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# Developing by Public Private Partnership (PPP):

## Meeting infrastructure needs successfully.

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ΟΙΚΟΝΟΜΙΚΟ  
ΠΑΝΕΠΙΣΤΗΜΙΟ  
ΑΘΗΝΩΝ



ATHENS UNIVERSITY  
OF ECONOMICS  
AND BUSINESS

# Developing by Public Private Partnership (PPP):

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1. **Definition & Characteristics**
2. **PPP in Various Sectors**
3. **Typical Tendering Process**
4. **Major Players in PPPs**
5. **Typical Contractual Scheme**
6. **Key Success Factors**
7. **Conclusions & closing remarks**

**Project Data & Charts throughout**

# Public Private Partnerships – What are they?

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PPP

PFI

P3

- A collective name for projects carried out between public bodies and private companies
- The Public Sector defines the output specifications for an asset and /or a service and the Private Sector delivers them
- An alternative way of funding projects by bringing private finance to public sector projects

# Main Characteristics

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- An arrangement between public and private sector whereby the private entity implements a project (asset & service) according to specifications
- Assuming the risks and receiving the benefits (payments) for a significant period of time
- Appropriate allocation of resources, risks, rewards, responsibilities and obligations -> CONCESSION AGREEMENT

# Public Private Partnerships

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## For New & Existing Public Assets

- **PPPs for New Facilities**

- Design-Build-Finance-Operate (DBFO) or Design-Build-Finance-Maintain (DBFM)
- BOOT Build Own Operate Transfer

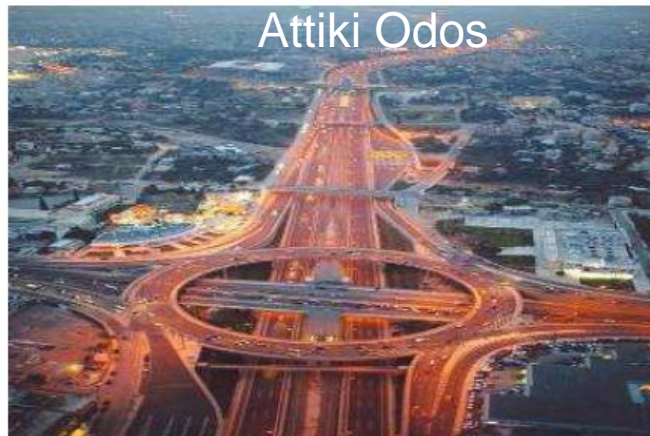
- **PPPs for Existing Public Assets**

- Service
- Management
- Leasing Contracts &
- Concessions

# PPP SECTORS

## Transport & Infrastructure

- Motorways
- Bridges
- Tunnels
- Railways
- Airports
- Ports



## Fuel, Environment & Energy

- Waste Collection
- Waste Recycling & Treatment
- Wastewater Treatment
- Waste to Energy Plants



