulgaria	49
31	Jordan	48
32	Turkey	48
33	Morocco	45
34	Brazil	45
35	Russia	43
36	Vietnam	40
37	Kenya	35
38	Iran	26
39	Mozambique	25
40	Nigeria	23

Top regional influences

CEE’s expanding economies lead to great promise for infrastructure investment.

Europe is set to receive more than **€150bn** funding, mainly for **road** and **railway** links.

€150bn

Governments are focusing on **infrastructure** as a way to **kick start economies** after recent recessions.

Contents

A new direction

Creating an attractive environment for investors in infrastructure is no easy task. Politics and policy can make or break private participation and the flow of investment. Something that has never been clearer than in this year's CMS Infrastructure Index, which ranks 40 jurisdictions in order of infrastructure investment attractiveness.

The Netherlands has secured top spot in this year's Index, despite the uncertainty of having 208 days with no government earlier in the year. A vigorous economy, a transparent and efficient procurement process, together with a track record of delivery of its multi-billion-Euro pipeline of road, water and social infrastructure PPPs have created an attractive, highly competitive environment for investors.

It is a different story for the UK. Ranked fourth after The Netherlands, Canada and Germany, Brexit and political uncertainty is having a considerable impact on the pipeline of greenfield projects. Definitions of infrastructure are evolving, with asset types including digital infrastructure and energy smart meters replacing traditional PFI schemes. With this comes a need to adapt and maintain the UK's strong regulatory reputation. Investors still consider the UK to be an attractive market with no sign of a reduction in investor demand for operational stakes in transport, energy and social infrastructure projects.

If a new direction is required, transparency and the creation of a more varied pipeline to complement the politically appealing mega-projects will be key. Governments have a large part to play. Wim Blaasse of Dutch Infrastructure Fund comments in the report on the success of the Netherlands: *"The Dutch government has a "consistent policy when it comes to PPPs, as all projects which reach a certain criterion are simply procured as PPPs. It provides certainty, which in turn creates a large pipeline, which means companies can build up large teams in the country".*

CEE is particularly exciting as their economies experience a significant expansion due to the favourable environment for foreign investment and EU financing.

At 13th, the Czech Republic ranks highest of the CEE countries. Political stability, a strong economy and government support for infrastructure present many opportunities for private investment. PPPs are becoming increasingly common across CEE, with Poland, Slovakia, Hungary, Romania and Bulgaria all having successfully completed projects. Chinese capital is also reaching the region.

The Index presents a very positive outlook for Europe. With a mixture of mature and developing infrastructure markets, there are significant opportunities for investors across the full range of asset classes.

We would like to thank our interviewees for giving up their valuable time to share and contribute their views on the infrastructure sector in their respective markets.

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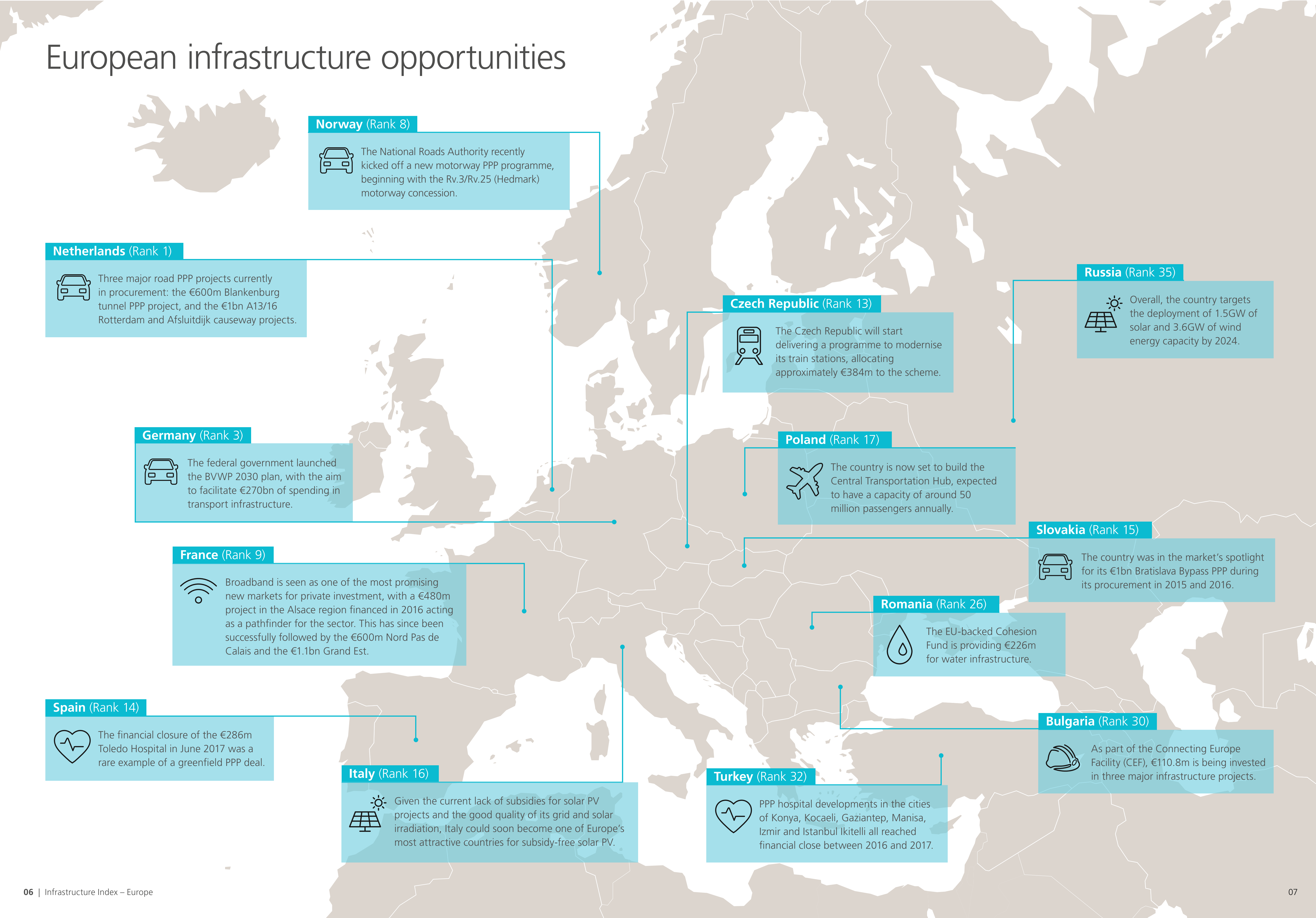
Twitter: **@CMS_IPF**

