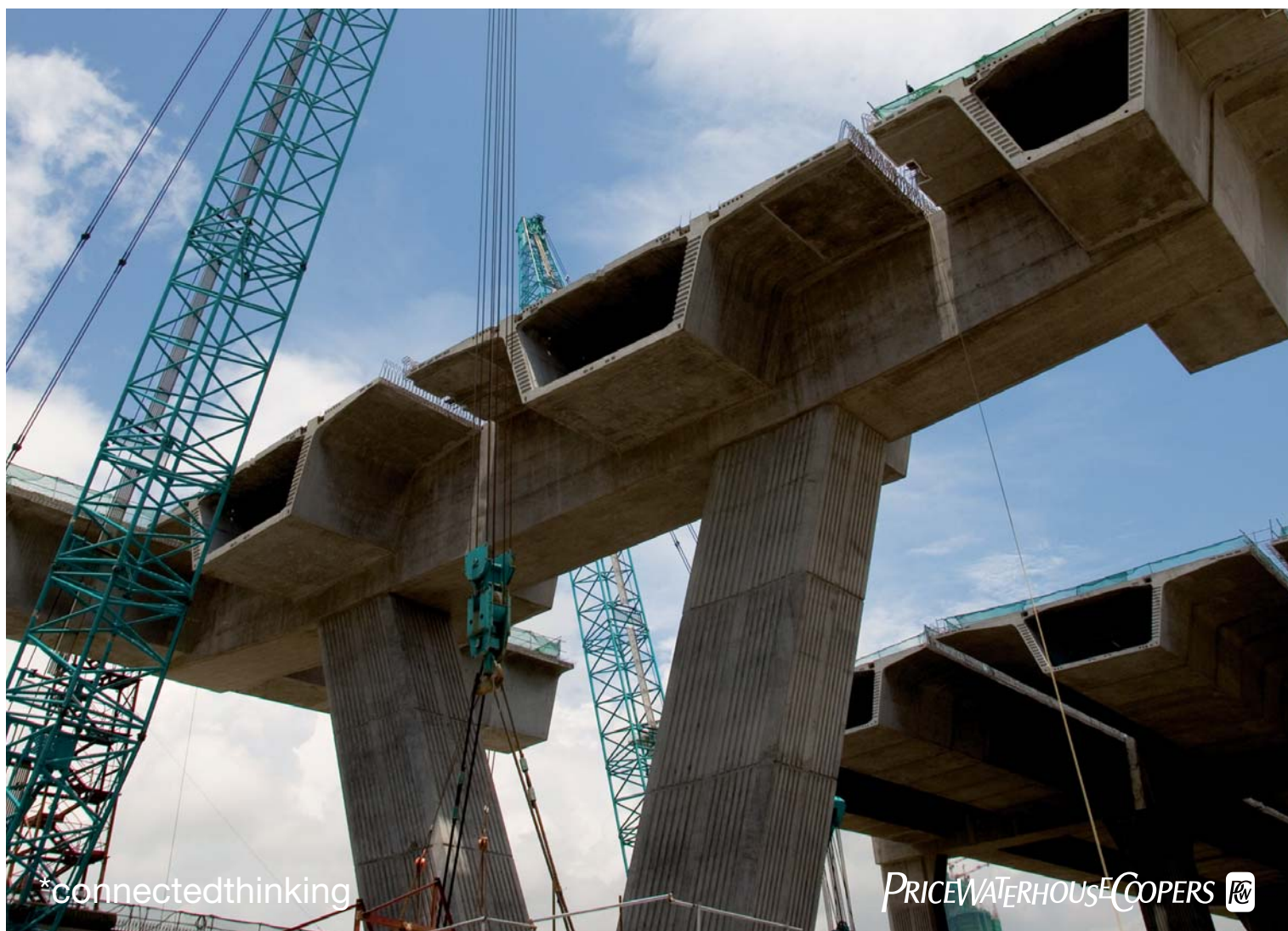


Building New Europe's Infrastructure*

Public Private Partnerships in Central and Eastern Europe

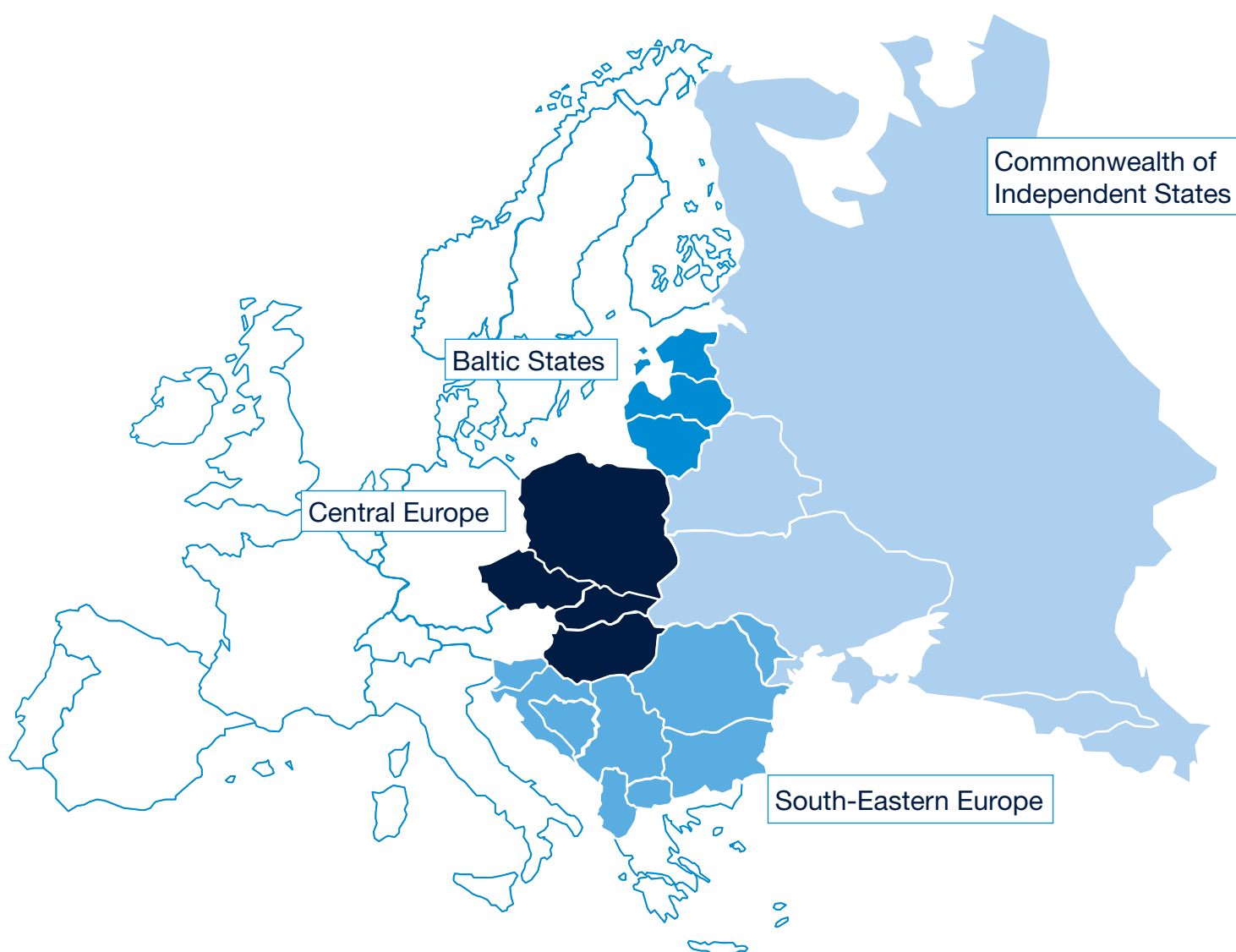


Central and Eastern Europe

Unprecedented infrastructure investment activity in CEE

- €500bn – estimated infrastructure investment needs.
- €180bn – EU funds available for infrastructure projects 2007-2013.
- EU Cohesion Funds over seven year period are equivalent to nearly four times the value of UK PPPs signed in 15 years.

