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D4R7 PPP Project (Slovakia)

Transport Investment Conference

Connecting Europe Facility and European Fund for Strategic Investments

Warsaw

22 November 2016

Agenda

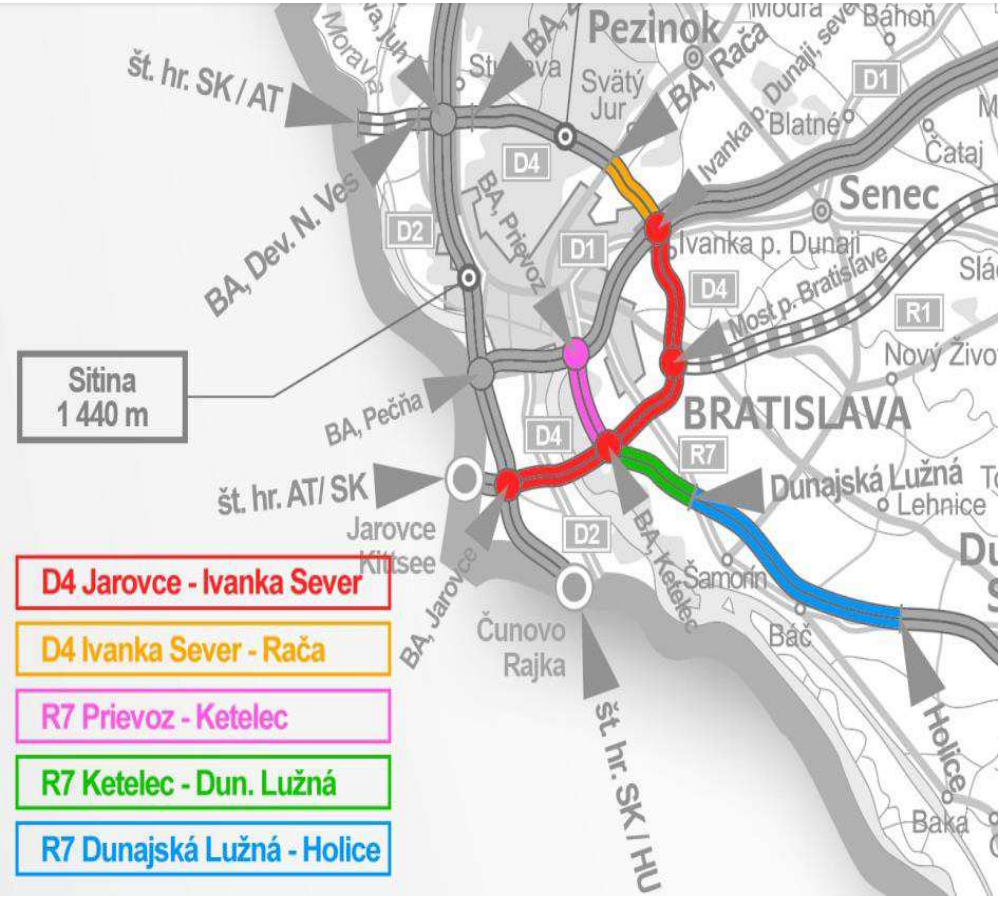
- **Project Background**

- Procurement Process
- EIB Involvement
- Eurostat Treatment
- Financial Instrument

Project Background

Project Description

- D4 will bypass Bratislava and is part of the TEN-T network
- Directs transit traffic away from the city and speed up commuting from nearby
- Key Parameters
  - Length: 59 km
  - Annual availability payment: 53 mil.
  - Construction period: 4 years
  - Concession period: 30 years
- Financing:
  - PPP
  - EIB support under EFSI
  - FIs from ESIF



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Public Procurement Process - Timeline

Date	Event
30.01.2015	Publication of the procurement notice
23.03.2015	9 international consortia file a request for participation.
12.06.2015	Competitive dialogue begins with 4 shortlisted consortia, ViaDunaj (Vinci, Meridiam), Bratislavia (Hochtief, Iridium, DIF), Obchvat Nula (Cintra, Macquarie, Porr), Astrela (Strabag, John Laing, Reding).
09.10.2015	Final Tender Documents Issued.
13.11.2015	Best and Final Offer Submission
07.12.2015	Opening of the bids
27.01.2016	Obchvat Nula (Cintra, Macquarie, Porr) selected as preferred bidder.
21.06.2016	Financial Close
Oct 2020	Anticipated Completion Date

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Public Procurement Process - Results