European infrastructure opportunities



Norway (Rank 8)

The National Roads Authority recently kicked off a new motorway PPP programme, beginning with the Rv.3/Rv.25 (Hedmark) motorway concession.

Netherlands (Rank 1)

Three major road PPP projects currently in procurement: the €600m Blankenburg tunnel PPP project, and the €1bn A13/16 Rotterdam and Afsluitdijk causeway projects.

Germany (Rank 3)

The federal government launched the BVWP 2030 plan, with the aim to facilitate €270bn of spending in transport infrastructure.

France (Rank 9)

Broadband is seen as one of the most promising new markets for private investment, with a €480m project in the Alsace region financed in 2016 acting as a pathfinder for the sector. This has since been successfully followed by the €600m Nord Pas de Calais and the €1.1bn Grand Est.

Spain (Rank 14)

The financial closure of the €286m Toledo Hospital in June 2017 was a rare example of a greenfield PPP deal.

Italy (Rank 16)

Given the current lack of subsidies for solar PV projects and the good quality of its grid and solar irradiation, Italy could soon become one of Europe's most attractive countries for subsidy-free solar PV.

Czech Republic (Rank 13)

The Czech Republic will start delivering a programme to modernise its train stations, allocating approximately €384m to the scheme.

Poland (Rank 17)

The country is now set to build the Central Transportation Hub, expected to have a capacity of around 50 million passengers annually.

Russia (Rank 35)

Overall, the country targets the deployment of 1.5GW of solar and 3.6GW of wind energy capacity by 2024.

Slovakia (Rank 15)

The country was in the market's spotlight for its €1bn Bratislava Bypass PPP during its procurement in 2015 and 2016.

Romania (Rank 26)

The EU-backed Cohesion Fund is providing €226m for water infrastructure.

Bulgaria (Rank 30)

As part of the Connecting Europe Facility (CEF), €110.8m is being invested in three major infrastructure projects.

Turkey (Rank 32)

PPP hospital developments in the cities of Konya, Kocaeli, Gaziantep, Manisa, Izmir and Istanbul Ikitelli all reached financial close between 2016 and 2017.

Europe bounces back

After years of stagnation, economic growth in the European Union is finally accelerating thanks to an increase in both domestic demand and exports.

Rank	Country	2017 Score
1	Netherlands	89
3	Germany	87
4	United Kingdom	87
8	Norway	85
9	France	83
13	Czech Republic	70
14	Spain	69
15	Slovakia	67
16	Italy	66
17	Poland	66
23	Hungary	56
26	Romania	54
30	Bulgaria	49
32	Turkey	48
35	Russia	43

The infrastructure market has high hopes for central and eastern European countries, whose economies are currently experiencing a great expansion.

The severe recession that hit most European countries during the last decade led to a cut-back in public spending, with consequences for infrastructure investment. Quantitative easing, the Juncker Plan and EIB support have provided beneficial conditions for ramping up EU infrastructure spending in the aftermath of the crisis.