Sources: European Commission 2008, EIB 2005, 2008



The following Central and Eastern European countries are covered in this paper: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, as well as the Ukraine.

Welcome

Central and Eastern Europe (CEE) is experiencing unprecedented levels of investment in projects geared to modernising the region's public and social infrastructure.

Large amounts of European Union (EU) funding is available to support these infrastructure investments. National budgets will also be used, and a growing number will be financed with private capital primarily through Public Private Partnership (PPP) structures similar to those already used in Western European markets.

The enhancement of the legislative and regulatory frameworks in the CEE region, the improvement of governmental understanding of the complexities and advantages of PPP structures, as well as the availability of EU Funds, are all factors expected to give an increased impetus to the PPP market.

The increasing size of some of these projects and the need for technical expertise to implement them will present further opportunities for consortia led by global construction companies, many of which are already active in the region.

The aim of this paper is to provide a brief background on current developments in the infrastructure sector in the CEE region, highlight some of the major upcoming PPP opportunities, outline key practical challenges in bidding for these projects successfully, and share lessons learnt from our past experience on how to deliver them.

With an array of project opportunities available we believe that careful project selection is key in this market, and that this needs to take into account the extent of political support, the status of the legal and regulatory frameworks supporting PPPs and concessions, the effectiveness and transparency of the tender processes, the capacity of the government authorities responsible for project implementation and subsequent supervision, pricing, and the opportunity for partnerships with credible local players. Looking forward, the need to factor sustainability and climate change considerations into budgeting and project designs will become additional key components for bid competitiveness and PPP success.

PricewaterhouseCoopers (PwC)¹ has been advising on PPP projects across the region for many years for both governments and private developers. We understand that each project has unique requirements with corresponding opportunities and challenges.

We look forward to discussing some of these projects with you and to supporting you with your future investments in the CEE region.

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Market overview

Infrastructure investment needs

As a result of historic underinvestment in public and social infrastructure, countries within the CEE region are facing an “infrastructure gap” and need to make significant capital investments to reach the infrastructure development levels witnessed across Western Europe.

Despite the difficulties in making accurate projections, current estimates of essential infrastructure investment needs in CEE (so-called “catch-up” expenditure) exceed €500bn in total².

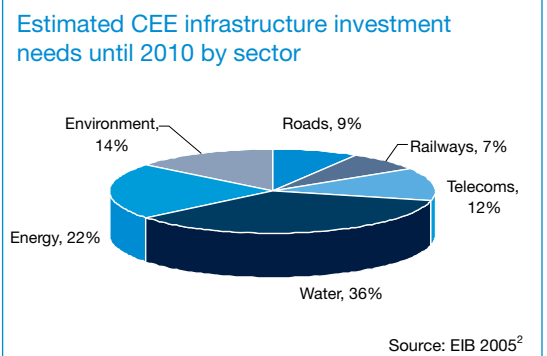
More than a third of these relate to the maintenance and renewal of the existing water supply infrastructure. An additional 22% of total projects are in the energy sector driven by the need to construct conventional power plants to address the rising energy demand. A further 14% of the investments are targeted at environmental projects, such as constructing power plants based on renewable energy sources, with an estimated €80bn of investments relating to road and railway projects for the development of new transport infrastructure, as well as modernisation of already existing infrastructure.

This investment need is driving the activity in the civil engineering sector throughout the region, which in many CEE countries is expected to achieve higher output in the short to medium term relative to housing and non-residential construction.

This also presents significant opportunities for international construction companies and developers, in the form of key construction opportunities, asset purchase and development or asset development in partnership with national and local governments. The focus of the remainder of this paper is on the asset development opportunities in large scale infrastructure projects, and in particular those projects which will use PPP structures.

Need for PPP schemes in CEE

A significant proportion of the infrastructure investment will be funded from public sources backed by EU funding. But these sources are finite and there are competing demands on the public purse, so private investment and, in particular, PPP structures, are emerging as popular models for funding infrastructure investment. Aside from the simple need for new financing sources, CEE governments are increasingly coming to appreciate the potential benefits of PPP projects: value for money, breadth and depth of skills brought by the private sector, faster implementation of projects and reduced budgetary burdens.



² Estimated infrastructure investment needs of new EU member countries, 1995-2010. Source: EIB 2005



Slow PPP deal activity to date

Despite this, PPP activity has been limited, with about a dozen PPP transactions closed to date. Hungary has led the way accounting for the majority of these projects, which have been mainly in the roads sector.

The reasons for the slow pace of activity include: the availability of “free” EU money as an alternative, the complexity of PPP processes, no government institutional structures set up to deal with such projects (which require input from several levels of government), concerns over the adequacy of legislation, and difficulties encountered with land titles.

Increased focus on PPP projects

Recently, however, there has been increased drive on the government side to become more proactive in this field, and many of these difficulties have now been addressed via the:

- Creation of specific legislation governing concession contracts and PPP procurements;
- Implementation of relevant EU directives into each country’s PPP legislation;
- Creation of “PPP units”, acting as knowledge centres to share best practice and experience with national and regional public authorities.

This, coupled with a general increase in political support for such projects, means that the stage is now set for significantly increased levels of PPP activity, and the pipeline of deals confirms that. There are currently more than 60 ongoing and upcoming PPP projects in the region expected to be completed during or after 2008 in a variety of sectors and countries, as the graphs demonstrate. Hungary is expected to continue to dominate by number of projects, and the transport sector will remain a priority.

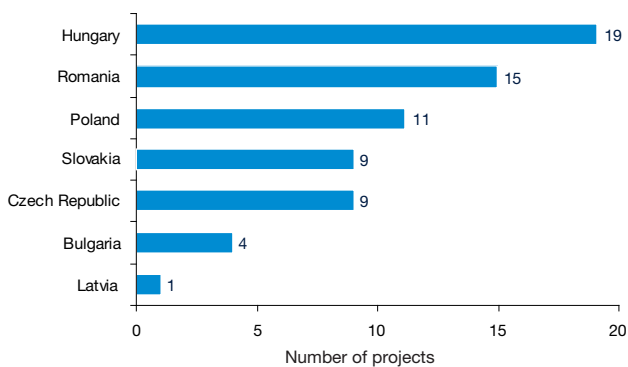
“Credit crunch” not hampering PPP deal flow in CEE

Due to the lower financial intermediation in the CEE region compared to Western Europe and the USA, and the willingness of banks to provide debt financing for PPP deals, the current “credit crunch” conditions do not appear to be significantly affecting PPP deal flow in CEE. The closing of the M6 roads deal in Hungary in November 2007 indicates that there is no shortage of cash for well structured asset- and contract-backed projects.

