



SEETO PPP WORKSHOP  
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## **ALTERNATIVE TYPES OF PPP**

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## Introduction (1/2)

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- Public projects: Ownership, construction, operation, maintenance in the hands of the public sector



Any intermediate arrangements may constitute a Private Public Partnership or PPP



- Private projects: Ownership, construction, operation, maintenance in the hands of the private sector



## Introduction (2/2)

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The evolution from public projects to private projects relates to the sharing of ownership, of construction and of the management and execution of operations and maintenance. According to World Bank, this evolution is as follows:

1. Works and services contract
2. Management and maintenance contract
3. Operation and maintenance concessions
4. Build operate transfer concessions
5. Full privatisation

The parameters to be considered in above schemes are:

scope, autonomy, pooling strategy, risk sharing, cost recovery, finance



# 1. Works and Services Contract

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- Fully Public Contracts for Design, Construction, Maintenance
- Operation by public sector
- All revenues and expenses for Public Sector



## 2. Management and Maintenance Contracts

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- Quantity based Maintenance Contracts  
Public assignment of contract for maintenance  
Remuneration according to performed quantity which is supervised / verified by P.S.
- Performance contracts  
More freedom to contractor  
Remuneration according to agreed performance (quantity, quality, time) verified by P.S.
- Management contracts  
All activities relating to operating and maintaining the infrastructure contracted out against a fee. P.S. verifies and controls

Typical duration: from 1 – 5 years.



### 3. Operation and Maintenance Concessions

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- Transfer the operation and maintenance of an existing road to a private concern, against allowing him to collect tolls.
- Therefore the concession agreement transfers traffic risk to private concern
- Agreement balances out revenues vs expenses

Typical duration: from 1 – 10 years.



## 4. Build Operate Transfer Concessions

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- Not only operation and maintenance but construction or major upgrading of infrastructure is transferred to private concern
- Given the massive construction cost, the concession period is long
- The contract to be signed has to take into consideration several risks and their proper sharing between P.S. + P.C. This is a critical success factor
- Ownership of infrastructure transferred to P.S. at the end of concession period.

Typical duration: 15 – 40 years, depending on type of infrastructure



## 4. Alternative BOT Schemes (continued)

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BOT: Build – Operate – Transfer

BOO: Build – Own – Operate

BTO: Build – Transfer – Operate

BOOT: Build – Own – Operate – Transfer

BLT: Build – Lease – Transfer

Back-to-back BOT Concession: Provides revenues from existing infrastructure as start up revenues and additional revenue streams for the implementation of a new project.





## 5. Full Privatisation

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- Tolled infrastructure as corporation  
Applies to roads, ports and sometimes to airports and railways (USA)
- Fully private or semi-public corporations set up to develop and operate a specific infrastructure or even a good revenue stream proving financial capability

Italy: Autostrade

France: Autoroutes de France

Cofiroute

2 international tunnel companies

USA, Japan



## 6. Criteria for Choice

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- Coherence of the project with main objectives of infrastructure sector (roads, ports, airports, RW)
  - construction, rehabilitation, maintenance or their combination
  - single infrastructure, network of infrastructure, system approach (market)
  - technical and functional characteristics of infrastructure
  
- Capacity of private sector:
  - contractors, consultants
  - banks, financiers
  
- Country environment
  - political and financial stability
  - legal framework exists – institutions are set up
  - policy for the infrastructure sector is established after detailed study / scrutinisation