- During the whole procurement process, no complaints were filed and no legal action taken.
- Winning bid was c. 60% below public sector's feasibility study (Availability Payment of EUR 52.8m)
- Comparison of bids & key parameters:

Bidder	Net present value of the availability payments	Construction period	Annual availability payment
Obchvat Nula	997,53m EUR	4,25 years	56,72m EUR
Via Dunaj	1.191,90m EUR	3,5 years	69,01m EUR
Bratislavia	1.326,21m EUR	4 years	76,78m EUR
ASTRELA	1.572,46m EUR	4,75 years	91,04m EUR

	Feasibility study	Winning bid
CAPEX (construction costs)	1.173m EUR	860m EUR
OPEX (operational costs)	283m EUR	64m EUR
LCC (life cycle costs = heavy maintenance)	154m EUR	43m EUR
Annual availability payment	135m EUR	57m EUR

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Public Procurement Process - Funding Structure

Funder	Amount	Further Detail
Senior Lenders (including EIB)	EUR 952 m (including EBL)	EIB: EUR 427m EBRD: EUR 148m Commercial Banks: EUR 377m
Slovak Investment Holding (SIH)	EUR 27.8 m	Mezzanine Loan
Equity	EUR 87m	Initial Equity: EUR 9m Bridged Equity: EUR 78m

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EIB Involvement

Financial Support

Unprecedented level of support - up to EUR 500m of support under EFSI

By offering support to all bidders during the competitive bid phase, EIB can expect that the benefit of its Financial Terms will be passed through to the public sector.

Exceptional level of Financial Support was particularly important in order to ensure competition for a very large project with 4 bidders at BaFO.

Technical Recommendations

During appraisal, the Bank Services (both technical & advisory) recommended technical design optimisation and value engineering.

These recommendations were included by the contracting authority.

The bidding consortia included technical optimisations in order to lower the project costs as a part of the competitive procurement process

EIB Involvement

EIB Cooperation with SIH and EC

EIB advised in the preparation of the Ex-Ante analysis that supported the deployment of decentralised FI & creation of SIH

EIB provided public sector capacity building – SIH team member assigned to EIB PF team

EIB and JASPERS assisted the promoter in the EC review processes (ERR, E&S etc)

Cooperation with Eurostat

Project Closed during a period of changing Eurostat Guidance.

Direct contact between Eurostat & the project Promoter where Eurostat performed an ex-ante review of the project

Concession Agreement was amended to address Eurostat concerns (eg No refinancing benefit for the Public Sector)

EPEC developed guidance with Eurostat to assist MS with addressing these issues

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Eurostat Treatment

Eurostat Rules

- Overarching methodology for EU economic statistics European System of Accounts (ESA10) of September 2014, replacing ESA95
- Revised Eurostat Manual on Government Deficit and Debt (latest edition dated March 2016)
- Eurostat advice on individual cases – PPP projects of Member States

