

A-Z Guidelines to Successful Public Private Partnership

27th - 29th November 2006, Corinthia Aquincum Hotel, Budapest

Training Workshop

Meet Your Workshop Leaders

Dr. Péter Köves, Managing Partner
Köves Clifford Chance

György Gáldi, Head of Large Corporate & Structured Finance Directorate
K&H Bank Rt.

Béla Kilyénfalvi, Head of Structured Finance
ING Hungary

Dr. András Timár, Professor
Pécs University, Pollack Mihály Faculty

Dr. Fruzsina Biró, Former Director General
Ministry of Economy & Transport

Rachael Bailey, Senior Environmental Consultant
Scott Wilson

Peter Snelson, Director Project Development
Atkins

Dr. Károly Léderer, Managing Director,
Transinvest-Budapest Kft.

Kálmán Seregélyes, Deputy Director General, Department for Sectoral Development and Finance
Ministry of Finance

Workshop Highlights

Learn the essentials of:

- project appraisal and analysis for PPP Projects
- the Tender Process
- contracting opportunities to mitigate risk
- project restructuring
- application of the risk matrix
- negotiation techniques between the public and private sector
- financial modeling for PPP

through first hand case studies of:

- Hungarian M1/M15 project, the *first toll motorway in CEE*
- the concession structure of the M5 Motorway and how it was *refinanced and restructured* into a real PPP project after 10 years
- the *shortest time* during which a motorway project procurement (M6) was managed and completed

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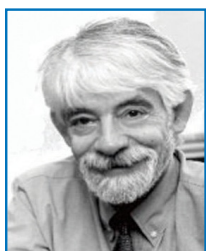
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About the Workshop Leaders:



Dr. András Timár,
Professor, University of Pécs, Pollack Mihály Faculty of Engineering

Dr. András Timár is a Professor at the University of Pécs, Department of Infrastructure since 2003 and Senior Lecturer at the Budapest University of Technology and Economics since 2001. Between 1996 and 2000 he was Senior Motorway Specialist in the Transport Team of EBRD, London. Prior to this he led the Bureau for Motorways in Concession of the Transport Ministry for 5 years. Starting in 1980 he spent 10 years with the Institute for Transport Sciences (KTI) in Budapest as Deputy Director and then Director. He first joined the Transport Ministry in 1971 working as Head of Service at the Road Department and subsequently as Deputy Head of the International Department.



Dr. Károly Léderer,
Managing Director, Transinvest-Budapest Kft.

Dr. Károly Léderer is Managing Director of Transinvest Ltd. since 1982, where besides numerous international large scale projects, he was directly involved in the execution of M1, M5, M6 Motorways, which were major steps in the development of the Hungarian road infrastructure. In the period of 1993-98 he was the Chairman of the First Hungarian Concession Motorway Co. He started his career with UVATERV State Design Office of Transport as Design Engineer and subsequently as Head of Design Department for Airports.



Dr. Fruzsina Biró, *Former Director General, Ministry of Economy & Transport*

Dr. Biró had been with the Ministry of Economy and Transport of Hungary for 2 years until recently where she headed the PPP task force unit. She was Chief Negotiator of Hungary during the M5 concession agreement modification and the M6 concession agreement, which was awarded in 10 months. Before that she was Chief Executive Officer of KA-VOSZ Financial Services Rt. where she developed the so called Szechenyi Card, a commercial bank product for SMEs subsidized and guaranteed by the state. Prior to this she had worked for seven years in various financial positions for BANKÁR HOLDING RT. a private company holding capital investments of HUF 50 billion.



Peter Snelson, *Director Project Development, Atkins*

Peter Snelson has been Director Project Development with Atkins since 1997. He holds specific responsibility for the development of PPP/PFI consultancy for highway infrastructure internationally. As to the CEE Region he was directly involved in the Development of National PPP Strategy (Romania), Technical Advisor to SMMC, Operation Performance Evaluation M1/M15 Motorway (Hungary), Development PPP in the Georgian Road Sector, Manager of the Second Generation of Motorway Development (Croatia), Prague City Ring Road PPP Strategy (Czech republic), Warsaw Transport Node (Poland), Private Road Maintenance (Slovenia), etc.



György Gáldi, *Head of Large Corporate & Structured Finance Directorate, K&H Bank*

György Gáldi has joined the Structured & Project Finance Department of K&H Bank in 1993. Having held different responsibilities in the same department he was promoted to Senior Executive Director in 2005. Prior to this he was EU Expert of the International Department in the Transport Ministry. Between 1987-92 he was Assistant Professor at the Department of Transport Operations, Budapest University of Technology.



