



Министерство транспорта Российской Федерации

Public and Public-Private Partnership (PPP) Funding of Transport Infrastructure – Best practices and common challenges




*Long experience in public funding – the experience of the
Russian Federation*

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Ministry of Transport of the Russian Federation

25 February 2013



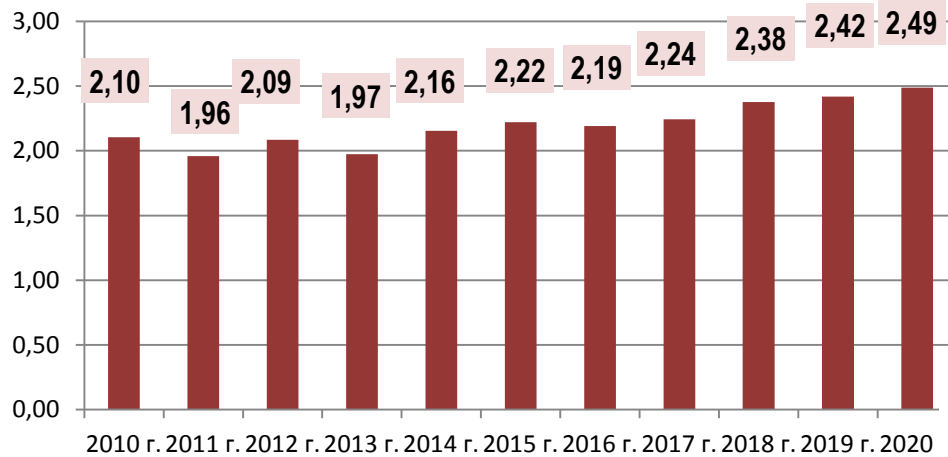
-  Участки автомобильных дорог с уровнем загрузки более 0,7, имеющие протяженность более 5 км
-  Характерные участки автомобильных дорог с уровнем загрузки более 0,7 протяженностью 5 км и менее с локальными включениями участков между ними, имеющих уровень загрузки менее 0,7
-  Участки автомобильных дорог с уровнем загрузки менее 0,7, имеющие протяженность более 5 км

- АВТОМОБИЛЬНЫЕ ДОРОГИ:**
-  Федеральные
 -  Основные региональные
 -  Зимники

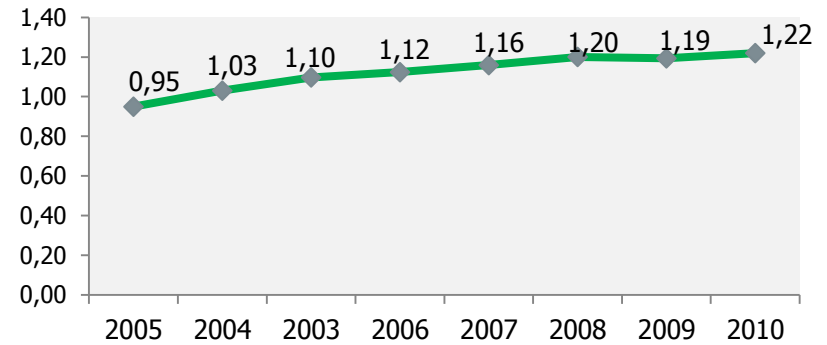


INVESTMENTS IN TRANSPORT

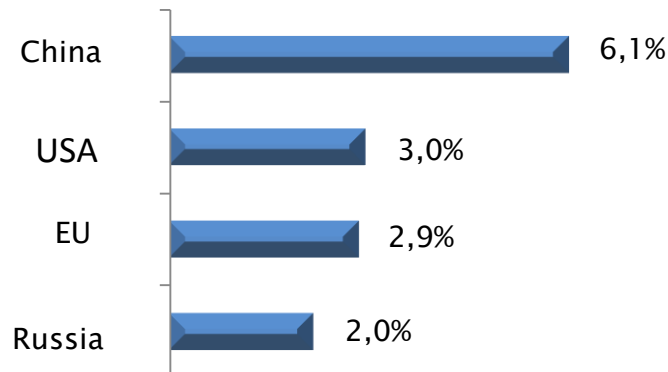
Investments in transport complex ,
% от GDP



