PPP in ICT infrastructure

Best practice from Greece
Greece has started implementing PPP contracts since 1993

First generation PPP projects

Three pioneering projects paved the way for a wider use of PPPs in delivering public infrastructure:

– Rion Antirion Bridge
– Athens Ring Road/Attiki Odos
– Athens International Airport

• Today all these three concession projects are in successful operation.
• EIB supported all three projects, underlining its catalytic role in helping to co-finance major infrastructure projects together with the public and private sector (PPPs).

Second generation PPP projects

– Ionian Motorway
– Central Greece motorway (E65)
– Maliakos – Kleidi
– Elefsina – Korinthos - Patra
– Korinthos – Tripoli – Kalamata and branch Lefktro - Sparti

– Cosco Pacific concession for 35 years of Piers 2 and 3 at Port of Piraeus
First and Second generation concession projects had the main characteristics:
• All were ratified in Parliament as distinct laws
• Motorways and airport projects were co-financed by EU funds

Need for a legal framework that:
• Enables the wider implementation of PPPs
• Overcomes obstacles that delayed the implementation of projects
• Bridges the legal gap that led each co-financed project to the Parliament for ratification

Establishment of a PPP Law (L.3389)
• Result of extensive consultation
• “Umbrella” framework
• Incentives to private sector
• Establishment of Inter-Ministerial PPP Committee
• Establishment of the PPP Unit
• Clear approval and tendering process for PPP projects
Conventional public contracts

Payments

Cost Overruns

Estimated Capital Costs

Time overruns

Running cost overruns

Estimated Operation Cost

YEARS

Construction Phase

5

Operation & maintenance Phase

10

15

20

PPPs

Payments

Payment based on use

No payments until facilities ready

Payment based on availability

YEARS

Construction Phase

5

Operation Phase

10

15

20

Reasons justifying the implementation of ICT projects through PPP model
PPP Framework: Approval & Awarding Procedures

1. Submission of a project proposal to the PPP Unit
   - Amendments/new data
   - Evaluation by the PPP Unit
     - Are the evaluation criteria met?
       - No: Rejection of the proposal
       - In part: Inclusion to the List of Proposed Partnerships
     - Yes: Submission of an Application & Justification Report for Approval to the Inter-Ministerial Committee
       - Is the application approved?
         - No: Rejection of Public financing or abortion of the project
         - Yes: Approval

2. Awarding Procedure
   - Tender of the project
   - Submission of proposals
   - Evaluation and selection of the SPV
   - Signed PPP contract
   - Approval of design-licenses
   - Implementation of the project

Additional Notes:
- Approval of financing and inclusion to the Public Investments Program
- Appointment of advisers
- Preparation of tender procedures
**EU Funds**

- EUR 1,47 bil. until 2013 through the “Digital Convergence” Operational Program to finance new ICT infrastructure
- Increased affordability – for both the public sector and the end-user

**PPP**

- Financial incentives for the private sector bring efficiencies in delivery of the service
- PPPs bring a focus on future services (asset and lifecycle-management) rather than simply constructing the asset
- Leverage scarce public funds with private investment – “do more with less”

**Blending EU and private funds through PPPs introduces an innovative way to implement ICT projects**
Unique PPP projects which effectively blend EU funds and private funds.

For the first time in Greece, EU funds are blended with private finance in availability payments PPP projects. First ICT PPP projects to be implemented.

• Telematic passenger information and fleet management system for buses and trolleys in Athens – currently under tender procedure
  - Contractual period: 12 years
  - Budget: € 52 million
  - EU funds contribution: €10 million

• Integrated Automatic Fare Collection System covering all urban transport operators in Athens – currently under tender procedure
  - Contractual period: 12 years
  - Budget: € 129 million
  - EU funds contribution: €35 million

• Next ICT project, Rural Broadband – in planning process

Strong intention to continue utilizing EU funds in ICT PPP projects as well as spreading the use of them in other sectors such as environment and social infrastructure
**The CAPEX subsidy method**

- **Availability payments linked to the performance** level achieved during operation

- **In availability based projects, co-financing rate** chosen so as to ensure transfer of *adequate financing risk to the private partner*

- **In user charges** projects the *funding gap* method is used to determine the co-financing rate

- **Design, construction, maintenance, upgrading and operation risk** transferred totally to the *private partner*

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All projects receive a **Inter-ministerial approval** with specific budget, based on the NPV of future payments by the state.

Future payments are part of the **Public Investment Program**

We have introduced a principle: **future payments do not exceed a specific threshold** of annual Public Investment Program.