Kálmán Seregélyes, *Deputy Director General in the Department for Sectoral Development and Finance, Ministry of Finance*

After finishing the Budapest University of Economics and Public Administration, Kálmán Seregélyes started to work in the Ministry of Finance in the Directorate for Fiscal Policy and Financial Affairs. During the three and a half years spent here, he was responsible for monitoring and analysing of fiscal risks mainly related to contingent liabilities. At the same time he also gathered his first experiences with PPP projects here. He was involved in the value for money, and the statistical assessment of PPP projects. In January 2006 he moved within the ministry, and now he works as Deputy Director General in the Department for Sectoral Development and Finance. His responsibilities still consist of analysing various aspects of PPP's, especially the financing side. He was involved in the restructuring of the motorway financing system, which was aimed at setting up a PPP structure.

Mr. Seregélyes is member of the PPP Interministerial Committee, which is set for coordinating, and controlling of PPP's within the public administration.



Béla Kilyénfalvi, *Head of Structured Finance, ING Hungary*

Béla Kilyénfalvi joined the Structured Products Department in ING Bank Rt. in 1997, where he is currently Head of Department. Previously he worked at CIB Bank Rt. as project finance manager for 3 years. Mr. Kilyénfalvi has been involved in a number of PPP Projects as financial advisor. He was a financial advisor to AKA on refinancing of the M5 motorway project, financial advisor to the State on the State Motorway Management Company (SMMC) bond issue project, financial advisor to the State on Phase II-III of the M5 motorway project and financial advisor to the State on Phase I of the M6 motorway project.



Dr. Péter Köves, *Managing Partner, Köves Clifford Chance*

Dr. Péter Köves is Managing Partner of Köves & Partners Clifford Chance, Head of Finance Group since 1993. During his professional career he was team leader of the M5 PPP motorway transaction acting for the Ministry of Economy and Transport in Hungary (2004-2005), team co-leader acting for a consortium of banks in connection with the financing of the M6 PPP motorway project (2004, 2005-) and team co-leader advising a syndicate of banks in connection with the re-structuring and re-financing of the M1/M15 motorway (1997-1998).



Rachael Bailey, *Senior Environmental Consultant, Scott Wilson*

Rachael Bailey has over seven years experience in undertaking Environmental Impact Assessments and Environmental and Social Due Diligence for PPP and PFI projects in the UK and Europe. Rachael has had numerous advisory roles for financial institutions advising on compliance with World Bank and IFC guidelines, EBRD policies and procedures, and EIB policies. She has particular experience of managing and preparing transport infrastructure Environmental Impact Assessments both in the UK and overseas. She was the environmental advisor to the lenders on Phase II and III of the M5 Motorway PPP in Hungary, the Milot-Rreshen EIA for the World Bank in Albania, the Novi Sad Road/Rail Bridge in Serbia and the M25 London Orbital in the UK.

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DAY 1 - 27th November

9:00 Opening from the Chair
Managing Director, EPPPC

9:10 Understanding the Economic Implications of PPPs

Dr. András Timár, Professor, University of Pécs, Pollack Mihály Faculty of Engineering

Project Appraisal & Analyses for PPP Projects

- Project identification
- Technical preparation
- Traffic forecasting & modelling
- Demand risk analysis
- Feasibility studies
- Cost-benefit analysis
- Financial, social, legal/regulatory and technical criteria
- Identification & analysis of project risk
- Setting up a consortium for BOT or concession infrastructure project
- Security packages for project agreements

Basics of PPPs & Implementation Alternatives

- Reasons of selecting a private partner
- Place of PPP in economic policy
- Types of PPP Alternatives: concession, BOT, service contracts
- Applicability of PPP in industrial fields

Methods to Select Appropriate PPP Alternatives

- Determining regional, governmental and/or municipal level priorities
- Analyzing the feasibility of PPP opportunities
- PPP screening process

11:00 Morning Coffee

11:30 Environmental and Social Issues for PPPs

Racheal Bailey, Senior Environmental Consultant, Scott Wilson

The need for environmental and social risk management for PPP Projects

- To secure confidence in the deal and improve credit ratings
- To meet lenders environmental and social risk management requirements and a secure a greater choice of lenders;
- To achieve compliance with international conventions, European Union Directives, national legislation and regulations; and
- To manage reputational risks and demonstrate good corporate governance, in recognition of the requirements of shareholders and high calibre employees.

Update on Environmental and Social Risk Management Guidelines and Techniques

- The revised Equator Principles (released 6 July 2006).
- The New IFC Environmental and Social Performance Standards (released 30 April 2006) and World Bank guidelines.
- International Conventions, European Directives and National legislation and regulations.
- International Best Practice for

environmental and social risk management, health and safety and labour standards.