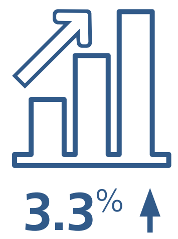
In many cases, politicians have embraced the cause, seeing infrastructure spending as an economic stimulant and announcing ambitious spending plans. But there are several stumbling blocks, ranging from budget cuts to political indecision to poorly managed procurement processes. From an investor perspective, the scarcity of bankable greenfield projects has led to fierce competition for a handful of PPPs in mature markets, with diminishing returns.

The Netherlands, Germany, France and the UK have all retained their standing as some of the world's most attractive private infrastructure markets, with timid signs of optimism coming from Spain. Meanwhile, the infrastructure market has high hopes for central and eastern European countries, whose economies are currently experiencing a great expansion, largely due to the favourable environment for foreign investments and EU financing. The region is set to receive more than €150bn funding from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund over the period covering 2014-2020. This funding will be allocated mainly to provide modern road and railway links as well as to improve the conditions of air and water transport infrastructure. Outside the European Union, Norway is emerging as a hotspot of activity, with a massive transport plan centred on roads and rail.

The Netherlands leads the way

With a vigorous economy experiencing the strongest GDP growth since 2007 and an efficient multi-billion-Euro pipeline of road and water PPPs, the Netherlands claims top spot in the rankings.

Despite the Netherlands being without a formal government for 208 days, it is expected to achieve an impressive **3.3% GDP growth** in 2017 according to the Central Bureau of Statistics. This is the highest for a decade, thanks largely to robust exports.



The country's infrastructure market is traditionally very active, with significant private investment activity. There are no fewer than three major road PPP projects currently in procurement: the €600m Blankenburg tunnel PPP project, and the €1bn A13/16 Rotterdam and Afsluitdijk causeway projects. A further project, involving the A9 Amstelveen motorway, is due to be tendered between December 2017 and March 2018.

Yet the largest infrastructure deal in the Netherlands this year involved the sale of the Dutch car park operator Q-Park, which was sold to KKR Infrastructure by a host of institutional investors for €2.8bn in August.

As the Dutch infrastructure market is the envy of Europe, it is also an intensely competitive market. Low returns are partly to blame for the financial struggles of several Dutch contractors, notably Ballast Nedam, which was spared from bankruptcy through an acquisition by Turkish company Ronesans. This competitive environment also makes it difficult for prospective new market entrants.

The largest infrastructure deal in the Netherlands this year involved the sale of the Dutch car park operator Q-Park, which was sold to KKR Infrastructure by a host of institutional investors for €2.8bn.

The Dutch procurement process is widely applauded for being transparent and efficient, with milestones broadly reached on time. The Ministry of Infrastructure (Rijkswaterstaat) has overseen the country's infrastructure development since 1798 and has built a strong reputation for high standards among infrastructure investors. That is not to say there has not been a learning curve, with some poor project structuring having led major domestic contractors into trouble in the past.

The Netherlands already has the best infrastructure in the European Union, according to the World Economic Forum (WEF), with the highest-quality ports, airports and roads, and the third-best railroads. The country hosts one of Europe's main ports, Rotterdam, and the continent's third largest airport, Schiphol.

"The Dutch government provides certainty, which in turn creates a large pipeline, which means companies can build up large teams in the country."

Wim Blaasse, DIF

The Netherlands has a strong incentive to further improve its infrastructure, given its population density, the highest in the European Union, amounting to 505 people per square kilometre, according to the World Bank.

The country is a global leader in renewable energy, having closed the world's largest project financing for an offshore wind farm in May 2014. Located in the North Sea, the €2.8bn Gemini project was commissioned in May 2017. The tender for the Borssele 1 and 2 offshore wind farms, amounting to a total of 700MW, was won by Dong Energy in July 2016 with a historically low bid.

The country also pressed on in September 2017 with the development of its solar, onshore wind, biomass and geothermal sectors as it awarded incentives to projects representing 3.2GW of capacity as part of its SDE+ programme.

DIF

Wim Blaasse, Managing Partner

Wim Blaasse is Managing Partner at the Dutch infrastructure investor DIF, and has been with the company since its inception in 2005. He is responsible for all aspects of DIF's funds.

DIF has around €4.2bn of assets under management across seven closed-end investment funds. The independent fund manager has invested in around 175 infrastructure projects, representing a total asset value of circa €25bn.

The investor is active in Europe, North America and Australia, primarily in the greenfield markets. While the pipeline of opportunities is extensive in his view, "the key element is to be selective".

In Europe, DIF sees opportunities in the well-established markets of the Netherlands and Germany. More recently, Spain unveiled a €5bn road PPP programme – *Plan Extraordinario de Inversiones en Carreteras*. The programme consists of 20 proposed availability-based PPPs with 30-year concession periods.