The rules are written for statisticians rather than for PPP stakeholders

Eurostat Rules

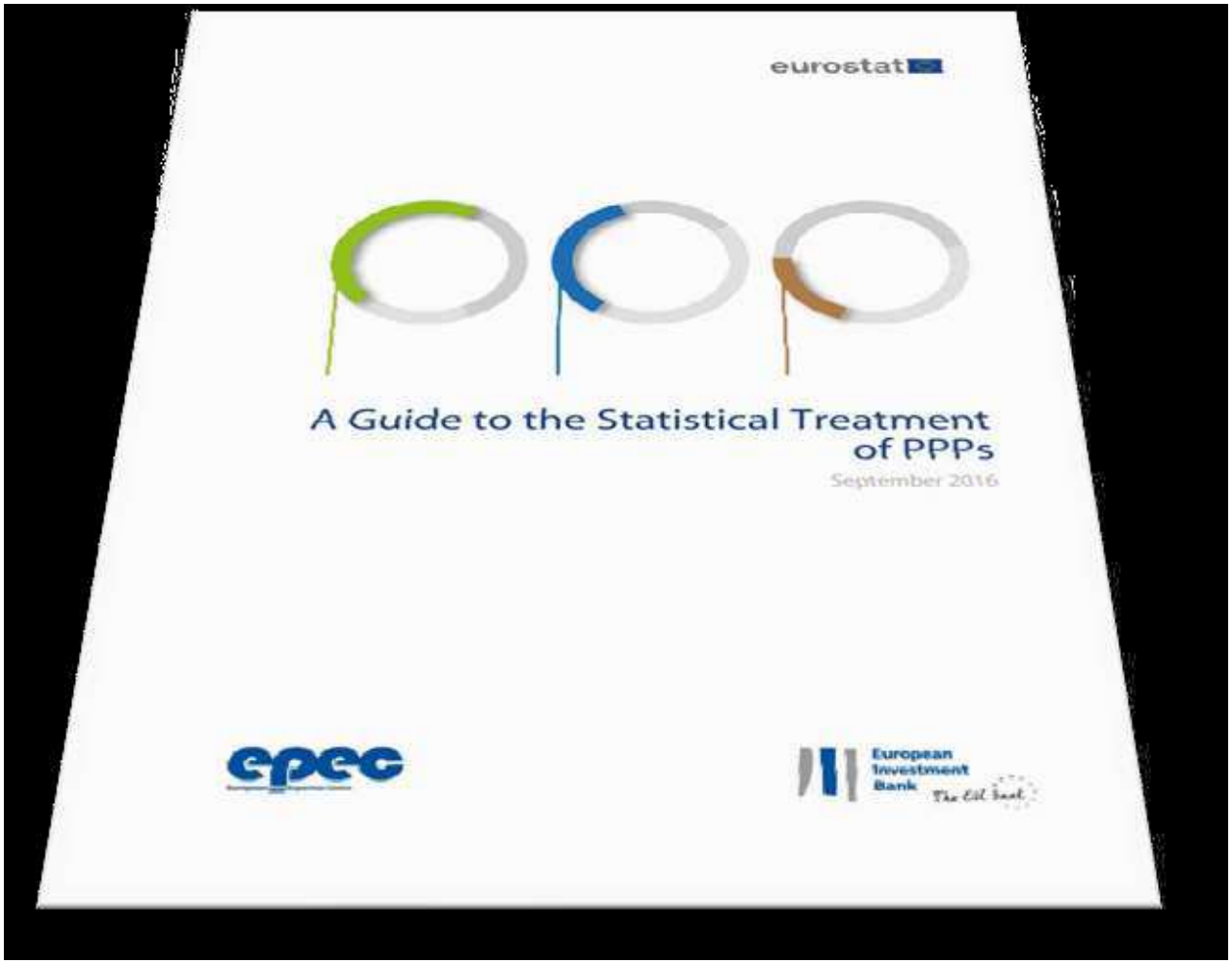
- Recent developments (rules and cases) have been perceived as a tightening of position
- Stakeholders' concerns:
  - Clarity of the some of the rules
  - Unpredictability in the interpretation of the rules
  - Frequency of changes given long PPP gestation times
- Significant uncertainty for PPP projects / procurement programmes across the EU

Eurostat Treatment

An Introduction to the EPEC/Eurostat Guide

- A practical and user-friendly guide on the statistical treatment of PPPs
- Explains Eurostat's interpretation of the rules and approach to assessing statistical treatment
- Constitutes official Eurostat guidance and clarifies (but does not change) the rules currently in force (ESA 2010, MGDD 2016)
- Covers and is dedicated to typical PPP contract provisions and structures
- Captures EU-wide market practice
- As clear and precise as possible on how specific contract provisions affect the statistical treatment
- Aimed at public sector PPP stakeholders and assumes a good working knowledge of PPPs
- Applies to projects that reach financial close after 29 September

Eurostat Treatment



Free download at: **www.eib.org/epec/resources/publications/epec_eurostat_guide_ppp**

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Financial Instrument

Key Features of SIH Investment

- SIH Investments are managed by SZRB AM (Slovak National Promotional Bank)
- SIH Funds are ESIF dedicated to the deployment of Financial Instruments
- Direct Investment in D4 Project
- Small SIH Investment in a Mezzanine Instrument
- Instrument is sustainable but delivers substantial value (Biggest Bang for the Buck)
- Road Map for including both ESIF and EFSI funds in a PPP
- Value in Public Sector Capacity exceeds pure Financial Value Added.

Conclusions

Key lessons from the D4R7 PPP project

The D4R7 PPP project achieved substantially lower costs (c. 60 % lower than original estimates), as a result of:

- Technical optimisation of the project
- EIB support (finance and advisory) under EFSI
- Participation of Slovak Investment Holding using ESIF
- Appetite of the market (both Financiers and Contractors) for this type of transaction
- Robust Competitive Dialogue

Following minor amendments to the Concession Agreement, Eurostat evaluated that the project could be treated as off balance sheet. These principles are disseminated in new guidance.

Thank you for your attention

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