Participation of international companies

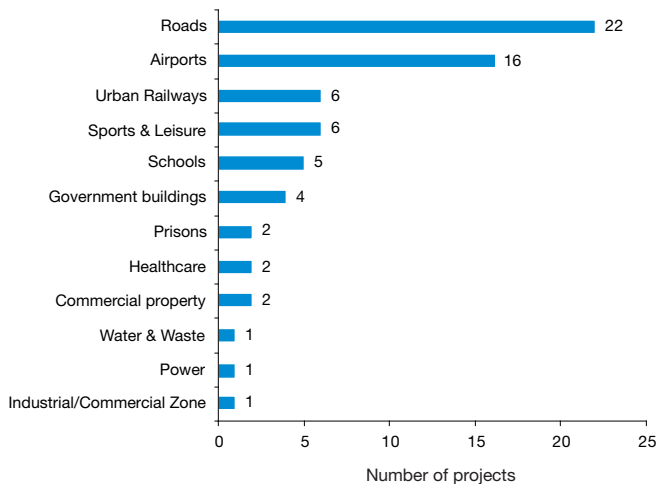
PPP activity in the region has already attracted some of the world’s leading developers and construction companies, keen to take “first-mover” advantage, willing to be patient, and willing see projects stall or fail as an investment into those (few to date) which succeed. But there remain plenty of opportunities for those companies whose activity to date has been limited.

Major infrastructure development opportunities by country⁴



Sources: Dealogic³ and PricewaterhouseCoopers 2008

Major infrastructure development opportunities by sector⁴



Sources: Dealogic³ and PricewaterhouseCoopers 2008

³ Source: Dealogic Projectware April 2008 – PPP/PFI projects in CEE at pre-approval, tender or finance stage

⁴ It is expected that most of these projects will be on a PPP basis, but that in some cases financing structures have not yet been finalised - nonetheless they are all expected to involve private capital

Sector opportunities

Similarly to Western Europe, the transport sector is a priority target for PPP projects in the region, and is likely to remain so for the foreseeable future, particularly in terms of deal value. The European football championships, planned for 2012 in Poland and Ukraine, are providing a particular impetus to investment in roads, airports, rail and light rail projects in those two countries, in addition to, stadia, hotels and healthcare facilities.

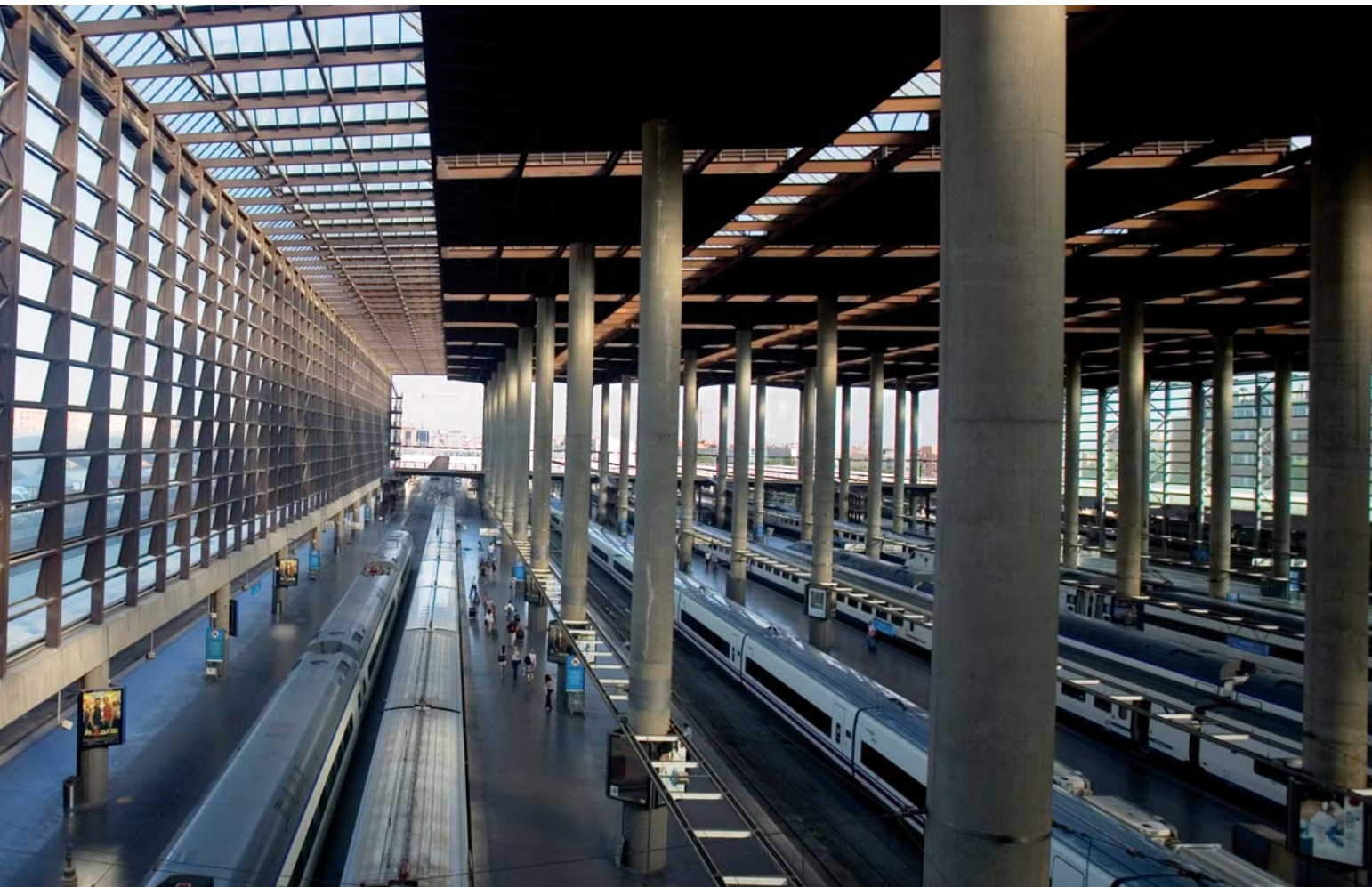
PPPs are also emerging in other sectors, including social infrastructure, waste and water, healthcare and schools, with a number of projects already in procurement, as the summary of PPP activity by country in the region demonstrates.



Summary of PPP activity and status by country and by sector	Roads	Heavy railways	Urban railways	Airports	Ports	Water and waste	Housing	Accommodation	Defence	Healthcare	Prisons	Schools	Sports and Leisure
Bulgaria	●			●	●	●							
Czech Republic	●	●	●	●			●	●	●	●	●	●	●
Estonia	●		●				●		●	●		●	
Hungary	●		●	●			●	●		●	●	●	●
Latvia	●					●	●	●		●	●	●	
Lithuania		●	●			●				●		●	●
Poland	●	●	●	●			●	●		●	●	●	●
Romania	●			●		●	●			●			●
Slovakia	●			●		●	●	●		●			●
Slovenia	●					●							
Ukraine	●	●		●	●	●							

Key		
●	Discussions ongoing	
●	Projects in procurement	
●	A number of procured projects, some closed	