"National governments need to stimulate their economies by creating more projects which the private sector can invest in" Blaasse says. "There is a lot of private capital waiting".

The Netherlands is a good example of the public sector taking the initiative according to Blaasse. The Dutch government has a, "consistent policy when it comes to PPPs, as all projects which reach a certain criterion are simply procured as PPPs", he says. "It provides certainty, which in turn creates a large pipeline, which means companies can build up large teams in the country".

The UK has seen a significant scaling back of PPP activity since the heyday of PFI came to an end with the global financial crisis. While Brexit is contributing to market turbulence, the more fundamental issue is the lack of deal flow from the PF2 programme, Blaasse says. Nevertheless, despite the significant reduction in deals, the UK remains a core market for DIF, with Highways England recently confirming the A303 and Lower Thames Crossing projects.

Further afield, DIF has no immediate plans for investment in Latin America, even though nations like Colombia and Peru are becoming more important in terms of infrastructure. "We would need to get more comfortable because there is too much political risk, and currency problems need to be addressed".

> "National governments need to stimulate their economies by creating more projects which the private sector can invest in... There is a lot of private capital waiting."

Good and bad sectors

Whereas DIF has been an active player in the European renewables markets, the sector is now becoming difficult to invest in.

"The combination of a power price risk at quite aggressive curves and quite low IRRs, have created competitive conditions which are not attractive", he says.

The situation is being mirrored in North America, where valuations were previously based on 20 or 25 years, but are now based on 35 years, which shows market players are "stretching their assumptions".

As seen with several other traditional PPP investors, DIF has also recently branched out into regulated utilities, notably through the acquisition of UK company Affinity Water, a deal which closed in early 2017.

Affinity Water was, "more attractive" than some other regulated deals which DIF has considered, Blaasse says. The UK water provider was granted an 'enhanced' status by Ofwat in its 2014 price review, meaning it holds the best operational standard for a water company in the UK. The company's gearing is also low, with relatively little debt on its books. Affinity was acquired on "conservative" assumptions, Blaasse says, with a 20-year financing structure which "heavily mitigates the interest rate risk".

DIF is planning a limited number of new deals in the regulated utilities space. Blaasse also sees opportunities in UK rolling stock and European fibre network roll-outs in which it will invest through its newly created core fund, DIF Infrastructure V.

The country review

Germany – 3rd

Germany, the European Union's economic powerhouse, has taken third place in the rankings. In 2016, the federal government launched the BVWP 2030 plan, with the aim to facilitate €270bn of spending in transport infrastructure, including roads, railways and waterways. In addition to major transport investments, Germany's *Energiewende*, the country's transition to renewable energy, is widely seen as a success story. The country's so-called "A roads" programme is also a major market for PPP investors.

> Although the procurement programme has not recently been quite as fast-paced as in the Netherlands, the country nevertheless financed three major road projects.

Although the procurement programme has not recently been quite as fast-paced as in the Netherlands, the country nevertheless financed three major road projects – the A94, the A6 and the A7 – in 2016 and 2017. There have been challenges in the past, notably with regard to the toll roads procured prior to the introduction of availability payments.

Another example is the Berlin Brandenburg Willy Brandt Airport, which was scheduled to open in 2011, but has been beset by a series of technical problems and cost overruns and is yet to open. Looking ahead, whereas traditionally Germany's roads have been procured on a regional basis, the federal government is currently bringing the country's various procuring authorities under one roof. From a foreign investment standpoint, Germany's main strengths lie in its political, macroeconomic and regulatory stability, which also make for a highly competitive market.

United Kingdom – 4th

The Brexit referendum and the 2017 general election have created an air of political uncertainty for the UK infrastructure market, underscored by slow progress on megaprojects. While PFI opportunities have been scarce since the global financial crisis, the industry is showing a high degree of dynamism and creativity. Overall, the UK currently ranks fourth.

The UK economy has slid from a relative position of strength to registering the slowest GDP growth rate among G7 nations in the first quarter of 2017. Meanwhile, the country's sovereign credit rating was downgraded by the world's three main rating agencies in the aftermath of the Brexit referendum, losing its prized AAA rating.

The lack of political consensus over new megaprojects has for years been the root of frustration and delays, with Brexit only exacerbating the situation in the short term. The creation of the National Infrastructure Commission, which became an executive agency in January 2017, is a step forward in the effort to address UK infrastructure needs independently from the election cycle. The new plan due to be released this year is hotly anticipated.

> The lack of political consensus over new megaprojects has for years been the root of frustration and delays, with Brexit only exacerbating the situation in the short term.