Case Studies of Environmental and Social Risk Management for PPP Projects – M5 Motorway Hungary and Dalaman Airport

13:00 Lunch

13:45 The Development of PPPs

Peter Snelson, Director Project Development, Atkins

Feasibility

- Need and Justification of the Project
- Public Sector Evaluation
- Private Sector Evaluation
- Commercial Viability
- Financial and Economic Viability
- Legal Framework

Prequalification

- Soft Market Testing
- Publication
- Evaluation

Procurement

- Notification
- Bidding Process
- Evaluation Process
- Negotiations
- Agreement

16:00 Understanding the Economic Implications of PPPs

Dr. Károly Léderer, Managing Director, Transinvest-Budapest Kft.

Case study – what can go wrong?

- The experiences with a successful project
- What can go wrong?
- How the public and private interest can change as time goes?

Policy issues

- Networking Concepts
- Transportations Corridors

Public Relations Management

- Public awareness of regional, governmental or municipal development
- Public hearing in the project developing and approving process
- The role and impact of investors and public representatives in PRM
- Communication requirements to mitigate public resistance
- Consultation techniques with the media and the public

16:30 Discussion

17:00 Closing Remarks from the Chair

DAY 2 - 28th November

9:00 Session I: Legal Perspectives of PPP

Dr. Péter Köves, Managing Partner, Köves Clifford Chance

Regulatory environment

- Technical preparatory review and harmonization of the available legal framework
- Minimizing the legislation
- Coordinating the authorities and the local administration
- Toll, availability fee, service fee

Legal process

- Bid preparation process
- Reasonable timeline for procurement process
- Techniques for keeping the competition
- Prequalification, final bid
- Techniques to avoid disputes

11:00 Morning Coffee

11:15 Contracting technique

- Concession agreement, services agreement
- Supervising and controlling the service level
- Quick and fair dispute resolution
- Termination and compensation
- Building-in flexibility

Application of the risk matrix

- Define the maximum risk taking
- Risk matrix - contracts matrix
- Insurance questions
- Harmonization of risk in the project and finance documents
- Back-to-back techniques in the construction and operation agreements
- Change in control

12:15 Lunch

13:00 Session II: From the State's Point of View

Dr. Fruzsina Biró, Former Director General, Ministry of Economy & Transport

Financiers' wish list

- Harmonization of indemnities given by the state/local government
- Direct agreement
- Control right of the financier
- Step-in, replacement, substitution

Institutional Framework for PPP Projects

- Legal background and process of the decision making
- PPP Task Force Unit
- Interdepartmental Committee
- Activity of the PPP Unit in structuring
- Project finance transactions, managing
- Procurement processes
- Communication & relationship management
- The reason of outsourcing: analysis of capacity constraints to deliver

Restructuring Projects - M5 Case Study

- Requirements for restructuring
- Renegotiation techniques
- Agreements and financial model restructuring

- Defining targets, negotiation strategies

15:30 Budgetary implications of PPP's

Kálmán Seregélyes, Deputy Director General in the Department for Sectoral Development and Finance, Ministry of Finance

- priorities of the Ministry of Finance in connection with PPP's
- fiscal risks associated with PPP's
- controlling of fiscal risks
- statistical issues related to PPP's

16:30 Discussion

17:00 Closing Remarks from the Chair

DAY 3 - 29th November

9:00: INTERACTIVE SESSION: Financial Preparation and the Tender Process

Béla Kilyénfalvi, Head of Structured Finance, ING Hungary
György Gáldi, Head of Large Corporate & Structured Finance Directorate, K&H Bank

Project Preparation

- Identification of the project
- Preliminary PSC
- Financing structure
- Technical specifications
- Planning
- Permits, legislation, administrative issues

Tender – pre-qualification phase

- Identification of the project
- Tender documentation
- Setting the consortium
- Preliminary financial structure of the bid

10:30 Morning Coffee

10:45 Tender – bid phase

- Risk allocation matrix
- Fee formula
- Draft service contract
- Financial structure of the bid
- Modelling
- Financing – selection of the arrangers
- Review of the draft service contract
- Preparation of bids
- Update of the preliminary PSC
- Evaluation of bids

12:15 Lunch

13:00 Documentation and Closing of the Tender

Documentation phase

- Risk allocation matrix
- Service contract
- Financing agreement
- Other documents

Closing

- Final PSC
- Necessary approvals (e.g. Parliament)
- Due diligence
- Model audit
- Syndication (info memo)
- Hedging
- Conditions precedents

15:30 Closing Remarks from the Chair

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