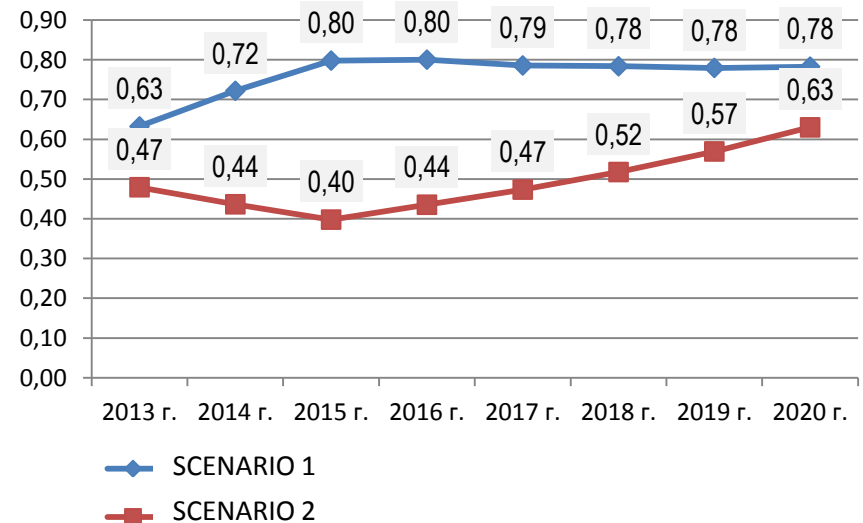
BUDGET CAPITAL INVESTMENTS
EU, % GDP



Investments in transport, % GDP



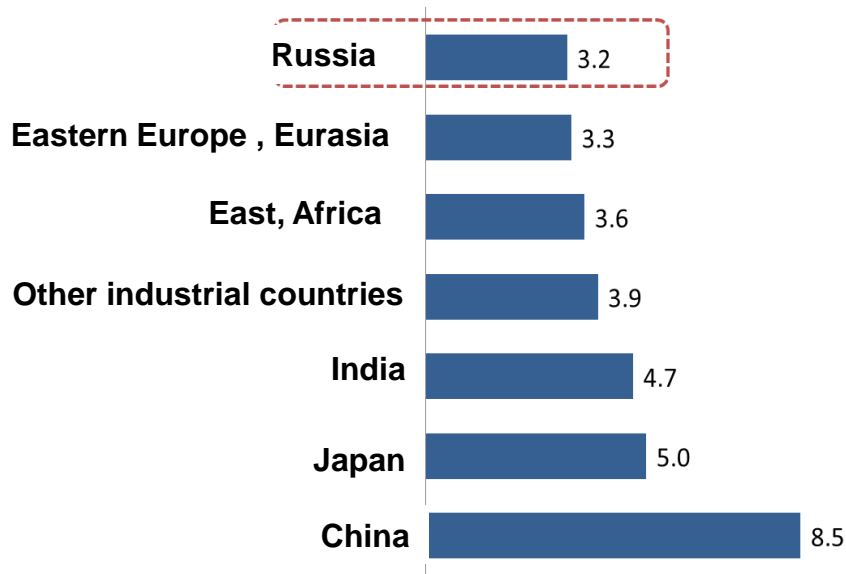
BUDGET CAPITAL INVESTMENTS
RUSSIA, % GDP