Norway – 8th

Combining high individual income with low income-inequality, Norway boasts the world's largest sovereign wealth fund by assets under management. The Norwegian government releases a 12-year national transport plan every four years showcasing its long term commitment to infrastructure. In addition to having a major publicly funded road and rail development plan, the National Roads Authority recently kicked off a new motorway PPP programme, beginning with the Rv.3/ Rv.25 (Hedmark) motorway concession. While modest in terms of capex requirements, the programme has drawn massive interest, given the scarcity of current greenfield activity in Europe and the perceived security of the Norwegian market, with around a dozen major contractors understood to be looking at the pipeline.

France – 9th

The country has recently been reinvigorated by the election of reformist Emmanuel Macron to the office of president in May 2017. With Macron's desire to enhance his country's business environment, a revitalised economy could potentially follow, improving prospects after years of lacklustre growth and high unemployment. Macron's government is expected to initiate another wave of privatisations. France is currently renowned for its top-notch high-speed rail infrastructure, toll road networks and energy sector. The airport M&A market has also been a focal point in recent years. Broadband is seen as one of the most promising new markets for private investment, with a €480m project in the Alsace region financed in 2016 acting as a pathfinder for the sector. This has since successfully been followed by the €600m Nord Pas de Calais and the €1.1bn Grand Est projects.

> Broadband is seen as one of the most promising new markets for private investment, with a €480m project in the Alsace region financed in 2016 acting as a pathfinder for the sector.