# PPP SECTORS

## Education

- Schools
- Universities
- University Housing



## Health

- Hospitals
- Treatment Centers



# PPP SECTORS

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## Public Order

- Police Stations
- Fire Brigade Stations
- Prison Facilities



## Defence

- Defence Academies
- Simulator & Training Facilities



## Others

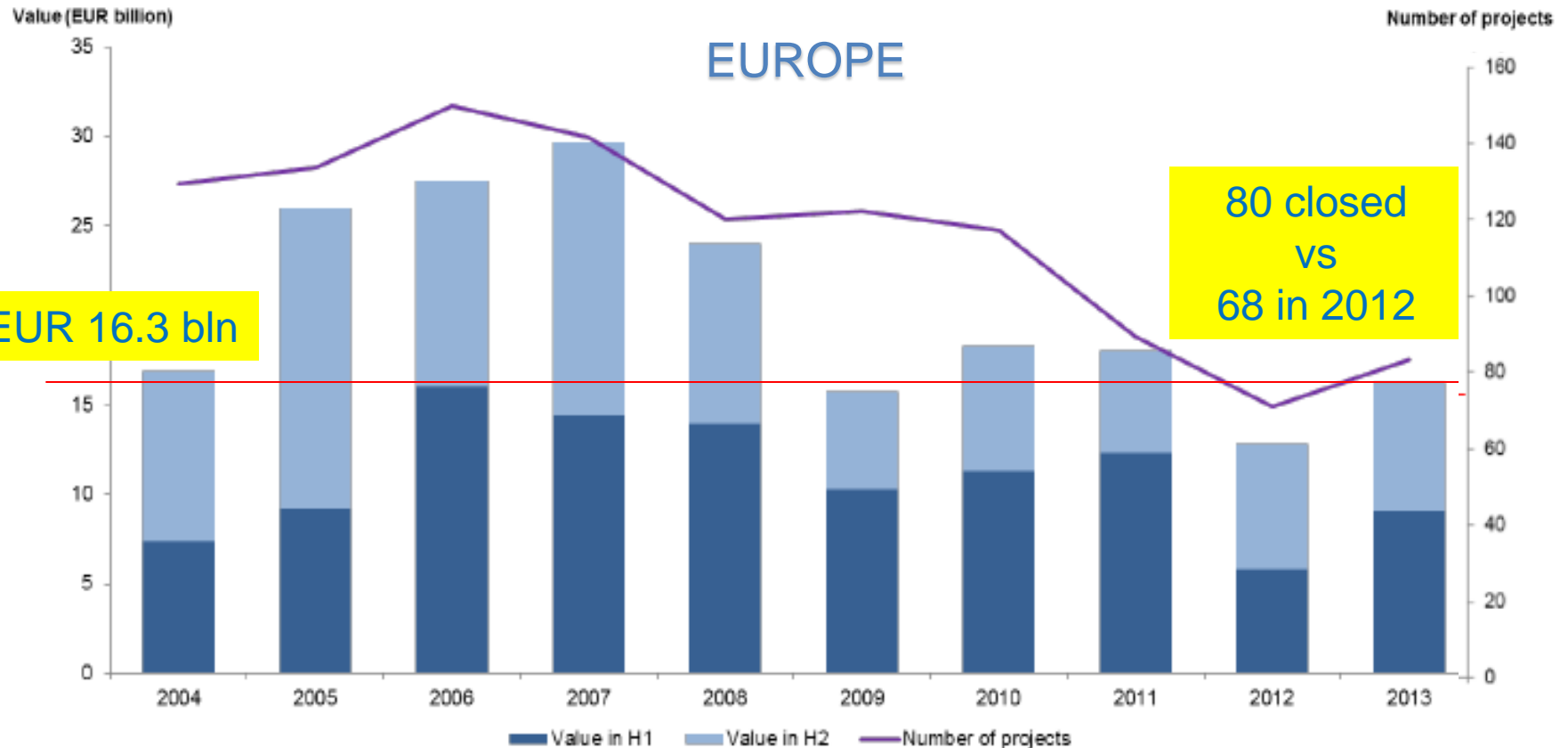
- Street Lighting
- Recreation & Culture
- Telecoms