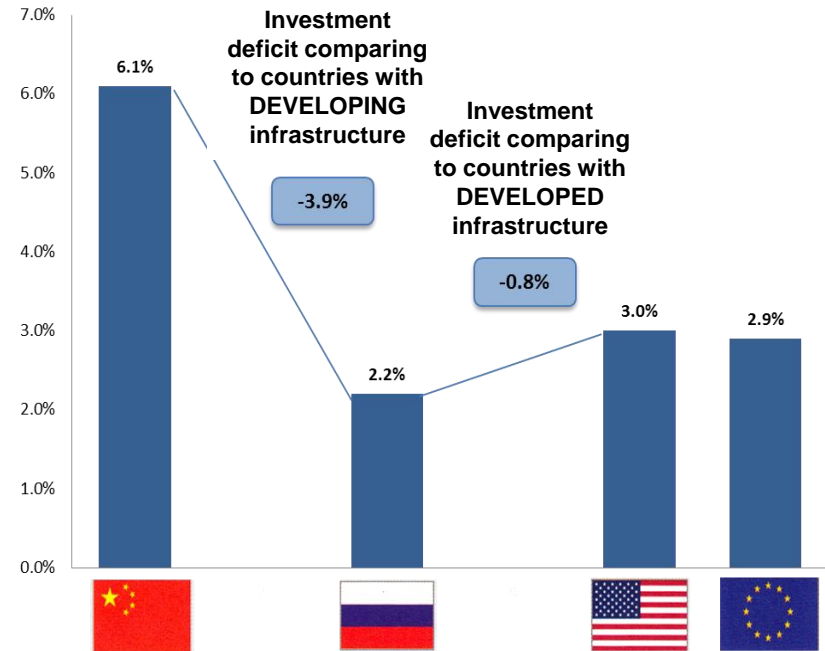


INVESTMENT DEFICIT FOR TRANSPORT INFRASTRUCTURE

Infrastructure expenditures, % GDP



PROPORTION OF TRANSPORT EXPENSES, % GDP



* Including oil and gas infrastructure
Источник: OECD, HIS Global Insight, McKinsey

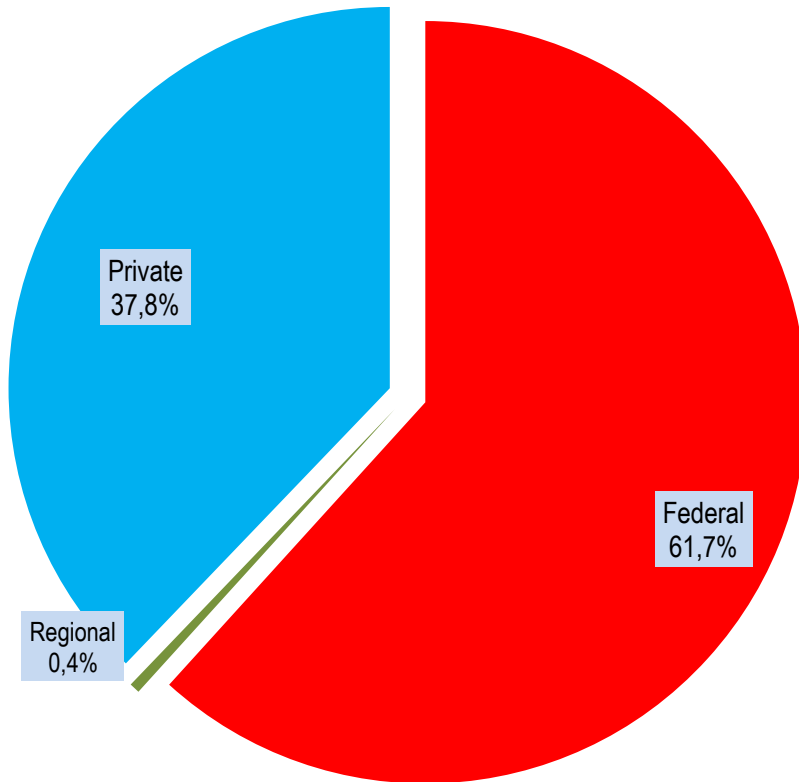
Источник: Mintrans, Boston Consulting Group

- Losses of economy because of infrastructure underdevelopment
- Limited participation of private investors participation in infrastructure projects because of low level of return
- Big number of private investors, including foreign equity funds to infrastructure projects with the support of state budget



FINANCING OF FEDERAL TRANSPORT PROGRAM 2013 – 2020

Total amount of investments
394,7 млрд. \$



Total volume of financing the Program 2013-2020 y. is
394,7 bln. \$:

