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Please find attached the presentation by Mr. Riccardo Puliti, Director, Transport Department, EBRD, delivered to the Session II (*Obstacles and Challenges to Transport Development and the OSCE role, the Financing and the Environmental Sustainability Challenges and the Special Problems of Landlocked Countries*), of the 14th OSCE Economic Forum, Vienna, 23 -24 January 2006.

Public-Private Partnerships vs funding constraint on transportation investments

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Introducing Public Private Partnerships (PPPs)

- A PPP is a long-term contract for private sector to provide services to, for or on behalf of the government
- Payments for PPPs may flow in either direction the between concessionaire and the government (sometimes both)
- Risks are shared by the private sector and the government



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Important Elements : Legal Environment

- Government policy on PPPs is cornerstone of sound legislative & regulatory framework
- Legislation needs be clear & consistent, avoiding loopholes & conflict with other legislation
- Flexibility is needed to allow for negotiation and alternative approaches where appropriate
- Legislative framework should also be predictable, stable & fair
- PPP Unit or Agency should be considered to centralise expertise & allow certain powers to be transferred



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Important Elements: PPP Structure

Is the Project the right one?

- Sound economic and developmental basis
- Based on rigorous cost/benefit analysis
- Positive economic internal rate of return
- Political consensus
- Right balance between environment & development
- Supports Government's development objectives



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Important Elements: PPP Structure

Value for Money of PPP Approach: Public Sector Comparator

- How much would it cost the **public sector** over the concession period (inc. historic cost overruns & net present value of costs)
- Private sector: Net present value of life of concession



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Important Elements: PPP Structure

Procurement Process

- Legislation needs to allow for procurement procedures appropriate for award of concessions & long-term relationship between public & private sector
- These procedures should take priority over any sector-specific or regional legislation



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Important Elements: PPP Structure

Tender process: key requirements

- Set realistic timetable: don't issue tender documents still under development
- Establish fair & transparent competitive process
- Prequalification: don't allow inexperienced bidders unless in consortium with an experienced one
- Don't change the rules
- Treat bidders equally



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Important Elements: PPP Structure

Tender documents : key elements

- Timing, process and evaluation criteria
- Specification of requirements to encourage compatible bids
- Output driven to encourage efficiency
- Prepared in line with international best practice to increase attractiveness & maximise competition
- Draft concession agreement with defined risk allocation




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Important Elements: PPP Structure

Making use of lessons learned

- Establish PPP unit and central government level
- Maintain know-how
- Introduce standardisation
- Clarity in market
- Speed in repeat transactions
- Consistent government position





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Important Elements: PPP Structure

What can experienced international consultants do?

- Assist with development of legal framework
- Project selection, cost-benefit analysis & public sector comparator
- Independent traffic forecast
- Risk allocation between government & concessionaire according to international best practice
- Develop transparent tender process and evaluation criteria
- Assist in the evaluation of tenders & negotiate of concession agreement
- Monitor compliance of concessionaire
- Skills transfer





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EBRD PPP experience in the Transport Sector

Transport PPPs financed by the Bank to date

Country	Project Name	Date signed	EBRD finance €m	Total Finance €m
Hungary	M1-M15 Motorway	23/12/93	66	205
Hungary	M5 Motorway	11/12/95	61	311
Hungary	M5 Motorway refinancing	10/03/04	68	221
Hungary	M5 Phase II financing	21/09/04	100	750
Hungary	M6 Motorway	18/07/05	32	411
Albania	Tirana "Mother Teresa" Airport	23/03/05	21	43
Czech Republic	Redevelopment of 3 mainline stations (equity)	15/12/04	4	31



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EBRD PPP Experience in the Transport Sector

M1-M15 Motorway

M1-M15 tolled motorway-true demonstration of risk taking by private sector-equity was lost; the concessionaire was replaced with a state owned concession company; lenders took a 10% cut



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EBRD PPP Experience in the Transport Sector

M5 Motorway

- Low traffic volumes: Bank's timely refinancing puts concessionaire on sound financial footing
- Government wanted rapid abolition of tolls to bring motorway into vignette system
- Bank provided interim finance to avoid nationalisation & allow negotiation of availability payments based concession
- Bank participated in renegotiation of concession to ensure bankable document.
- Bank requested by investors to act as underwriter for refinancing as construction nears completion

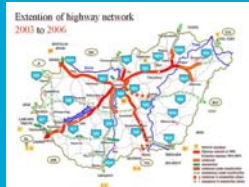


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EBRD PPP Experience in the Transport Team

M6 Motorway

- First PPP tendered as an availability payments concession in Bank's countries of operation
- Because of competitive tender, sponsors brought in EBRD after award of the concession
- Sponsors recognised value added of Bank's presence at an intermediate level before general syndication



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EBRD PPP Experience in the Transport Sector

Albania: Mother Teresa International Airport, Tirana

- EBRD support to Government & advisers at an early stage; tender successful & compliant with Bank's standards
- EBRD combined state guaranteed & private funding for construction of access road in addition to funding for rehabilitation of airport terminal
- Much interest raised by well-structured project, American Albanian Bank, Alpha Bank & DEG are participating
- Excellent example of a complex project properly run in an ETC, with strong demonstration effect



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EBRD PPP Experience in the Transport Sector

Grandi Stazioni

- Bank's first equity investment in a transport PPP. Bank relies on dividend income not equity exit
- Project involves rehabilitation & commercial exploitation of Prague Main, Mariánské Lázně & Karlovy Vary stations
- Czech national railways tendered 30-year concession in line with the Bank's standards
- Local commercial banks provide the long-term debt financing



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EBRD Potential Future PPP Projects


- Russia: Moscow-St Petersburg Highway
- Russia: Moscow Outer Ring Road
- Bulgaria: Bourgas & Varna Airports
- Slovakia: D1 East-West Road
- Slovakia: Electronic tolling of HGVs
- Czech Republic: D3 Highway
- Poland: A1 motorway N-S extension
- Romania: Bucharest-South relief road and others
- Romania: Concessions for various airports
- Serbia: Horgos to Pozega Upgrade
- Latvia: Riga-Jelgava Highway and others
- Hungary: M6 Motorway section II



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Conclusions

- EBRD has a **wide experience** in financing transport infrastructure and **adds value** to the transaction with its long standing presence and reputation in CEE and CIS, and, in particular, extensive knowledge of PPP structures and related issues
- EBRD **can assist** in the development of PPPs in the transport sector in Ukraine (project selection and reviewing tender and concession agreement draft documentation) and face the **challenge of bringing PPPs to financing** and ultimately, reaching **performance** and other **objectives** over concession lifetime.



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