Source: PricewaterhouseCoopers 2008



EU funding and hybrid PPP structures

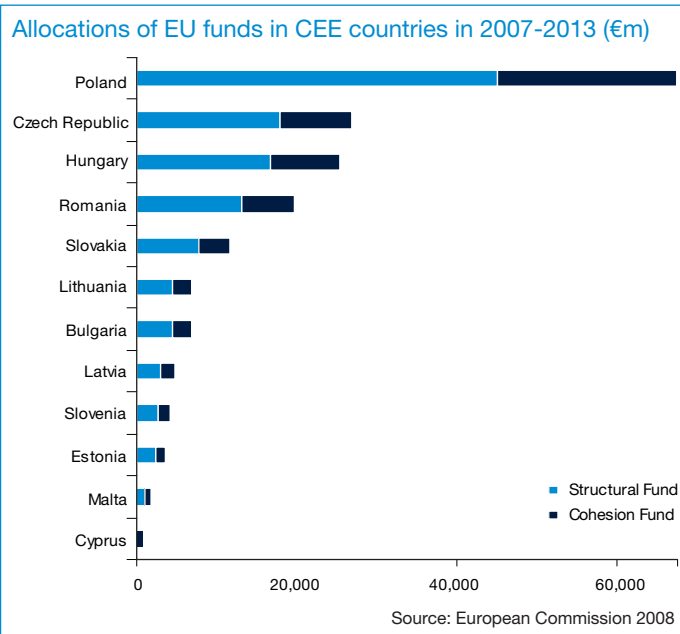
The EU has two main funds available to Member States relevant to infrastructure development:

- **Structural Funds**, which grant financial assistance to support structural economic and social development. The grant financing is variable, depending on the wealth of the region where the investment is made.
- **Cohesion Funds**, which finance projects designed to improve the environment (in line with EU air and waste directives) and develop transport infrastructure in the EU Member States where per capita GNP is below 90% of the EU average. Projects financed must be for either environment or transport infrastructure.

Mix and match - hybrid PPP projects with EU funding

Hybrid PPPs involve the mixing of EU, public and private finance into PPP projects. Under this structure, EU funding typically comes in the form of capital grants – effectively providing a capex subsidy, which serves to improve the bankability of such projects as well as affordability for governments.

There are no examples of hybrid schemes in CEE to date, in part due to the small number of PPP projects implemented, but there are a number of projects in the



pipeline considering a hybrid approach. In Western Europe there have already been several hybrid PPP projects, including: the Athens' ring road, the Perpignan-Figueras high speed rail link and the Athens airport. The addition of EU funding proved highly effective in improving the financial feasibility of these projects.



Lessons learnt in the region – key success factors

PPPs are complex to structure and implement. Pursuing PPP projects requires a significant investment of time and money. Careful project selection is therefore key to success in this marketplace. But how to select the right projects? A track record of success in implementing PPPs is, of course, a good signal, but relatively few countries in the region have that as yet, and those that do are already attracting strong interest, making competition tougher. So the key is smart selection – but what should you look for?

Political commitment or imperative

Private participation in the provision of infrastructure services remains relatively new in CEE, meaning at times it is misunderstood and still associated with privatising national assets. It is also an ambitious reform and complex to implement, requiring political staying power to see through. So look for evidence of the highest level of political commitment to the process – a new PPP law, a well resourced PPP implementation unit, a healthy dialogue in a free press, openly expressed Presidential or Prime Ministerial support.

Or look for a political imperative – the Euro 2012 Championships to be held in Poland and Ukraine are providing a significant impetus to these countries' PPP programmes, although Ukraine may be starting from too far back to be able to rely too heavily on private capital for many of these investments.



Implementation framework and capacity

In truth, in many countries in the region PPPs can be implemented without specific PPP legislation – Slovakia is implementing its roads programme under existing procurement laws; Poland has a PPP law and has implemented projects under other legislation – a new PPP law is currently in process. But a well drafted piece of PPP legislation is not only a sign of political commitment to the process, it provides a sound foundation for project implementation and comfort to investors on the legality of the process.

So, in an ideal world one would look for a well drafted PPP law, experienced and well resourced public sector officials responsible for PPP development and implementation, and experienced in supporting the government. None of these are essential, but all are advantageous, and all will contribute to a more reliable, transparent and efficient process, as well as better structured deals.

Look for transparency

Large scale public projects, however financed, attract corruption the world over and CEE is no different. EU membership, the inclusion of EU funds in infrastructure projects and the requirement to follow EU procurement law offer the prospect of increased transparency, but this is not a guarantee. On a balanced scorecard, including corruption measures, CEE fairs favourably as a destination to invest versus other developing regions of the world, but open eyes are required.

Look for reputation and track record. Look for the quality of advisers appointed by the Government. Look for a meaningful appeals process. Look out for short tender periods and unusual prequalification requirements.

Having selected the right project, how to win?

Price is key

Partly driven by transparency issues and partly driven by affordability concerns, price is often the key determinant in bidder selection. Many of the region's PPP projects are attracting high quality international developers and operators, all capable of technical delivery. So a keenly priced bid is essential, which means thorough due diligence, design innovation, reliable risk sharing subcontractor and partner relationships, careful tax structuring, and competitively priced debt finance.

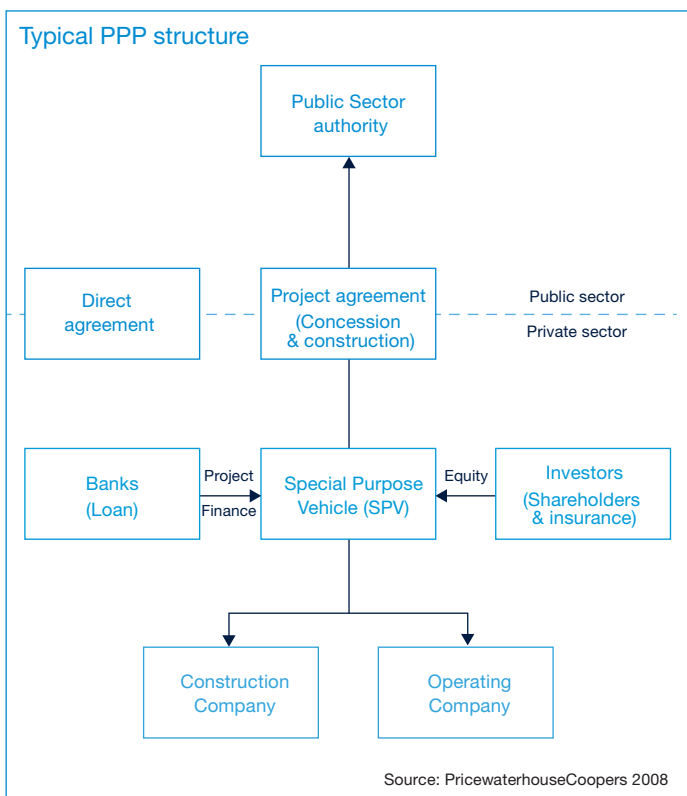
Look for a local partner

This is not necessarily an imperative throughout the region, but the perceived benefits of building local capacity and recycling profits locally, should not be overlooked. And in a new environment the value of local knowledge and influence should not be underestimated.

Sustainability - the new differentiator

Sound sustainability and climate change management is becoming a requirement for some, and a bidding differentiator for other PPP projects. The ability to address EU Directives on air pollution and waste, and the emission reduction targets under the Kyoto Protocol, is increasingly a factor for PPP success. Consider designing and implementing the projects in a sustainable manner with building impact offsets and sustainable materials used throughout.

And, of course, select the region's leading financial and tax advisers.



Concluding thoughts

Infrastructure investment activity in the CEE region offers a number of opportunities that construction companies and developers are, or perhaps ought to be, considering. The growing size of projects procured via PPP schemes and the steps taken by governments to enhance the attractiveness of these investments are amongst the key drivers attracting international companies to bid for PPP projects.