Federal budget: **243 bln. \$**

Regional budgets: **1,7 bln. \$**

Private: **150 bln. \$**



PRINCIPLES

FEDERAL PROGRAMS

Projects with federal budget finance

Implementing new technologies, financial instruments and management resources of the private sector using PPP mechanism

Planning the development of the infrastructure according to the principles of balance and coordination

Concession law

Investment agreements

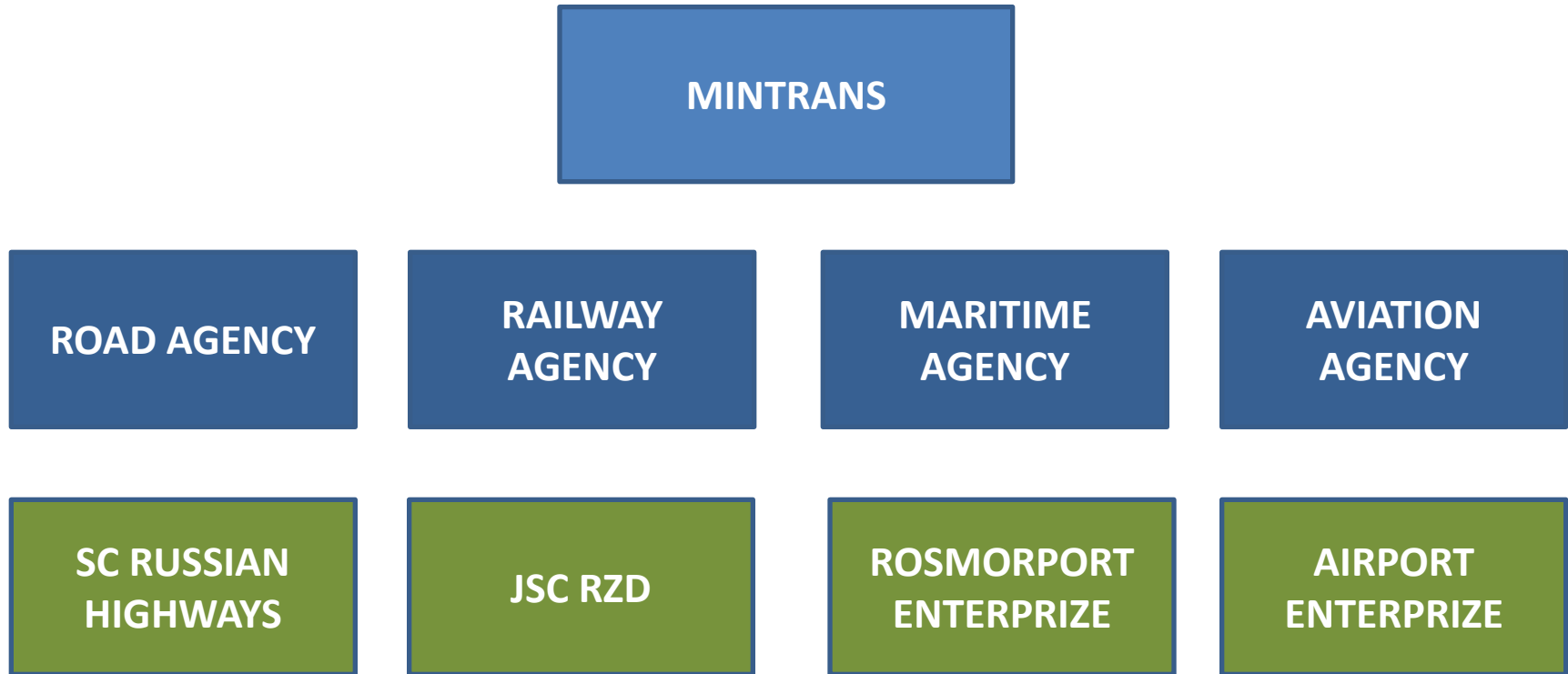
Three year planning Budget

Investments in transport infrastructure

INVESTMENT PROGRAM IS BASED ON PPP PRIORITY



STRUCTURE



PPP UNITS ARE IN ALL TRANSPORT INDUSTRIES



INSTRUMENTS

ADDITIONAL TAXES AND TOLLS FOR USERS

BONDS AND LOANS WITH FEDERAL GUARANTIES

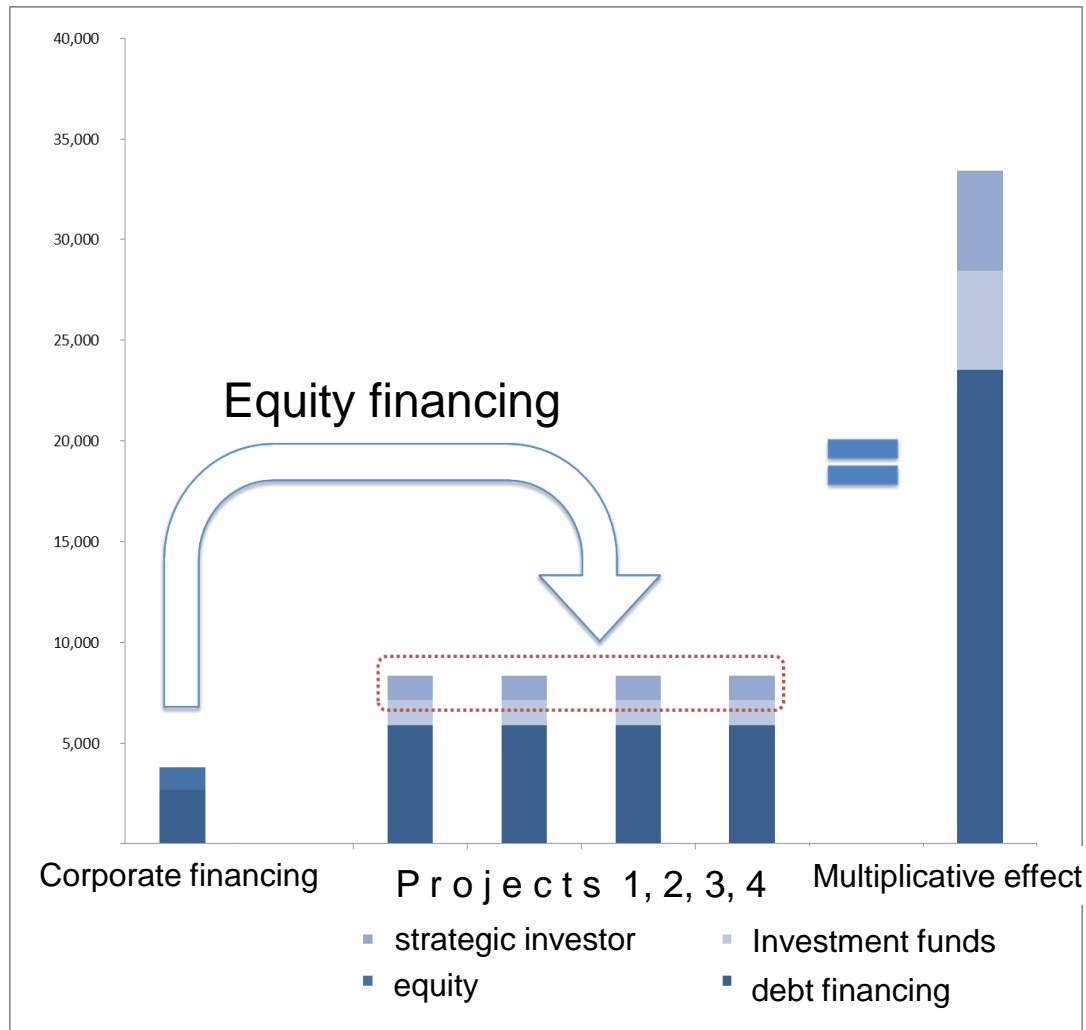
CONCESSIONS

STATE FUNDS (INVESTMENT FUND, ROAD FUND, RDIF)