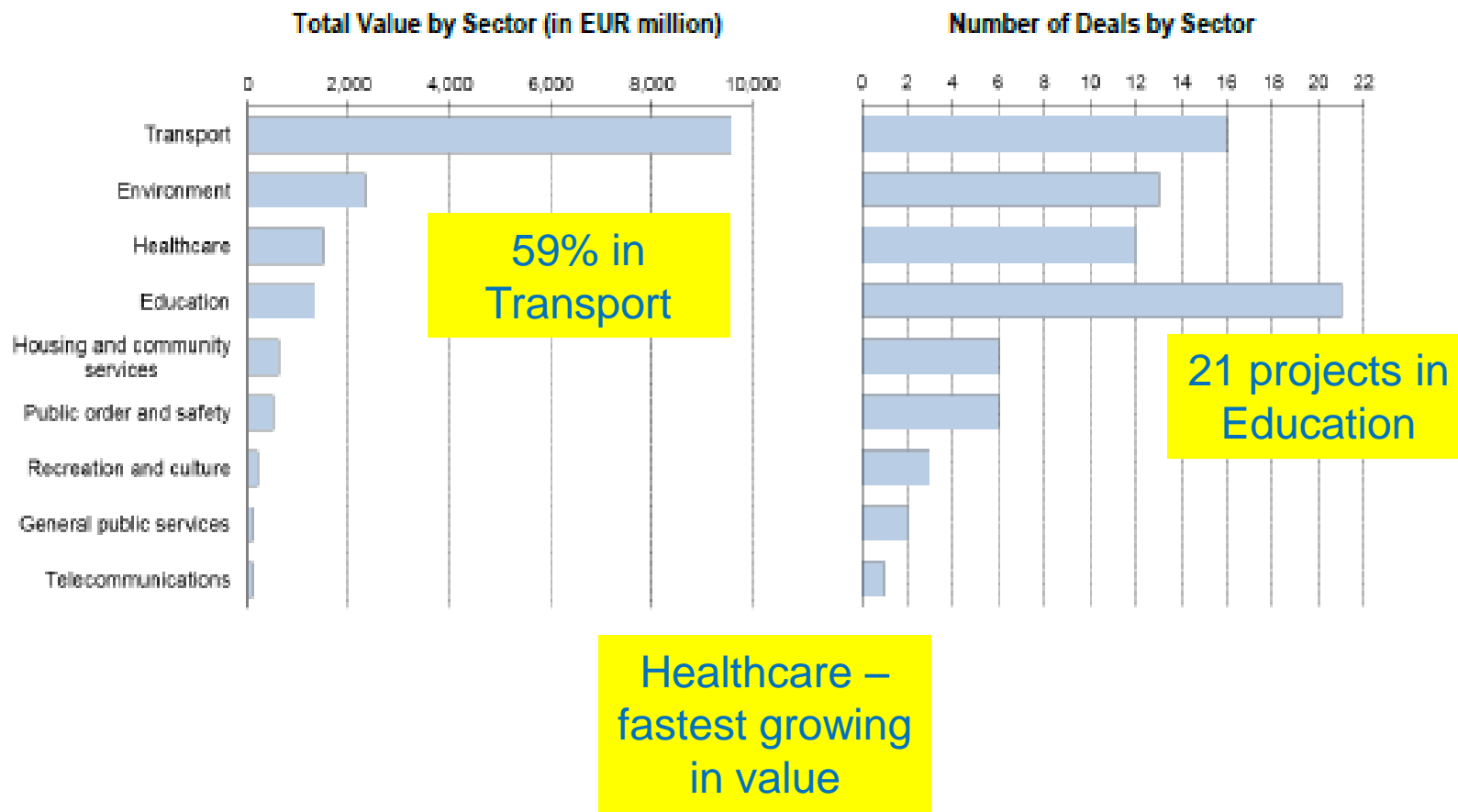
# PPPs in EUROPE

## Projects by Value and Number of Projects



Source: EPEC Market Update 2013

# Europe: PPPs by Sector for 2013 – Value and Projects



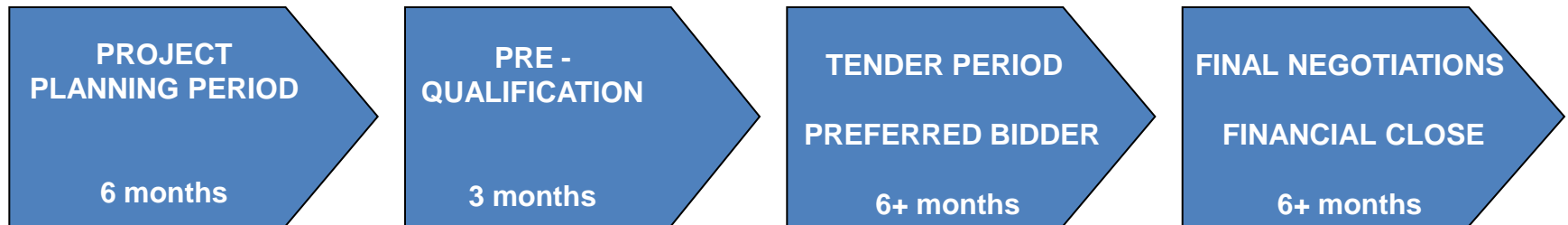
Source: EPEC Market Update 2013

# PPP Tendering Steps & Tasks

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## PUBLIC SECTOR TASKS

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## PRIVATE SECTOR TASKS

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# PPP Tendering Steps & Tasks

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## PUBLIC SECTOR TASKS

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- Define project
- Conduct a feasibility study / business case
- Engage Advisors

## PRIVATE SECTOR TASKS

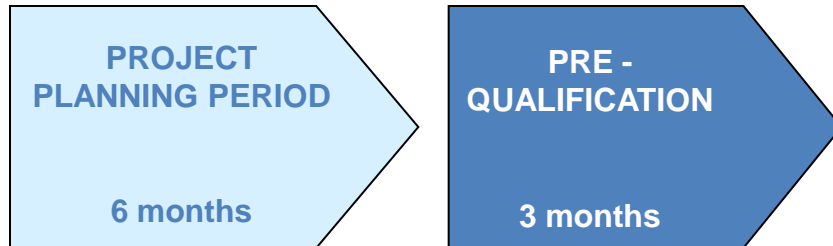
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# PPP Tendering Steps & Tasks

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## PUBLIC SECTOR TASKS

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- Issue tender notice
- Publicize the project
- Issue pre-qualification documents
- Shortlist candidates