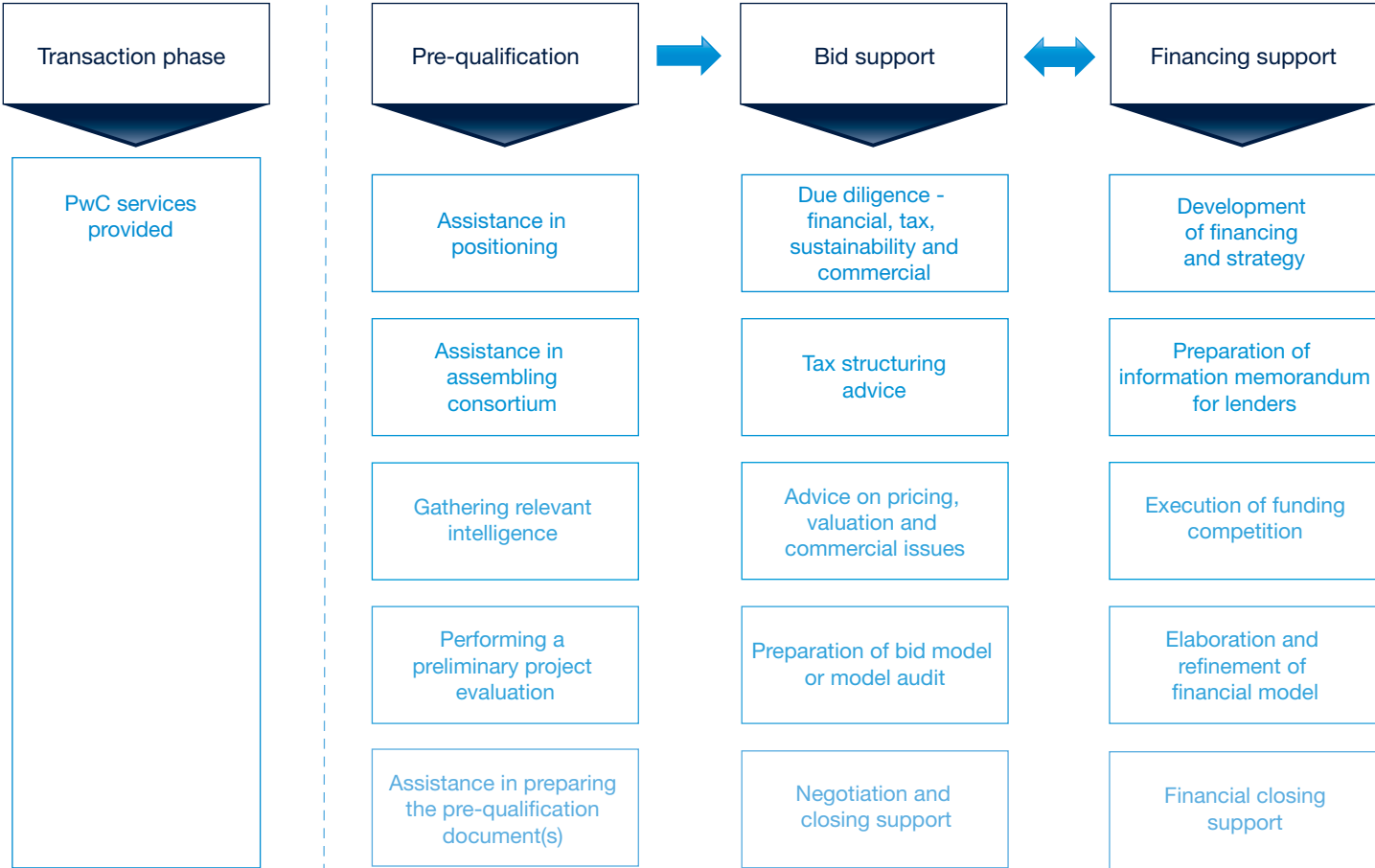
The opportunities are substantial, but the environment remains complex and is becoming increasingly competitive. Careful project selection and investing in a winning strategy are key, given the significant amounts of time and money that go into competing for these opportunities.

Investors need to look for political commitment at the highest levels, government investment in implementation capacity and transparent processes, and effort needs to be put into finding the right local partner and preparing a keenly priced bid. In addition, sustainability considerations are becoming a requirement, as well as a source of differentiation in the bidding process.

We hope that this paper provides readers with useful information of the current market dynamics, the most attractive opportunities, as well as some food for thought relevant to your current or future activity in the CEE region.



How PwC can help?



Appendix: Infrastructure projects by country

Czech Republic



General Information		Political / Investor climate	
Area - km sq	78,866	Investor Protection Index (0-worst, 10-best)	5.0
GDP at PPP \$bn (2007e)	248.9	Democracy Rank (1-best, 150-worst)	23
Real GDP growth % (2003-2007)	5.4	Corruption Rank (1-best, 150-worst)	30
GDP per head at PPP US\$ (2007e)	24,338	Recent economic developments have been favourable, with a strong recovery in growth, significant fiscal consolidation, low inflation and strong balance of payments. Inflows of foreign direct investment are amongst the highest in the region and have contributed significantly to the strength of the economy.	
Population – millions (2008e)	10.2		
Labour force – millions (2007e)	5.4		
Unemployment rate % (2007e)	6.6		

Overview of the current state of infrastructure

The Czech Republic has 634km of motorways and 54,950km of roads utilised. Motorways and major roads carry the biggest portion of traffic volumes and connect the most important administrative, economic and resort centres.

Currently the Czech railway networks include 9,600km of tracks of which 3,000km is electrified. Large segments of Czech railway are subject to modernisation and optimisation in order to facilitate becoming a part of a pan-European railway system. Corridors One and Two have been completed while the remaining Corridors Three and Four are to be completed by 2016.

Generic approval process for PPP projects	Legal / regulatory framework for PPP
<p>Developed concession projects (outline business cases) need to be approved before a tender is launched by the:</p> <ul style="list-style-type: none"> Central Government (in case of governmental / ministries projects); City Councils / Regional Councils (in case of municipal / regional projects). 	<p>PPP-specific legislation is already adopted.</p>
<p>The same applies to concession agreement approvals (during commercial closing).</p>	<p>Relevant EU Directives are transposed.</p>
<p>In addition, each concession contract needs to receive a formal expert opinion by the Ministry of Finance, assessing the overall financial impacts on the PPP procurer and the country.</p>	<p>Concession Act and Public Procurement Act have been in force since June 2006.</p>
	<p>The PPP Centre within the Ministry of Finance:</p> <ul style="list-style-type: none"> acts as a knowledge centre to share best practice with other public sector bodies; and assists in organising the pre-tender stage for the main advisors.
	<p>PPP Association aimed to re-group private companies and to:</p> <ul style="list-style-type: none"> provide opinions and commentaries on new bills / directives; serve as a think-tank in the identification of new PPP fields.

Sources: World Bank, World Audit, EIU, European Commission, CIA World Fact book, PwC 2008

Drivers for current / upcoming PPP projects

- A new six-year road and railway infrastructure development programme was approved by the Government in September 2007. Total investment is expected to reach €21bn with allocation between railways and road projects split 29% and 70% respectively.
- Local public bodies are gaining more confidence in PPP schemes. Recent pilot PPPs were under the scrutiny of the Ministry of Finance and their financial assessment has been recognised as satisfactory.
- General improvement in the applicable laws (especially relating to public procurement, accounting and bankruptcy) and possible future amendments to Bankruptcy law are giving greater security to public bodies in case of default of concessionaires who own the assets during PPP concession.