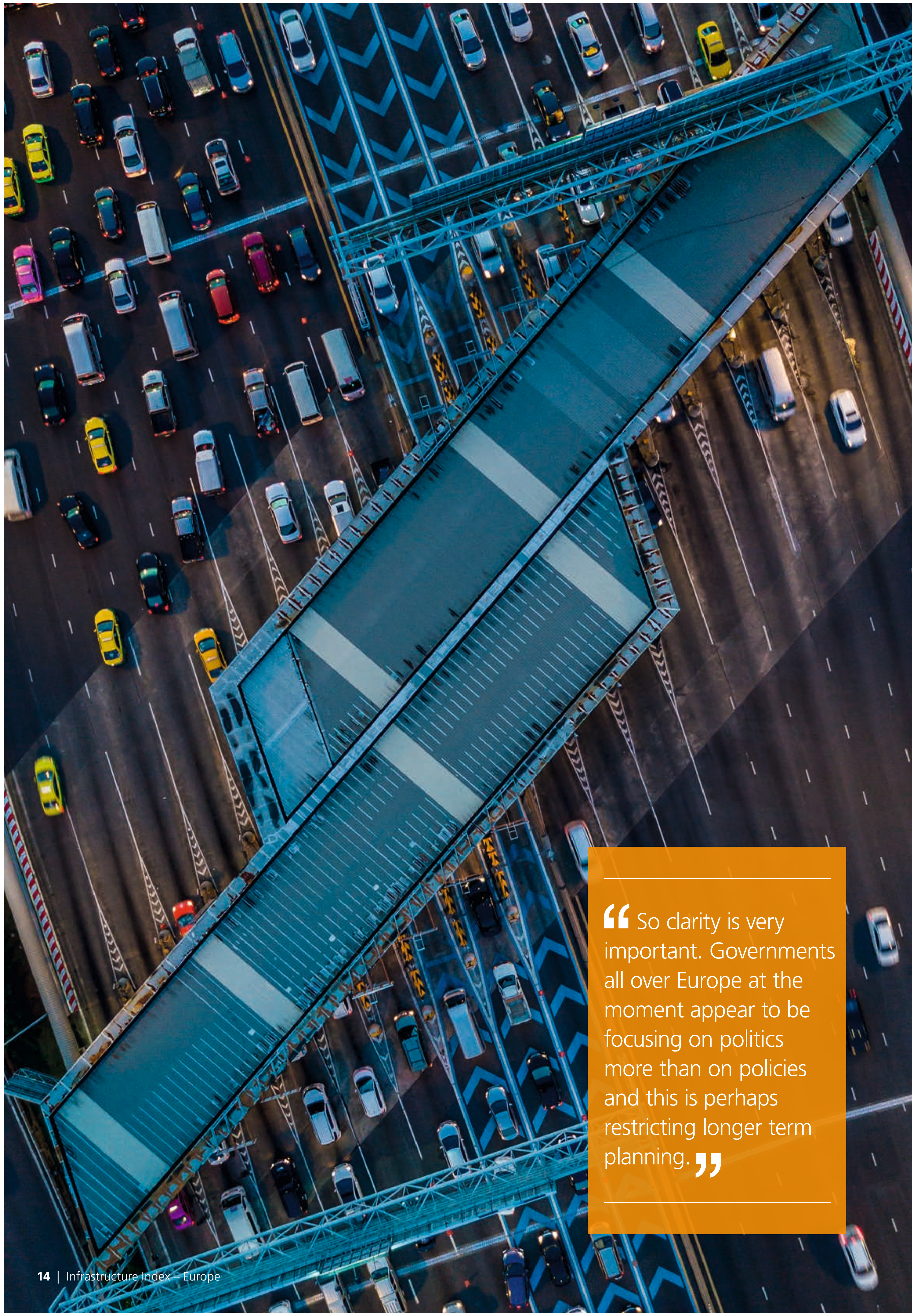
Czech Republic – 13th

The Czech Republic is one of the most economically developed countries in Central and Eastern Europe, with a healthy labour market and current trade surpluses. The Czech Republic ranks thirteenth, ranking high for economic status and political stability. There is strong and longstanding government support for infrastructure spending and, between 2018 and 2022, the Czech Republic will start delivering a programme to modernise its train stations, allocating approximately €303m to the scheme. Czech authorities are also preparing a PPP project for the D4 motorway in a bid to replicate the success of neighbouring Slovakia's similar procurement process.

Spain – 14th

Spain's economy is currently one of the fastest growing in Europe – its GDP expanded 3.2% in 2016 and it is projected to back this up with 3.1% growth this year. The country's robust recovery, which has resulted in its economy regaining its pre-crisis size, is triggering a new wave of infrastructure investment. In June 2017, Prime Minister Mariano Rajoy announced the "*Plan Extraordinario de Inversiones en Carreteras*", a €5bn availability payment-based PPP programme that involves investments in 2,000km of roads by 2021, with concessions of 30 years. The financial closure of the €286m Toledo Hospital in June 2017 was a rare example of a greenfield PPP deal. It remains to be seen what impact the Catalonia crisis will have on infrastructure investment in the country.

Spain is also regaining the prominent role in the renewables sector that it held before the recession: between 2016 and 2017, the country carried out three successful auctions, awarding approximately 8.5GW of solar and wind energy. The growing confidence of investors in the Spanish market is further evidenced by strong M&A activity. Among the most recent transactions, Cubico's acquisition of two concentrated solar power (CSP) assets in Granada and Sonnedix's acquisition of a 136MW portfolio of solar PV assets stand out.



> "So clarity is very important. Governments all over Europe at the moment appear to be focusing on politics more than on policies and this is perhaps restricting longer term planning."

Arcus Infrastructure Partners

Ian Harding, Co-Managing Partner and Stefano Brugnolo, Senior Investment Director

Ian Harding is a Co-Managing Partner of Arcus Infrastructure Partners and part of the original team that founded the business in 2009.

Stefano Brugnolo is a Senior Investment Director of Arcus Infrastructure Partners and has been responsible for the origination of new investments opportunities in the Central and Eastern European region, as well as in Italy, since 2009.

Arcus Infrastructure Partners was founded in 2009 following a management buyout of Babcock & Brown's European Infrastructure Fund, which was renamed Arcus Infrastructure Fund 1 (AEIF1). The independent fund manager deals with investments with an aggregate enterprise value of €17bn and this year extended the life of AEIF1 by 10 years.

With an exclusive focus on European infrastructure opportunities, the company is well placed to assess the current state of various markets across the continent. While it has both made and realised investments in a number of countries across the region, the UK remains a core focus.

Reflecting on the notion that the sheen has been taken off the UK's attractiveness in light of both a slowdown in procurement and, of course, Brexit, Arcus' Harding has a defiant message. He says, "The UK is a very stable, vibrant and open infrastructure sector.

"Brexit clearly is a risk, but we also see it as an opportunity. The uncertainty around it is not overly helpful, but I do think that good transactions can still be done in what are uncertain environments. You have to be extremely focused, extremely diligent and try to pick the winners that are consistent with your experience and with the market trends."

Polish play

Arcus has also pursued opportunities further afield, capped by the completion in January 2017 of a large-scale move into the Polish market with the A1 toll road. Having initially acquired a 25.31% stake in the concessionaire for the project, the fund manager then exercised its rights of first refusal on the stakes held by Skanska and John Laing, taking the total holding to 85%.

Arcus has so far been pleased with its experience of operating in the Polish market. Brugnolo explains, "It is a sizeable asset and we are extremely pleased with its performance, so far. We believe that Poland, from the couple of years' experience we've had actively looking at the country, has possibly all the ingredients to continue attracting private capital.

"They clearly have a very ambitious infrastructure plan, partially supported by EU funds. If they do not close themselves to international capital, they will hopefully be successful in delivering that," adds Brugnolo.

Dutch attraction

As a core European market, the Netherlands – the highest ranked market in this year's Infrastructure Index – falls well within Arcus' remit and is a market that has hosted a successfully realised investment in telecom towers for the group.

On the satisfactory exit price achieved for that disposal, Harding says, "I think part of that was the Netherlands was a good market for investment and it's very stable, both in a macro sense and now, post elections, politically.