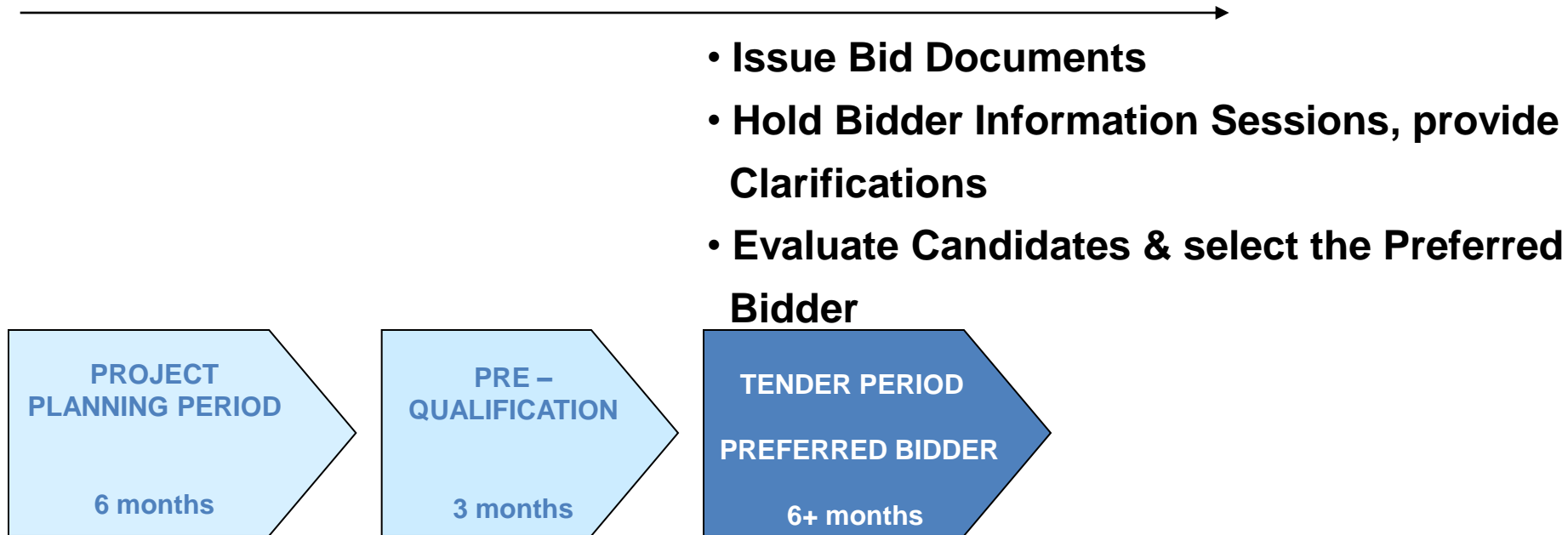
## PRIVATE SECTOR TASKS

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- Assess interest for the project
- Prepare pre-qualification response