**CURRENT INSTRUMENTS FOR PRIVATE FINANCE IN TRANSPORT
INFRASTRUCTURE ARE ALREADY ON**



PROJECT FINANCING ISSUING INFRASTRUCTURE BONDS AS AN ADDITIONAL SOURCE OF FINANCING IN THE SITUATION OF STRONG DEFICIT



Advantages of project financing

- Rising financial leverage
- Attracting financial and strategic partners
- Technical and financial project control
- Project results partly influencing financial stability of mother company

Major terms

- Payback period should be appropriate for investors and lenders
- Guarantee of cashflows
- No consolidation at mother company balance
 - IFRS 10: no control and <50% share in SPV



MECHANIZMS OF DEVELOPING STATE OWNED TRANSPORT INFRASTRUCTURE

MARKET RULES,
private
investments

Privatization

Selling the stake to a
private owner

Concession

Procurement with
innovative specifics

Standard
procurement

Concession gives the opportunity to
invest private funds in state owned
infrastructure

STATE CONTROL,
budget investments



PPP Models Applied

	Concession contracts				
	Direct toll concession	Availability payments concession	Long-term agreements	O&M contracts	Investment agreements at pre-project stage
<u>Subject</u>	<ul style="list-style-type: none"> - Construction (reconstruction) - CAPEX investments - Maintenance & operation, toll collection arrangement - Optional: project design, site preparation 			<ul style="list-style-type: none"> - Automated traffic mgt system (ATMS) set up - Maintenance and operation - Toll set up collection system 	<ul style="list-style-type: none"> - Feasibility study - Project design
<u>Terms</u>	Depending on asset lifecycle: 20-30 years			10-15 years	Up to 4 years
<u>Return on investment</u>	Toll	Concession fees: <ul style="list-style-type: none"> - Availability payments - Investment payments (return on investments, performance payment) 			Compensation by the Concessionaire



TENDER TYPES

Contract	Regular procurement (supply contract, contractual agreement, service agreement)	Investment related	
		Investment agreement	Concession agreement
Legal basis	procurement activity policy Federal Law №223-FZ	Avtodor internal tender regulation Federal Law #223-FZ	Russian Government regulation issued for the project Federal Law #115-FZ
Tender type	Auction Big request 1-stage tender	1 stage tender 2 stages tender	2 stages tender
Tender terms	~ 30-40 days	~ 2-6-12 months	~ 6-12 months