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**Available Payments during operation (or users charges)**

**Construction period**

**Operational Period (10 years)**

- **Dividends**
- **Operational Cost**
- **Maintenance - Upgrading**
- **Debt Servicing**

All the costs relate to the operation, maintenance, technical support and upgrade of the system is fully privately financed.
Telematics Passenger Information System

- Centralized and real time monitoring of the fleet — Service schedule optimization — Cost Control

- Ability for the passenger to (re)plan journey taking into account current circumstances

- Personalized information through web – mobile devices

Overall improvement of the services offered by public transport

Vehicle and Bus Stops Management Center

- 2500 vehicles
  - Automatic Vehicle Location system
  - On – board computers
  - Dynamic on board passenger information
  - Real time oral communication with the management center

- 1000 “smart” stops
  - Real time passenger information display system providing punctual information regarding arrivals of buses

Wireless communication
Electronic Ticket Collection System

- Facilitate the access to all transport modes
- Enable flexible and more fairer pricing
- Reduction of ticketless traveling
- Detailed data on system usage leading to better programming of service
- Automated ticket accounting and selling process

Vital contribution to the financial robustness of public transport operators
- Easier access and fairer pricing for the passengers
**Contractual structure**

**Contracting Authority**

**Public Transportation Service Providers**

**Availability payments during operational period**

**Financiers**
- Loans

**Shareholders**
- Equity

**SPV**

**PPP contract**

**Partial CAPEX subsidy through EU funds**

**Subcontractors**

**Design**

**Construction Installation**

**Maintenance Upgrade Operation**

**Partial subsidy of equipment expenditure**

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Panagopoulos 
& Partners

Lawyers | Avocats | Rechtsanwälte

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Public Transportation Service Providers

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ATHENS URBAN TRANSPORT ORGANISATION
Publication of a CONTRACT NOTICE in the OJEU-S via SIMAP

Interested CANDIDATES submit REQUESTS TO PARTICIPATE

Evaluation of CANDIDATES based on their PROFILE

Submission of binding BIDS

INVITATION TO TENDER dispatched to shortlisted candidates

SHORT LIST (min. 5 candidates)

EVALUATION of technical and financial BIDS

Preferred BIDDER

- Financial closure
- Signature of PPP contract
- Commencement of implementation

1st Q 2011

3rd Q 2011

2nd Q 2011

1st Q 2012

2nd Q 2012

Procurement of ICT PPPs in Greece (restricted 2-phase procedure)
The keys to a successful PPP procurement procedure

- **Maturity** of the project (land ownership issues, specifications etc)
- **Feedback** from the market (market-sounding, consultations)
- **Precise and technology-neutral** project specifications
- A complete series of tender documents that provide an adequate degree of information about the whole life cycle of the project and the procurement process
- A balanced & thoroughly drafted PPP contract, incl. terms for all the future project’s needs
- **Transparency and objectivity** of the procedure
- **Clear and proportional** selection / pre-qualification criteria & short listing methodology
- **Objective and quantifiable** bid evaluation and award criteria
- **Detailed and solid justification** and documentation of all acts and decisions related to the award procedure
Broadband Networks

- Enhance broadband connectivity in rural and urban areas
- Transition to Next Generation Networks

Telemetry

- Remote measurement and reporting of information
- Water management, agriculture, energy monitoring.....

E-Government

- ICT and web-based telecommunication to enhance the efficiency and effectiveness of service delivery in the public sector

Web Portals (Culture, Tourism...)

- Digital access to Greek cultural heritage
- Promotion of tourism services and retail (...end to end destination management...)

Future ICT PPP in Greece
Next ICT project: **Rural Broadband**

**White BB areas**
- **6,145** remote rural residential areas scarcely populated with no basic broadband infrastructure in place or is unlikely to be developed in the future – 45% of Greece
- **7,56%** of the Greek population – 50% of the residents > 55 y.

**Inefficiencies**
- Lack of infrastructure
- Considerable high cost (esp. in terms of unit values)
- Lower per capita purchasing power
- Reluctance to invest

**Market failure**
Insufficient provision of BB services in white areas

**Public Intervention**
- Sufficient BB coverage (Agenda 2020)
- Reliable & affordable network services
- Powerful & expandable / upgradable infrastructure (long term solution)
- Fostering of real competition between BB providers

**Solution: PPP**
Public-owned broadband network infrastructure... open to all retail ICT providers... built & operated by private ICT network operators... that will offer only wholesale network access to providers (not users)

**Tangible Targets**
- Population coverage: 75% ➔ 90% ➔ 100%
- Territorial coverage: 50% ➔ 75% ➔ 80%
- Class A-service: 40% ➔ 100%
- Penetration ➔ **2014**: 14% ➔ **2020**: 25%

**Intangible Targets**
- Economic & social growth (new businesses & employment)
- Fighting urbanization – fostering social & regional cohesion
- Promoting ICT innovation

**“Rural broadband” PPP**
- Contractual period: 13 years
  - Phase A: Deployment (3 years)
  - Phase B: Operation (10 years)
- Divided into multiple LOTs
- Budget: approx. € 200 million
On-going enhancement of Greece’s role in international PPP activity.

Direct cooperation with European PPP Expertise Center (EPEC) on policy matters.

The Special Secretariat for PPPs is member of the Team of PPP Specialists of the United Nations Economic Commission for Europe (UNECE).

Direct collaboration with the European Investment Bank (EIB) for projects’ financial support

Partnership with the World Bank Institute on PPP capacity building for the SEM region via the establishment and operation of the South-East European and Mediterranean PPP Network.

Participation in the Experts Team for Twinning Light Programs with the Republic of Croatia.

Delegations from the following countries Egypt, Jordan, Bosnia, Bulgaria, Latvia, Cyprus, Ukraine and Indonesia have visited Greece in order to obtain know-how and expertise from the Greek authorities.
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