# PPP Tendering Steps & Tasks

## PUBLIC SECTOR TASKS

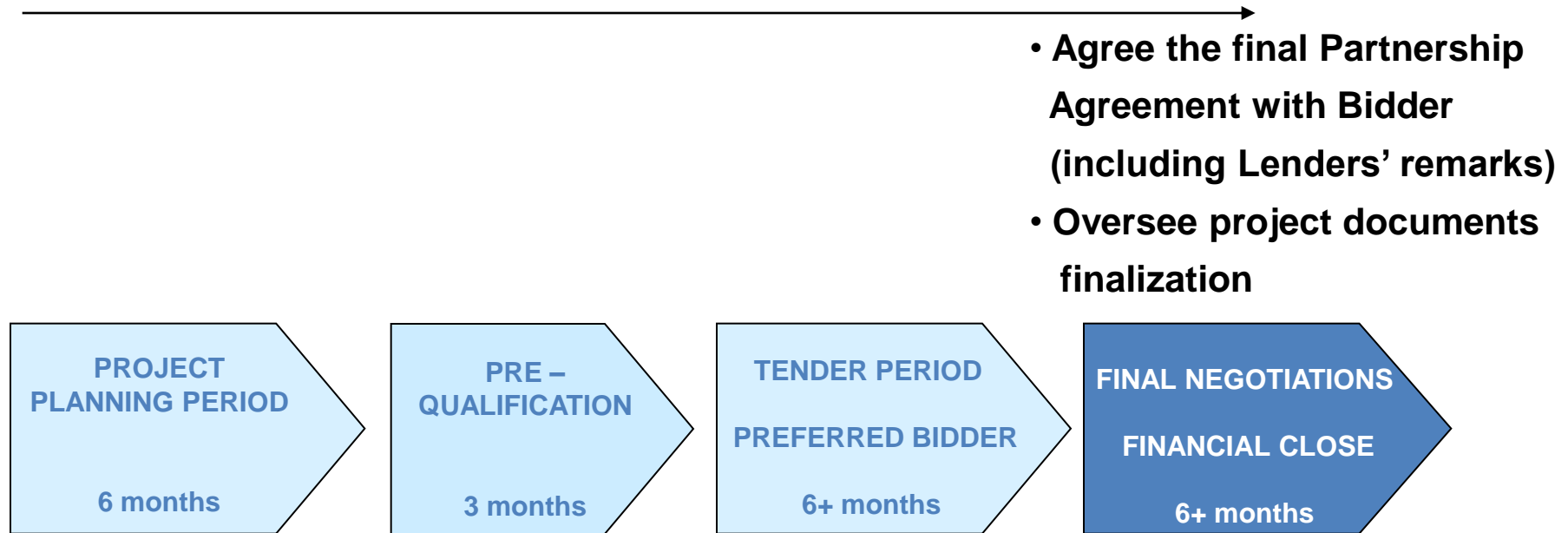


## PRIVATE SECTOR TASKS

- Study Bid Documents & seek clarifications from Authority & its Advisors
- Engage Advisors
- Prepare Technical Solution, Financial Model, Funding Proposal, & Bid Guarantee

# PPP Tendering Steps & Tasks

## PUBLIC SECTOR TASKS



## PRIVATE SECTOR TASKS

- 
- Agree Partnership Agreement with Lenders and Authority
  - Finalize financing, D&C, O&M agreements
  - Financial Close

# Public Private Partnerships (PPPs) Major Players

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## Major corporate, funding and advisory entities:

1. **Construction & Development companies**
2. **Funding institutions (commercial banks, multilaterals, DFIs)**
3. **Private equity, infrastructure funds**
4. **Consultants (financial, technical, legal, insurance)**



# Major PPP Players:

## 1- Construction & Development companies

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### Top 10 PPP Transportation Firms

<u>Company</u>	<u>Country</u>	<u>(US \$B)</u>
1. Ferrovial/Cintra	Spain	73.5
2. ACS Group/Hochtief	Spain	72.0
3. Vinci/Cofiroute	France	70.7
4. Macquarie	Australia	48.2
5. Bouygues	France	38.6
6. Egis Projects	France	26.6
7. Sacyr	Spain	21.8
8. John Laing	United Kingdom	21.4
9. Global Via	Spain	19.8
10. OHL	Spain	18.2

# Major PPP Players:

## 2- Funding Banks & Institutions

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### LENDING BANKS / LEAD ARRANGERS

BTMU  
State Bank of India  
China Develop. Bank  
SMBC  
Mizuho  
Korea Develop. Bank  
Credit Agricole  
Barclays  
HSBC  
ING  
Commonwealth Bank of  
Australia  
Unicredit  
Deutsche Bank  
Goldman Sachs  
Standard Chartered

### MULTILATERAL / ECAs

- JBIC/Nexi
- US Ex-Im
- Kexim/K-Sure
- IFC/MIGA
- China Exim/Sinosure
- EIB
- EKF
- SERV
- GIEK

# Major PPP Players:

## 3- Infrastructure Funds

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<b>RANK</b>	<b>FUND NAME</b>	<b>BASED</b>	<b>US\$ B</b>
1	Macquarie Infrastructure and Real Assets	Australia	\$23.34
2	Brookfield Asset Management	Canada	18.48
3	Global Infrastructure Partners	United States	16.47
4	Borealis Infrastructure (OMERS)	Canada	6.78
5	IFM Investors	Australia	5.85
6	Alinda Capital Partners	United States	5.48
7	Caixa Economica Federal	Brazil	5.20
8	Korea Infrastructure Investments	South Korea	4.61
9	EQT	Sweden	4.18
10	SteelRiver Infrastructure Partners	United States	4.16
11	Morgan Stanley Infrastructure	United States	4.00
12	ArcLight Capital Partners	United States	3.91
13	InfraRed Capital Partners	United Kingdom	3.85
14	JP Morgan Asset Management	United States	3.48
15	Citi Infrastructure Investors	United States	3.40
16	Goldman Sachs Principal Investment Area	United States	3.38
17	Ardian	France	3.16
18	Meridiam Infrastructure	France	2.88
19	Infracapital	United Kingdom	2.68
20	Kohlberg Kravis Roberts	United States	2.41

# Major PPP Players:

## 4- Consultants

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### FINANCIAL ADVISORS

- Ernst & Young
- PwC
- KPMG
- Credit Agricole
- BNP Paribas
- SBI Capital
- HSBC
- BTMU
- Rothchild
- SMBC
- Green Giraffe Energy Bankers

### LEGAL ADVISORS

- Allen & Overy
- Norton Rose
- Ashurst
- Pinsent Masons
- Hogan Lovells
- Chadbourne & Park
- Linklaters
- White & Case
- Clifford Chance
- Trowers & Hamlins