EU Funding 2007-2013	
Structural fund	€17.9bn
Cohesion fund	€8.8bn
<ul style="list-style-type: none"> • EU funds will remain important for the development of transport infrastructure in the Czech Republic, contributing to over €800m per year on average. • Between 2007–2013, the total estimated amount to be distributed in the transport infrastructure will be over €6bn. • On the whole, the State Fund of Transport Infrastructure will distribute over €2.4bn per year to infrastructure projects. 	

Ongoing PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
Pardubice Regional Hospital (Healthcare)	Pardubice region	Design-build-finance-operate (DBFO) a new main hospital building and reconstruction of existing premises (30 year concession).	70	Tender started in Q1 2008
Central Military Hospital, Prague (Healthcare)	Central Military Hospital	DBFO of lodging premises for employees of hospital (240 beds), hotel (260 beds), parking site (300 spaces) and swimming pool (25 year concession).	27	Tender started in Q4 2007

Upcoming PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
D3 Motorway (Roads)	Ministry of Transport	Construction, finance and maintenance of the 30km Tabor - Bosilec section of the D3 motorway.	500	To be tendered in Q2 2008
Light rail / underground connection to the Prague airport (Urban Railways)	Ministry of Transport / City of Prague	The project is being analysed. Currently there is no public transport service to the airport except for buses.	500	n/a
Prague Underground Line D (Urban Railways)	Ministry of Transport / City of Prague	The project is under consideration.	n/a	n/a
Justice court, Ústí nad Labem (Government buildings)	Ministry of Justice	DBFO of a court house in Ústí nad Labem (northwest Bohemia, close to the German border).	40	To be tendered in Q2 2008
Guarded Prison, Rapotice (Prisons)	Ministry of Justice	DBFO of new male only prison (25 year concession).	40	To be tendered in Q2 2008
Ostrava Football Stadium (Sport & Leisure)	City of Ostrava	Build-finance-operate (BFO) of a new 30,000 capacity football stadium in Ostrava.	80	Expected to be tendered in Q3-4 2008
Prague airport privatisation (Airports)	Ministry of Transport	New runway is to be built by new owner. Not traditional PPP, but a traditional commercial development.	n/a	Tender expected to start in Q3 2008

Hungary



General Information		Political / Investor climate	
Area - km sq	93,030	Investor Protection Index (0-worst, 10-best)	4.3
GDP at PPP \$bn (2007e)	191.3	Democracy Rank (1-best, 150-worst)	24
Real GDP growth % (2003-2007)	3.7	Corruption Rank (1-best, 150-worst)	29
GDP per head at PPP US\$ (2007e)	19,213	After a period of relatively high GDP growth, loose fiscal policy led to serious macroeconomic imbalances, resulting in a subsequent slowdown of the growth of the economy. Foreign direct investment still remains at relatively high levels.	
Population – millions (2008e)	9.9		
Labour force – millions (2007e)	4.2		
Unemployment rate % (2007e)	7.1		

Overview of the current state of infrastructure

The 170,000km road network (out of which 30,000km is centrally operated), as well as the 7,500km rail network, are in poor condition, as a result of underinvestment in maintenance. The motorway network has been developed at an accelerated pace for the last eight years, both in traditional procurement and PPP structures. Currently, besides the development of the ring-road around Budapest, no major new motorway project is expected. The quality of the road and rail infrastructure is seen as a major impediment to an efficient transport system.

Physical infrastructure in other public services (e.g. health care, education, sport and leisure) also lags behind the expectations of the public and hinders the provision of efficient and satisfactory public services. Hungary has also seen a major PPP program encompassing 100 small projects to build new, and refurbish the existing, educational facilities and accommodation at Hungarian universities and high schools.

Generic approval process for PPP projects	Legal / regulatory framework for PPP
As a result of merging the PPP Centre as part of a number of ministries, currently the key roles in governing PPPs rest within relevant areas in various ministries.	There is no special PPP legislation, but relevant acts and decrees have been amended to facilitate and regulate the use of PPP structures.
The Act on Public Finances states that Parliament's approval is required for any public commitment over €200m and Government approval is required for any commitment between €40-200m.	Relevant EU directives are transposed into Hungarian law.
	The most relevant pieces of legislations are: the Act on Public Procurement and the Act on Public Finances. Large infrastructure PPPs fall under the Act on Concessions.
	The State Audit office regularly monitors the use of PPP structures, general future commitments, and monitors the progress on specific projects.

Sources: World Bank, World Audit, EIU, European Commission, CIA World Fact book, PwC 2008

Drivers for current / upcoming PPP projects

- The use of the EU funds is expected to drive projects in: rails, healthcare, urban railways and sewage sectors. Some activity is seen in the PPP-based development of regional airports.
- A major government accommodation programme is planned (currently postponed).
- Budapest municipality contemplates wider use of PPP structures.

EU Funding 2007-2013			
Structural fund	€16.7bn	Cohesion fund	€8.6bn
<ul style="list-style-type: none"> • The infrastructure development will be overwhelmingly concentrated on EU co-funded projects. 			

Ongoing PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
Two phases of the M6 road (Roads)	Ministry of Transport and Economics	The Ministry issued a call for tender for the concession of building, operating, maintaining and financing stretches of the M6 motorway in an availability payment structure.	1,000	Construction to be completed by 2010.
Győr-Pér airport development (Airports)	Local Authorities (city-hall) of Bacau city, Bacau county	Next development phases include an air cargo terminal, logistics centre and road connection to the airport. Local authorities are to sell the airport or agree on a PPP structure.	n/a	Tender is issued in 2008
Debrecen Airport sale (Airports)	Local authorities	Not traditional PPP, but a traditional commercial development.	n/a	Started in 2007

Upcoming PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
M43 road construction (Roads)	Ministry of Transport and Economics	Build, operate, finance - availability payment motorway section.	200	No final decision
FEREX, railway link between Ferihegy airport and Budapest city centre (Urban Railways)	MÁV Zrt; Ministry of Transport and Economics T	Establishing a railway link between the rapidly developing airport and the city centre, partly by utilising the existing network and the remainder by building new track.	200	Under investigation
Development of central railway station (Urban Railways)	MÁV Zrt	MÁV plans to develop four centrally located railway stations in Budapest.	n/a	In preparation
Puskás Ferenc Stadium (Leisure & Sport)	Prime Minister's Office	According to the Government's decision, the refurbishment of the largest stadium in Hungary and the surrounding area shall be carried out using a PPP structure.	n/a	No timing set, concept is under preparation
Electronic Toll System (Roads)	National Infrastructure Development	Electronic toll system to be introduced gradually for all vehicle categories and on all central roads.	360	Tendering in the H2 2008

Poland



General Information		Political / Investor climate	
Area - km sq	312,685	Investor Protection Index (0-worst, 10-best)	6.0
GDP at PPP \$bn (2007)	620.5	Democracy Rank (1-best, 150-worst)	29
Real GDP growth % (2003-2007)	5.1	Corruption Rank (1-best, 150-worst)	46
GDP per head at PPP US\$ (2007)	16,277	Poland has been experiencing strong economic growth of over 5% GDP, fuelled by strong exports, industrial production and investments. Relatively low labour costs and easy access to workforce make the country an attractive investment destination.	
Population – millions (2008e)	38.5		
Labour force – millions (2007e)	17.0		
Unemployment rate % (2007e)	12.8		

Overview of the current state of infrastructure

The roads network consists of over 380,000km of which almost 5,000km is part of the Trans-European Network for Transport (TEN-T) network. The road density is deemed adequate, however substantial sections of these roads are in need of essential upgrading. By the mid of 2006, there were 674km of motorways and 267km of express roads in existence. The targeted length of motorways amounts to 2,000km, while the length of express roads will reach 5,000km.