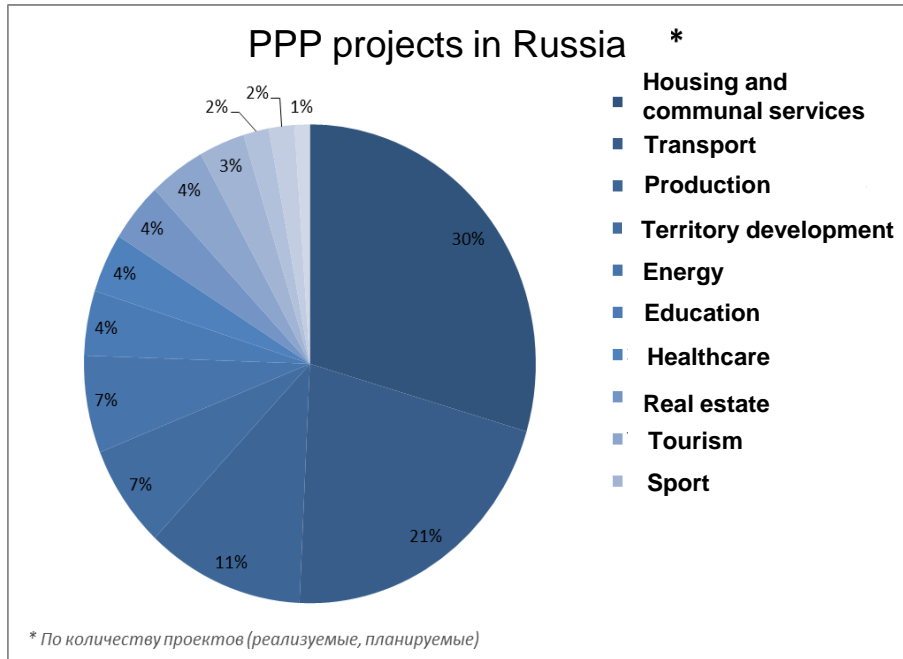


POSSIBLE WAYS OF RISING INVESTMENT ATTRACTIVENESS OF TRANSPORT INFRASTRUCTURE PROJECTS

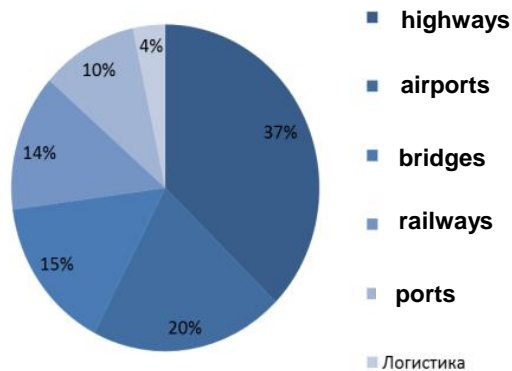
- Investment component in tariff and principle «user pays»
- Stimulating investments of potential users
 - Complex projects where transport infrastructure is additional to the project with high level of revenue (any type of production or other)
- Stimulating investments of construction companies as co-investors
- Minimizing expenditures along the whole contract period by means of:
 - Outsourcing expertise and technologies
 - Project control
- State support of the project
 - Budget grants as co-financing project cost
 - Budget guaranties for SPV bonds issuing
 - Guarantee of minimal revenue



TRANSPORT PPP PROJECTS IN RUSSIA



PPP projects in transport complex



Main tendencies

- Total number of PPP projects in Russia is about 270
- The biggest number of projects in housing and communal services, the biggest volume of investments is in transport infrastructure
- Investment fund of the Russian Federation is financing 47 projects with the total volume of investments **33 bln.\$** from all sources:
 - Investment fund **7,4 bln.\$**
 - Regional budgets **0,39 bln.\$**
 - Municipal **0,05 bln.\$**
 - Investors/concessioners **17,2 bln.\$**
- For developing road infrastructure and stimulating private investors in toll roads was created state company Russian Highways. During next 17 years Avtodor is planning to get **>12 bln.\$** of private investments



PROSPECTIVE HIGHWAYS

№	Highway	Terms	Length
1	M-1 Belarus Federal Highway	2013-2025	457 km
2	M-3 Ukraine Federal Highway	2013-2022	517 km
3	M-4 Don Federal Highway	2012-2019	1,522 km
4	Moscow – Saint-Petersburg Highway	2012-2018	669 km
5	Central Ring Road (Moscow region)	2015-2025	521 km



ROAD INVESTMENT PROJECTS PIPELINE

№	Project	Length, toll sections (km)	PPP Model	Tender terms	Construction terms	Investments in total, EUR bln. *	Private capital share
1	M-1 Belarus km 33 – km 456	347,4	Availability payments concession	2013	1 phase: 2015-2018 2 phase: 2019-2025	4.94	35%
2	M-4 Don km 21 – km 225	150.5	O&M contract	2013-2014	2014-2015	0.19	45%
3	M-4 Don km 633 – km 715	84	Availability payments concession	2014-2015	2015-2017	0.83	25%
4	M-4 Don km 1,091 – km 1,319	207.4	O&M contract	2013-2014	2014-2016	0.35	50%
5	Moscow – Saint-Petersburg km 58 – km 149	90.1	Direct toll concession	2013-2014	2015-2017	1.63	40%
6	Moscow – Saint-Petersburg km 543 – km 684	141	Availability payments concession	2013-2014	2014-2017	2.96	25%
7	New M-7 Volga exit from Moscow Ring Road (MKAD) (Balashikha and Noginsk bypass)	69	Direct toll concession		To be adjusted	1.21	50%
8	Central Ring Road (section 3)	104.5	Availability payments concession		To be adjusted	1.83	35%
9	Central Ring Road (section 4)	96.5	Availability payments concession	2015-2017	2017-2020	1.73	35%
10	Central Ring Road (section 1)	74.5	Availability payments concession	2015-2017	2017-2020	1.88	35%



Министерство транспорта
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THANK YOU

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