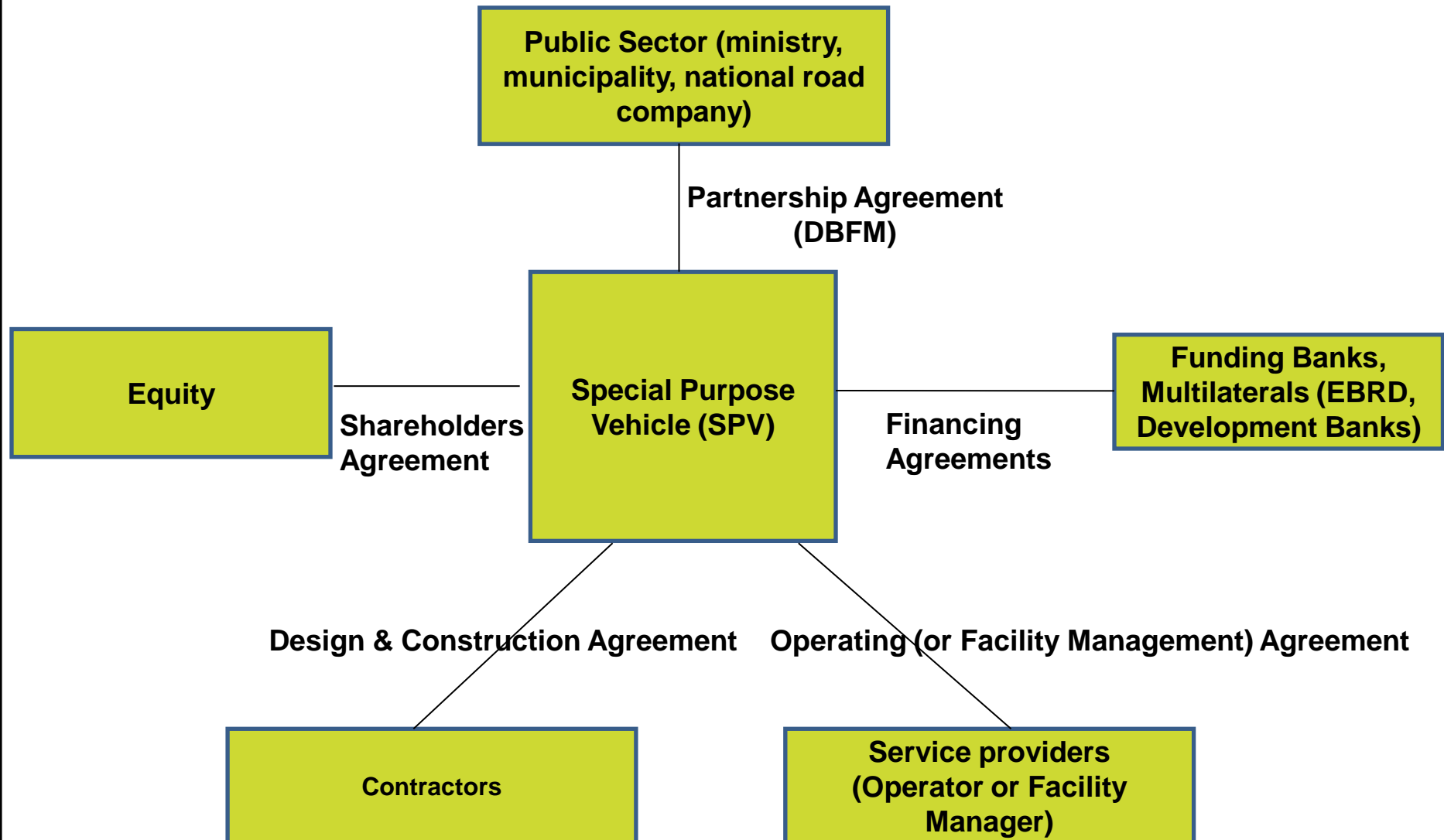
### TECHNICAL ADVISORS

- Mott McDonald
- Atkins
- Fichtner
- Babcock & Brown
- Arup
- McBains Cooper

### INSURANCE ADVISORS

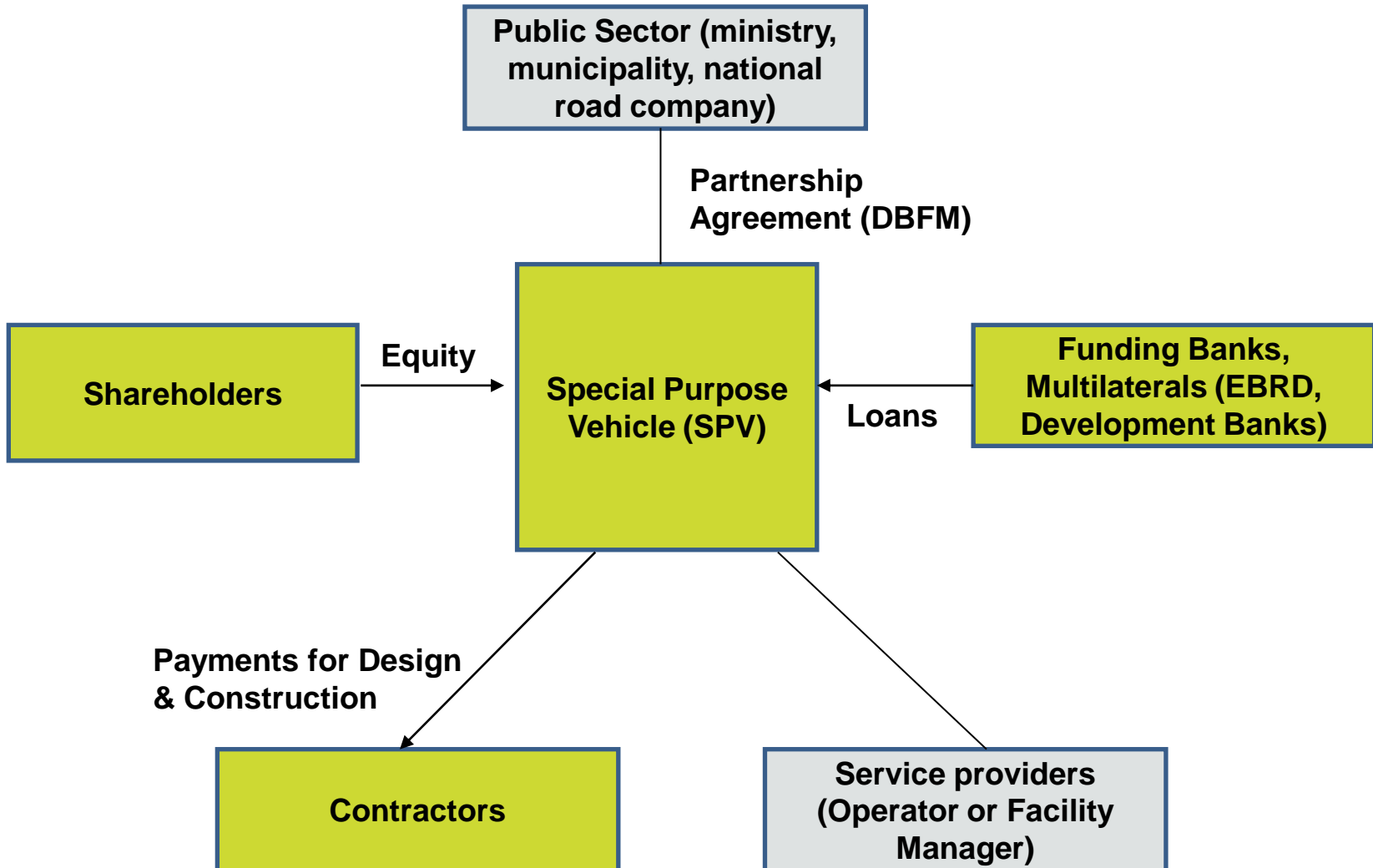
- Marsh
- Jardine Lloyd Thompson
- AON

# Typical PPP Structure



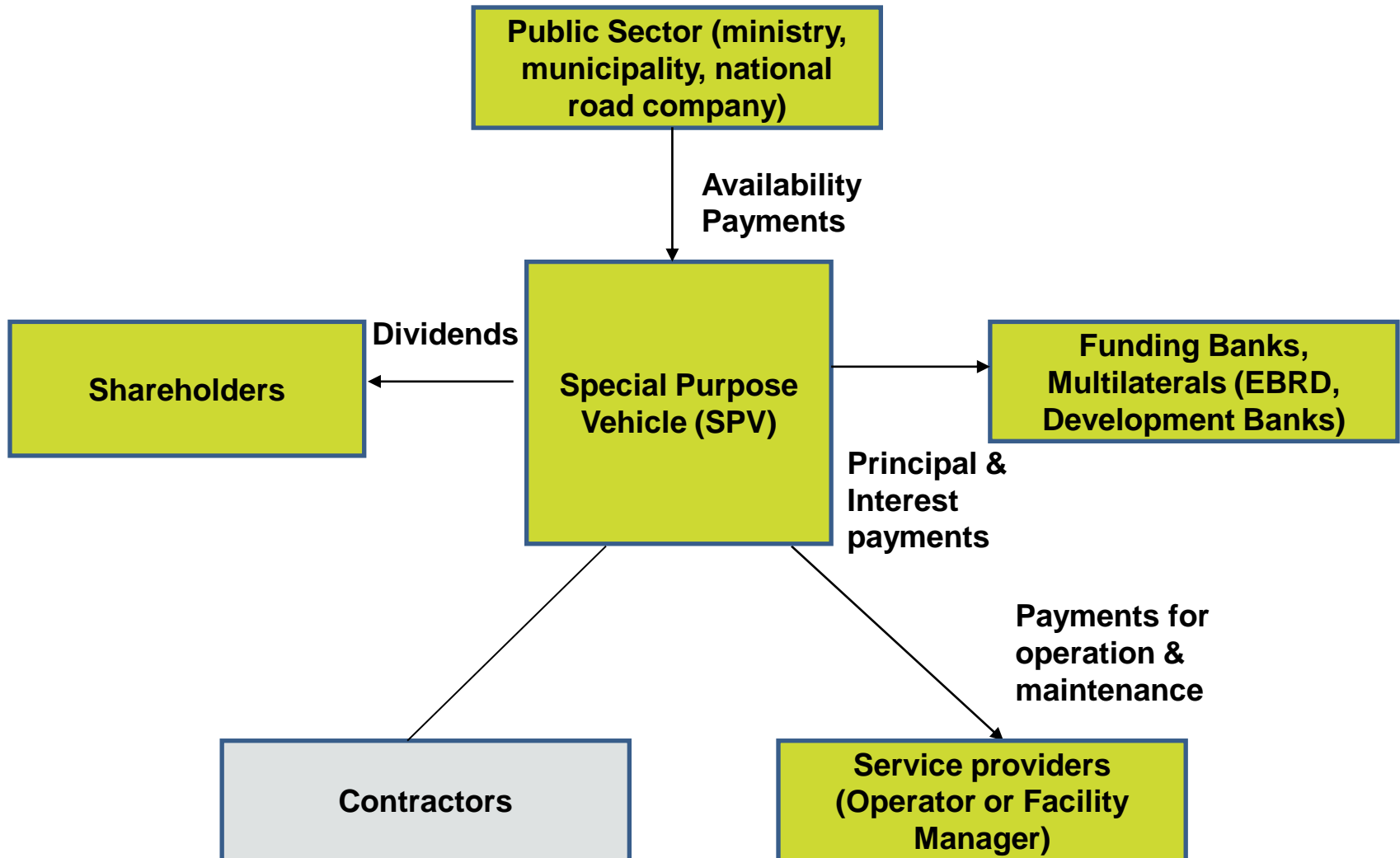
# Design & Construction Phase

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# Operation & Maintenance Phase

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# Factors for Successful Partnerships\*

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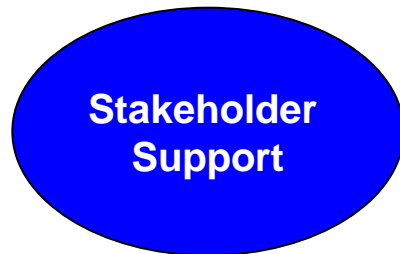


*\* Adapted from The National Council for Public Private Partnerships*



# Factors for Successful Partnerships

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- **Open and frank discussion between sectors**
- **Being well informed: knowing & sharing facts**
- **Understanding each others' concerns & language**

# Factors for Successful Partnerships

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Appeal to  