The length of railway network in Poland amounts to 20,000km, however only 7,000km is in satisfactory technical condition. The remainder requires major repair work. Due to poor technical condition, the allowed maximum speed is less than 120km/hr on 80% of the railway sections. A new high-speed railway connecting Western Poland with the capital is planned to be finished by 2020.

Generic approval process for PPP projects	Legal / regulatory framework for PPP
Approval from the Minister of Finance is required to conclude a PPP agreement if the project is subsidised by the state.	Specific PPP legislation was adopted in 2006, however amendments are currently being considered.
Motorway concession projects require the approval by the Minister of Transport.	Relevant EU directives are transposed into Polish law.
Motorway PPP projects fall under specific legislation (Motorway Act for Tolleed Motorways), enacted in 1994/1995.	There is a draft Concessions Act prepared by the Ministry of Infrastructure. A separate act is in force which regulates financing of the roads' concessions.
	There is no PPP Centre, however this is in the process of being created.

Sources: World Bank, World Audit, EIU, European Commission, CIA World Fact book, PwC 2008

Drivers for current / upcoming PPP projects

- A shortage and inadequate state of infrastructure (eg. transport, health, housing), coupled with insufficient public funds available.
- Desire from the public sector to outsource some of the projects perceived as less strategic (eg. sports stadia, urban housing).

EU Funding 2007-2013	
Structural fund	€45.1bn
Cohesion fund	€22.2bn
<ul style="list-style-type: none"> • EU funds will remain the main source of infrastructure financing, with more than €23bn allocated for transport infrastructure. • 60% of the resources allocated for infrastructure development will be spent on roads and 22% on railway infrastructure. 	

Ongoing PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
A2 Motorway, Nowy Tomyśl-Świecko (Roads)	General Directorate for National Roads and Motorways	Negotiations regarding commercial and financial aspects expected to close Q3 2008 (for Nowy Tomyśl-Świecko Section).	n/a	2008
A2 Motorway Stryków-Konotopa (Roads)	General Directorate for National Roads and Motorways	Restricted tender (2nd stage) – bids received.	n/a	2009
A1 Motorway Nowe Marzy -Toruń (Roads)	General Directorate for National Roads and Motorways	Negotiations regarding commercial and financial aspects expected to close Q3 2008 (for Nowe Marzy-Toru section).	n/a	2008
A1 Motorway, Stryków-Pyrzowice (Roads)	General Directorate for National Roads and Motorways	Restricted tender (second stage) – deadline postponed.	n/a	2009

Upcoming PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
Municipal investments (framework contract various)	The City of Warsaw	The City of Warsaw plans to implement infrastructure projects jointly with private partners in the following areas: healthcare, sports infrastructure, revitalisation of the city's architecture, waste management.	n/a	2008 - 2012
Revitalisation of Railway station in Katowice (Urban Railways)	PKP Polish Railways	Urban regeneration of the railway station in Katowice. Potential private investors will build and operate a commercial centre in the railway station area.	250	Project in procurement – likely realisation of project in 2011
High Speed Train Line (Urban Railways)	Polish Railways	Construction of new high speed railway, connecting Western Poland with the country's capital. Not a classic PPP, but private sector involvement analysed.	4,000	Project in preparation phase – likely to be operational in 2020
Okecie Airport in Warsaw (Airports)	Polish authorities	Needs €64m for extension and modernization of airport infrastructure, mainly the Etiuda terminal. Not traditional PPP, but a traditional commercial development. Initial Public Offering is also considered.	64	2008
Lawica Airport in Poznan (Airports)	Polish authorities	Investment needs for terminal and apron extension, renovation and lengthening of the runway, as well as extension of the navigation infrastructure. Not traditional PPP, the procurement method yet to be defined.	n/a	2008
Strachowice airport in Wroclaw (Airports)	Polish authorities	Investment need of €71m for extension and modernization of airport infrastructure. Not traditional PPP, but a traditional commercial development.	71	2008
Rebiechowo airport in Gdansk (Airports)		Project aiming to expand the passenger terminal in order to increase the airport's capacity. Not traditional PPP, but a traditional commercial development.	n/a	
Pyrzowice airport, in Katowice (Airports)		Investment need of €50m for development of new passenger terminal. The master plan is being developed. Not traditional PPP, but a traditional commercial development.	50	n/a

Romania



General Information		Political / Investor climate	
Area - km sq	237,500	Investor Protection Index (0-worst, 10-best)	6.0
GDP at PPP \$bn (2007e)	250.0	Democracy Rank (1-best, 150-worst)	50
Real GDP growth % (2003-2007)	6.3	Corruption Rank (1-best, 150-worst)	54
GDP per head at PPP US\$ (2007e)	11,351	Romania is currently the second largest beneficiary of foreign direct investment in South-Eastern Europe. The country has grown to become one of the most attractive business destinations in the region after it introduced reforms and changed its taxation regime.	
Population – millions (2008e)	22.2		
Labour force – millions (2007e)	9.4		
Unemployment rate % (2007e)	4.1		

Overview of the current state of infrastructure

The Romanian infrastructure (roads, ports, airports and railways) is in overall need of modernisation and development works due to underinvestment for the last three decades.

During Romania's process of transition towards market economy, the transport sector was restructured in response to: the decline in the heavy industry, the re-orientation towards international trade, the elimination of regulatory restrictions to road freight traffic, the privatisation of road hauliers and the progressive alignment to market conditions, the restructuring of state-owned transport undertakings and the rapid increase in personal car ownership. This restructuring resulted in an overall decline of rail transport, and an increase in the roads sector.

Generic approval process for PPP projects	Legal / regulatory framework for PPP
Approval required by relevant state institution or public authority at central, regional or local level in accordance with the public procurement law.	PPPs are regarded as concession contracts for public works and services, and covered by law relating to public procurement contracts, public works concession contracts and services concession contracts (June 2006) and by secondary legislation for concessions (February 2007).
Regulations and monitoring carried out by the National Authority for Regulating and Monitoring Public Procurement.	Relevant EU directives are transposed into Romanian law.
	<p>There is a PPP Central Unit within the Ministry of Finance, which:</p> <ul style="list-style-type: none"> • Acts as a knowledge centre to share best practices and experiences with public authorities and other public sector bodies. • Promotes PPPs across ministries and municipalities. <p>There are also PPP Units within the Ministry of Transportation and other public authorities, overseeing the procedures and implementation of projects.</p>

Sources: World Bank, World Audit, EIU, European Commission, CIA World Fact book, PwC 2008

Drivers for current / upcoming PPP projects

- Need for significant investment around the development and modernisation of infrastructure.
- Lack of sufficient budgetary resources to fund major infrastructure investments.
- Availability of EU funds for 2007-2013 for hybrid PPP projects.

EU Funding 2007-2013	
Structural fund	€13.1bn
Cohesion fund	€6.6bn
<ul style="list-style-type: none"> • Out of the €20bn anticipated EU funds, approximately €4.6bn will be allocated to the transport sector. • The Romanian Ministry of the Environment and Water Management plans to manage an additional €4bn of EU funds to bring Romania's environmental standards in line with West European ones. The majority of the funds will be invested in waste management and rehabilitation of the water infrastructure. 	

