

PPP Project "Kekava Bypass"

Kekava Bypass is the first Public-Private Partnership (PPP) project in Latvia, which includes designing, construction and maintenance of a bypass on E67/A7, where A7 is part of Trans-European Transport Network (TEN-T) and Via Baltica.

The project is expected to carry significant impact in both areas: to improve traffic flow by constructing the Bypass and to give an incentive for other PPP projects of various scale in Latvia.



General information on project

- Kekava Bypass E67/A7, part of Via Baltica E67
- Total length of the road: 17.5 km of which -
 - New road construction: 14.4 km
 - Existing road reconstruction: 3.1 km
 - 4-lane road: 11.1 km
 - 2-lane road: 6.4 km
- CAPEX: expected from EUR 80-100mill



Why PPP?

- Mutual financial benefits
- Optimal cost-effective risk distribution
- High quality road construction within the desired timeframe
- Innovative management and technologies
- Growth of industry enterprises

PPP Model

- Construction period: 2-3 years
- Maintenance period: 20 years
- PPP model: DBFM (*Design Build Finance Maintain*)
- Risk allocation to meet off-balance sheet treatment
- Type of procurement procedure: tender procedure with negotiations

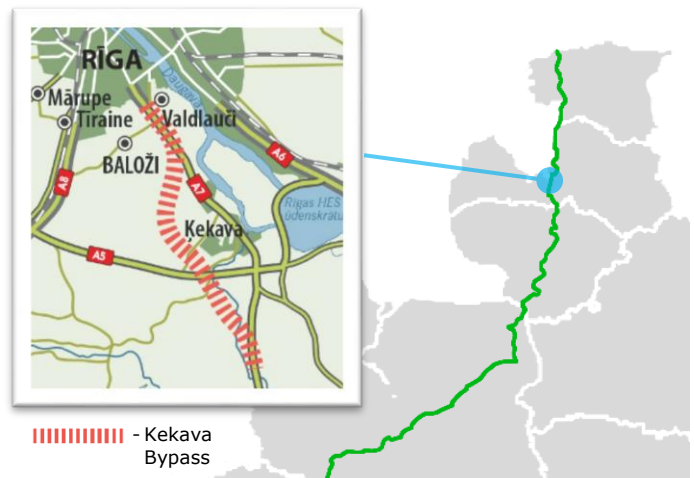


Necessity and socio-economic impact of the Bypass

- Savings on value of time (increased average traffic speed)
- Economic benefits for traffic participants (savings on gas consumption, savings on vehicle operating cost)
- Reduction of risks related to road accidents



Location and scheme



Environmental Impact Assessment (EIA)

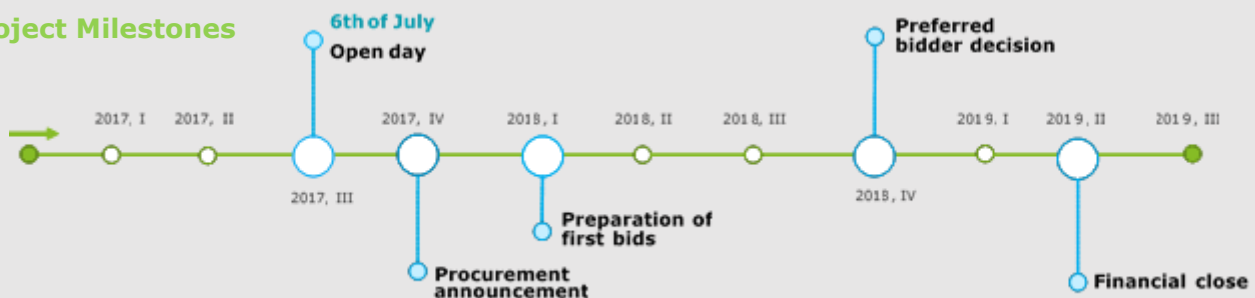
- EIA has been completed and approved by the relevant authorities.



Land acquisition

- Property rights to the land or consents of land owners are mandatory prerequisites to issue the construction permit. The Latvian State Roads will perform land acquisition.

Project Milestones





Identified risks and risk allocation

Key risks and critical aspects identified will be: either allocated to private sector, public sector, or shared between the both sectors in line with terms stipulated in the agreement. Risk allocation and sharing will be designed in the way to meet off-balance sheet treatment, where construction and demand or availability risk is allocated to Private partner.



Procurement process

Description	Tender procedure with negotiations
Timeframe for selection of candidates for proposal submission	Min 30 days
Minimum number of candidates to be invited to submit proposals	3
If only one candidate corresponds to the requirements / criteria	Procedure must be discontinued
Initial proposal submission timeframe	Min 30 days*
Invitation is sent	To all corresponding candidates
Content of negotiation phase	The goal of the negotiation is to improve the content of the proposal (except final submissions) Negotiations are not carried out regarding the minimum requirements and proposed award criteria
Decision regarding the winning bidder without negotiation procedure	Possible
Negotiations regarding PPP contract non-essential conditions after making decision of approval of the winning bidder	Not possible
Harmonizing of procurement procedure documentation with CFLA	Before initiating the procurement procedure
Award criteria	Economically most favourable quote (combination of price, project management, technical quality and integral design quality)

*Minimum timeframe can be 10 days, if the mentioned conditions of Cabinet Regulations No 107, 28.02.2017 have been accounted for.



Traffic intensity information

- Existing E67/A7 section Riga-Kekava has one of the highest traffic intensities in Latvia, where the traffic intensity reaches 17 000 motor vehicles per day (24 hours)
- In this particular road section the traffic intensity is three times higher than the designed capacity
- In Latvia, the highest traffic intensity is located around Riga City, therefore all incoming roads have more than one lane, however, A7 section is the only road with only one lane in each direction.



Qualification requirements for participation

Range	Requirements
ECONOMIC, FINANCIAL	<ul style="list-style-type: none"> Average turnover from construction works Requirement for equity capital level Ability to finance the project (support letter) General working capital, liquidity, profitability and solvency ratio
TECHNICAL, PROFESSIONAL	<ul style="list-style-type: none"> Experience of construction in similar infrastructure (roads, other transport-related structures) <ul style="list-style-type: none"> Roads of a national significance (freeways, highways, regional) Annual average daily traffic volume Experience of designing road infrastructure (main state roads or regional roads without weight limitation or equivalent roads abroad) Long-term road maintenance capacity <ul style="list-style-type: none"> Road type Term of maintenance Annual average daily traffic volume Capacity of professional staff in the above stated projects



Requirements for financing plan

The bidders will be required to submit the documentation that follows specific requirements:

- Finance Plan – explaining financial structure, financing sources and availability, including the preliminary term sheets
- Financial Model – a working model in an Excel format. In detail, the financial model should include the following aspects: Inputs (Capex, Opex, Equity cost, Other costs, Indexation), Outputs (Financial statements)

Finance Plan and Financial Model is expected to be prepared for the whole project life.

Envisioned financial structure:

- D/E ratio: 90/10
- Interest on senior debt: up to 3%
- Expected IRR: up to 15%



Potential financing

- Shareholder equity/ sub-debt: up to 10%
- EIB loan (up to 50% senior debt): up to 45%
- NIB loan (up to 50% senior debt): up to 45%
- Other