"Other infrastructure investors globally see the Netherlands as an attractive market and, relatively speaking, low risk. We have Dutch nationals in our team and are spending increasingly more time in the market, it's certainly attractive to us," continues Harding.

Government role

The Netherlands has rightly been widely applauded for its transparency and efficiency in procuring its infrastructure and its approach is one that other governments could do well to follow.

Brugnolo comments, "There is abundance of private capital in the market. The role of the government should be as an enabler for private capital to be put to work to develop new infrastructure. It's really important that governments are focused on a clear and stable framework to encourage private capital into their domestic markets.

"So clarity is very important. Governments all over Europe at the moment appear to be focusing on politics more than on policies and this is perhaps restricting longer term planning."

Slovakia – 15th

Slovakia has successfully procured a number of motorway projects, relying heavily on EU funds. Within the private infrastructure market, the country was in the market's spotlight for its €1 billion Bratislava Bypass PPP during its procurement in 2015 and 2016. The procurement process proved highly competitive, despite scepticism deriving from the Slovak government's earlier to decision to scrap another road PPP project. The EIB and the EBRD have a strong presence in Slovakia, actively contributing to the expansion of the country's infrastructure sector. The recent rise in employment rate and 3.3% GDP growth also bring optimism for the country's outlook, supporting the steady pace of macroeconomic performance.

Poland – 17th

Since the Law and Justice (PiS) party was elected into power in 2015, the government of Poland has introduced controversial reforms that have been heavily criticised at home and abroad. Despite the negative impact of this on the country's image, the national unemployment rate has fallen to the lowest level since the 1990s, resulting in the Polish Zloty strengthening against the Euro.

> Poland is now set to build one of the largest airports in Europe, expected to have a capacity of around 50 million passengers annually.

In 2016, Poland introduced a PPP policy and the new Law on Concession Agreement for Construction Works and Services. It has a healthy pipeline in transport, social infrastructure and waste-to-energy, as well as a well-established PPP unit; however, financing these projects with private capital has often proved challenging. The country is now set to build one of the largest airports in Europe, expected to have a capacity of around 50 million passengers annually and recommence discussions on high speed rail.

Italy – 16th

Although moving at a slower pace than other EU members, Italy's economic recovery is also gaining momentum. According to the IMF, the country's GDP growth is expected to reach 1.3% in 2017 before slowing to 1% in 2018. But, political uncertainty is on the rise, as general elections scheduled for the spring of 2018 are not forecast to produce a stable majority.

In the north of the country, major infrastructure projects, such as the Pedemontana Lombarda and the Pedemontana Veneta, face severe financial constraints. In the south, the A2–Autostrada del Mediterraneo, a decades-old state-funded project to connect the cities of Salerno and Reggio Calabria through a 430km highway, has finally been completed and is now operational, prompting hopes of new infrastructure investments in the south, such as the Napoli-Bari high-speed railway.

Given the current lack of subsidies for solar PV projects and the good quality of its grid and solar irradiation, Italy could soon become one of Europe's most attractive countries for subsidy-free solar PV. There are numerous cases of new market entrants, with the likes of Deutsche AM, InfraVia Capital Partners, Meridiam and Equitix all making investments in the last few years.

Hungary – 23rd

Hungary has the highest motorway infrastructure density in Europe. The country benefits from its central location, which is reflected in extensive railway, road and waterway networks. In 2016, the EIB lent a total of €700m in Hungarian infrastructure, environment and innovation projects. However, Hungary does not have a PPP pipeline, with most infrastructure projects funded on balance sheet.

Yet the government is planning a trophy project: the proposed 350km high-speed railway connecting Budapest and Belgrade. The €2.4bn initiative is backed by a consortium of China Communications Construction and China Railway International, but the project is currently under investigation by the European Commission for allegedly violating EU procurement rules.

Romania – 26th

Romania is in the midst of an economic boom. The latest figures show a robust acceleration of GDP growth, which is expected to exceed 5% in 2017. However, the country's infrastructure sector is still relatively undeveloped, despite extensive EU funding. The Romanian government recently received a €1bn term loan from the EIB to fund transport infrastructure projects across the country by 2020. The EU-backed Cohesion Fund is providing €226m for water infrastructure, including water management and wastewater treatment projects in Romania.

Bulgaria – 30th

Under the umbrella of a transport spending programme for 2014-2020, Bulgaria aims to invest €2.25bn in the construction and modernisation of the country's roads, airport and ports. As part of the Connecting Europe Facility (CEF), €110.8m is being invested in three major infrastructure projects: the modernisation of a road linking Sofia with Kalotina, the construction of the Plovdiv railway and the development of the Port of Burgas. The EIB has also contributed to transport and energy efficiency projects.