Ongoing PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
Sanandrei wastewater (Water & waste)	Local Authorities (town-hall) of Sanandrei, Timis county	Waste water infrastructure development in the cities of Sanandrei and Carani Covaci.	11	2008 -2012
Bacau airport modernisation (Airports)	Local Authorities (city-hall) of Bacau city, Bacau county	Modernisation of the Bacau airport. The tender for selection of suitable concessionaire is expected in May 2009.	44	2008-2010
Comarnic-Braşov highway (Roads)	Romanian National Company of Motorways and National Roads (CNADNR)	Twelve tenders have been already submitted for the competitive dialogue procedure relating to the concession contract.	995	2008-2011

Upcoming PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
Sibiu-Pitesti highway (Roads)	CNADNR	The length of the concession highway will be around 120km. The concessionaire is expected to be selected at the end of 2008. The feasibility study is under development.	1,260	2009-2012
Brasov-Ploiesti highway (Roads)	CNADNR	The length of the concession highway will be around 111km.	2,051	2009-2013
Focsani – Bacau highway (Roads)	CNADNR	No further details about the project have been announced as yet.	n/a	n/a
Targu Mures- Iasi highway (Roads)	CNADNR	The length of the concession highway will be around 300km.	1,050	2009-2013
Bucharest ring-road (Roads)	CNADNR	The length of the concession highway will be around 164km.	1,000	2009-2013
Iasi airport modernisation (Airports)	Local Authorities (city-hall) of Iasi city, Iasi county	No further details about the project have been announced as yet.	n/a	n/a
Suceava airport modernisation (Airports)	Local Authorities (city-hall) of Suceava city, Suceava county	No further details about the project have been announced as yet.	n/a	n/a
Henri Coanda (former Otopeni) Airport in Bucharest (Airports)	Romanian authorities	Requires modernization, including an extension of the passengers' terminal and the construction of the parking platforms for the airships. Not traditional PPP, but a traditional commercial development.	n/a	n/a
Aurel Vlaicu (former Baneasa) Airport in Bucharest (Airports)	Romanian authorities	Not traditional PPP, but a traditional commercial development.	n/a	n/a
Arad Airport (Airports)	Romanian authorities	Procurement form yet to be defined. Requires modernization and extension of runway and an upgrade of the passenger terminal.	n/a	2008-2012
Braila Airport (Airports)	Romanian authorities	Construction of the completely new airport to be financed by private sources.	300	2008

Slovakia



General Information		Political / Investor climate	
Area - km sq	48,845	Investor Protection Index (0-worst, 10-best)	4.7
GDP at PPP \$bn (2006e)	95.8	Democracy Rank (1-best, 150-worst)	27
Real GDP growth % (2002-2006)	6.0	Corruption Rank (1-best, 150-worst)	37
GDP per head at PPP US\$ (2006e)	17,580	With strong GDP growth over recent years, lower than EU-average inflation, strong ratings from major agencies, Slovakia is economically one of the top performers in the region.	
Population – millions (2008e)	5.4		
Labour force – millions (2007e)	2.7		
Unemployment rate % (2007e)	8.6		

Overview of the current state of infrastructure

Slovakia's road network consists of 43,000km of roads, out of which 37,533km are paved. 327km of the roads are motorways and 105km are expressways. There are plans to build additional 690km of motorway and 1,181km of expressway infrastructure.

Slovakia has approximately 3,660km of railway tracks in operation, of which 3,510km are standard gauge and 150km other gauge. Of the total rail network, 42.5% is electrified.

The main priority for Slovakia is to modernise its infrastructure, in line with the Trans-European Network for Transport (TEN-T) network development programme.

Generic approval process for PPP projects	Legal / regulatory framework for PPP
<p>PPP projects are subject to a general procurement regulation and:</p> <ul style="list-style-type: none"> reviews of risks and budgetary implications by the Ministry of Finance; reviews of the outline business case by the Ministry of Finance and approval by the government at central level; legal limitations based on budgetary rules for municipalities. 	<p>There is general public procurement law in place - but not specific PPP legislation.</p>
	<p>Dedicated PPP units exist within the Ministry of Finance.</p>
	<p>The relevant EU Directives are already transposed into Slovak law.</p>
	<p>PPP Association groups private companies and:</p> <ul style="list-style-type: none"> provides opinions and commentaries on new Bills / Directives; serves as a think-tank in the identification of new PPP fields.
	<p>Review of the regulatory framework and appropriate changes in legislation are currently underway, driven by the PPP units as part of the Ministry of Finance.</p>

Sources: World Bank, World Audit, EIU, European Commission, CIA World Fact book, PwC 2008

Drivers for current / upcoming PPP projects

- The main driver for current infrastructure projects is a need to finalize the main highway cross-country connection.
- A need to build infrastructure for the forthcoming Ice-hockey World Championship and build a new football stadium.
- Efficiency as a driver towards shared offices of central administration and public media.

EU Funding 2007-2013			
Structural fund	€7.7bn	Cohesion fund	€3.9bn
<ul style="list-style-type: none"> • Over the next few years, EU funds will contribute on average over €550m per year, representing an important source for funding of upcoming projects. • The total anticipated amount to be distributed in transport infrastructure will be over €3.8bn between 2007-2013. 			

Ongoing PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
E-toll (Roads)	National Highway Company	Design-build-finance-operate (DBFO) of electronic toll system for highways.	300	Tender closed
D1 highway (Roads)	The Ministry of Transport	Under the planned Concession Agreement (to be concluded by November 2008), the selected concessionaire will DBFO 75km of highways during a 30 year period, aimed to improve road access to Northern and Eastern Slovakia and improve road capacity within these regions.	n/a	Tender underway
R1 expressway (Roads)	The Ministry of Transport	DBFO project for 51km of express ways, aimed to improve road connectivity between Western and Central Slovakia and resolve the critical road situation in one of the largest Slovak cities - Banska Bystrica (Central Slovakia).	n/a	Tender underway

Upcoming PPP projects				
Project (sector)	Procurer	Project details	Project size (€m)	Likely timetable
D1 part 2 (Roads)	Ministry of Transport	DBFO project of 24km of highways, mainly tunnels. Once completed, new highway tunnels will enable transit traffic to by-pass the industrially developed and overloaded city of Zilina in Northern Slovakia. It will also connect Southern parts of already constructed D1 highway with new planned sections of Northern parts of D1 and improve road capacity in Northern Slovakia. The project is currently in the planning phase. Publication of the contract notice is expected in May 2008.	n/a	Start in H1 2008
Ice Hockey Stadium (Sport & Leisure)	Ministry of Education / Ice Hockey Union	DBFO project (30 years) involving construction of National Hockey Stadium in Bratislava, to be used primarily for the Ice Hockey World Championship in 2011. Feasibility study should be conducted in 2008 followed by the start of public procurement process.	90	Start in H2 2008
Public Media Complex (Sport & Leisure)	n/a	Under discussion – relating to the merger of the headquarters of public TV and radio.	n/a	n/a
Joint Government Offices (Gov. buildings)	n/a	Under discussion - joint offices for selected ministries.	n/a	n/a
“Bird-Valley” Theme Park (Sport & Leisure)	VUC Presov (Regional government)	Regional government of Presov region plans to partner with Dutch company Darc Leisure to build a new theme park stretching across 400ha, located in the region of Eastern Slovakia, close to Ukrainian, Hungarian and Polish borders.	130	Start in H2 2009
Football Stadium (Sport & Leisure)	n/a	Under discussion.	n/a	n/a

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