Financial Market



- **Availability of suitable & adequate financial market**

# Factors for Successful Partnerships

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- **Legal framework**
  - Enter into a project agreement
  - Grant land rights including planning obligations
  - Enabling legislation
  - Regulatory environment
  - Local Regulations and Property Law
- **Strong & committed political leadership  
(will to change the system)**

# Factors for Successful Partnerships

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- Risk assumed by the party best able to manage & control it
- Risks not be "parked" with the Project Company
- Risk transfer & allocation undertaken ahead to tender documentation

# Factors for Successful Partnerships

**Organized Project  
Structure**



- **Dedicated group to the project & the purpose of the partnership**
- **Dedicated & trained staff to monitor project implementation**
- **Good governance & procurement – assure a fair & open procurement process**

# Factors for Successful Partnerships

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**Good Private  
Partner**



- Long-term relationship: 25-30 yrs
- Experience, financial capability, able to deliver best value overall, not just lower price

# CONCLUSIONS: DEVELOPING BY PPP

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- Recognizes the role of private sector to bring socio-economic development
- A tool to attract private investments
- Successfully addressing constraints of financing, managing & maintaining public goods & services
- Enables the Government to fulfill its responsibilities in efficient delivery of socio-economic goods & services

# PPP References – EUROPE & GLOBAL

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- EUROPEAN INVESTMENT BANK (EIB)

<http://www.eib.org/epec/about/>



**European PPP Expertise Centre**

- WORLD BANK

<http://ppp.worldbank.org/public-private-partnership/>





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# THANK YOU

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