Turkey – 32nd

Turkey has successfully financed a massive pipeline of transport and healthcare PPP projects in recent years. The government has welcomed foreign investors, multilaterals and commercial lenders, as local financiers see reduced capacity to support ambitious infrastructure investment plans. PPP hospital developments in the cities of Konya, Kocaeli, Gaziantep, Manisa, Izmir and Istanbul Ikitelli all reached financial close between 2016 and 2017, with other PPPs envisaged in the pipeline.

> PPP hospital developments in the cities of Konya, Kocaeli, Gaziantep, Manisa, Izmir and Istanbul Ikitelli all reached financial close between 2016 and 2017.

Russia – 35th

Russia's heavily energy-dependent economy shows visible signs of growth, slowly recovering after years of recession caused by a commodity price crisis and exacerbated by Western sanctions. The country's GDP growth rate hit 1.3% in 2017, with a moderate increase to 1.7% forecast for 2018. The Russian government has been actively promoting the development and implementation of a PPP model in the infrastructure sector.

Russia has a pipeline of projects in the transport, energy and social infrastructure sectors. In March 2017, the country successfully reached financial close on a flagship deal, the third section of the Moscow Ring Road, which is the first PPP deal in Russia to feature a construction company as a private equity investor. The country, a leading oil producer, has also launched a tender for the deployment of 2.5GW of renewable energy power, featuring large-scale solar and wind technologies, to be developed between 2018 and 2022. Overall, the country targets the deployment of 1.5GW of solar and 3.6GW of wind energy capacity by 2024.

Methodology

The Index indices are based on the following six main indicators and further sub-indicators, as shown below:

- Economic status
- Sustainability and innovation
- Tax environment
- Political stability
- Ease of doing business
- Private participation

All of these are weighted as shown in this graph:

Sub-indicator	Weight	Indicator
Annual trade (% of GDP)	5%	Economic status 30%
Credit rating	20%	
Interest rates	5%	
Environmental performance	5%	Sustainability & innovation 12.5%
Innovation	2.5%	
Quality and condition of infrastructure	5%	
Corporate tax rate	3%	Tax environment 5%
Resource drain	1%	
Complexity	1%	
Governance and stability	10%	Political stability 22.5%
Rule of law	5%	
Regulatory stability	7.5%	
Transparency/corruption	5%	Ease of doing business 10%
Ease of doing business	5%	
Government support	5%	Private participation 20%
Gross fixed capital formation	5%	
Private investment	10%	

This Infrastructure Index provides an effective tool to measure the overall attractiveness of each country for infrastructure investment, also allowing a more sophisticated analysis based on the comparison of specific parameters, such as political stability and private investment in infrastructure, among different jurisdictions. The commentary provided in this report provides a regional context for our findings, also considering major themes in the industry, track-records and project pipelines.

The scores and subsequent rankings for Europe are highlighted below.

	Score	Private participation	Ease of doing business	Political stability	Tax environment	Sustainability and innovation	Economic status
Netherlands	**89.31**	17.00	7.97	21.28	4.18	9.87	29.00
Germany	**87.63**	17.38	8.04	20.66	3.65	9.90	28.00
United Kingdom	**87.43**	19.50	8.19	20.53	4.62	9.96	24.63
Norway	**84.70**	13.75	8.39	21.89	4.36	9.41	26.90
France	**82.58**	17.50	7.26	20.43	3.12	9.67	24.60
Czech Republic	**70.46**	10.00	6.59	18.20	3.59	9.18	22.90
Spain	**69.09**	16.75	6.69	16.83	3.76	9.39	15.67
Slovakia	**67.05**	9.50	6.33	16.28	3.58	8.69	22.67
Italy	**66.09**	17.13	5.96	15.95	2.90	9.15	15.00
Poland	**66.04**	13.38	6.99	14.65	3.98	8.54	18.50
Hungary	**56.69**	6.25	6.05	15.56	3.63	8.70	16.50
Romania	**54.07**	6.63	6.11	13.98	4.12	8.13	15.10
Bulgaria	**49.13**	4.88	5.73	13.32	4.15	8.05	13.00
Turkey	**47.91**	14.88	5.41	9.00	3.97	7.78	6.87
Russia	**42.79**	9.63	5.11	9.50	3.83	7.72	7.00

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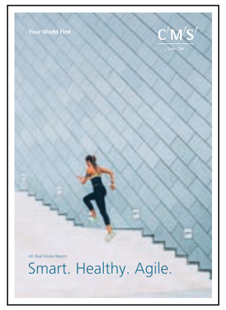

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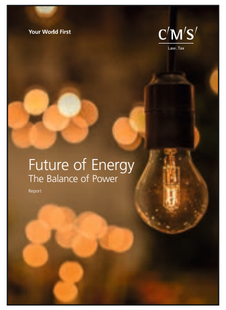

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