



Milot-Morine PPP, Albania

Investor Teaser



January 2016

Content

- **Background**
- Project Scope
- Project Structure
- Traffic and Tolls
- Macroeconomic Conditions & Regulatory Framework
- Timeline & Contact Details



Background

- Ministry of Transport and Infrastructure of Albania (MTI) has decided to re-tender the concession of the road between Milot and Morine (the Project)
- The Project comprises three ***brownfield*** sections of various standards
- IFC is acting as MTI's lead advisor for the Project and its scope of work includes the following activities:
 - Comprehensive assessment of the Project (technical, legal, financial and environmental due diligence)
 - » IFC's technical advisors are Planet and Egnatia Odos (Greece)
 - » IFC's legal advisor is CMS (UK)
 - Structuring of the PPP transaction
 - Drafting of the tender documents, including the Concession Agreement
 - Marketing of the Project to investors and lenders
 - Negotiations with investors
 - Implementation of the tender process



History and Grantor's Objectives

- The very first tender for the Project was held between 2011 and 2013
 - The tender resulted in no bids being submitted in April 2013
 - In 2014, MTI decided to re-structure the Project and launch a new tender
 - » Key re-structuring feature: lowering concessionaire's capital investment obligations
- The second tender resulted in two bids being submitted in Nov. 2015
 - Both financial offers exceeded expectations of MTI and were rejected
 - MTI has decided to re-tender the Project
- MTI's Key Objectives for the re-tender include:
 - Affordability for users
 - Achieving a proper level of public sector contributions (i.e. Subsidies)
 - Gradual improvement of geotechnical conditions on the road
 - Preservation of the road's condition and provision of quality services to users



Regional Perspective

- Several O&M concessions could materialize in the immediate region in the next few years
 - Milot-Morine in Albania (114km)
 - » Subject of the present 'teaser'
 - Miladinovci-Blace-Tetovo-Ohrid in Macedonia (190km)
 - » Existing motorway (90km) plus greenfield construction
 - Vërmicë-Pristina in Kosovo (103km)
 - » Recently completed 'full profile' motorway, likely to be offered for O&M concession
 - Pristina-Elez Han in Kosovo (65km)
 - » Motorway under construction, scheduled completion in 2017, likely to be offered for O&M concession
- Opportunity for creating a network of motorway concessions in the Southern Balkans region over 470km long



Regional Perspective



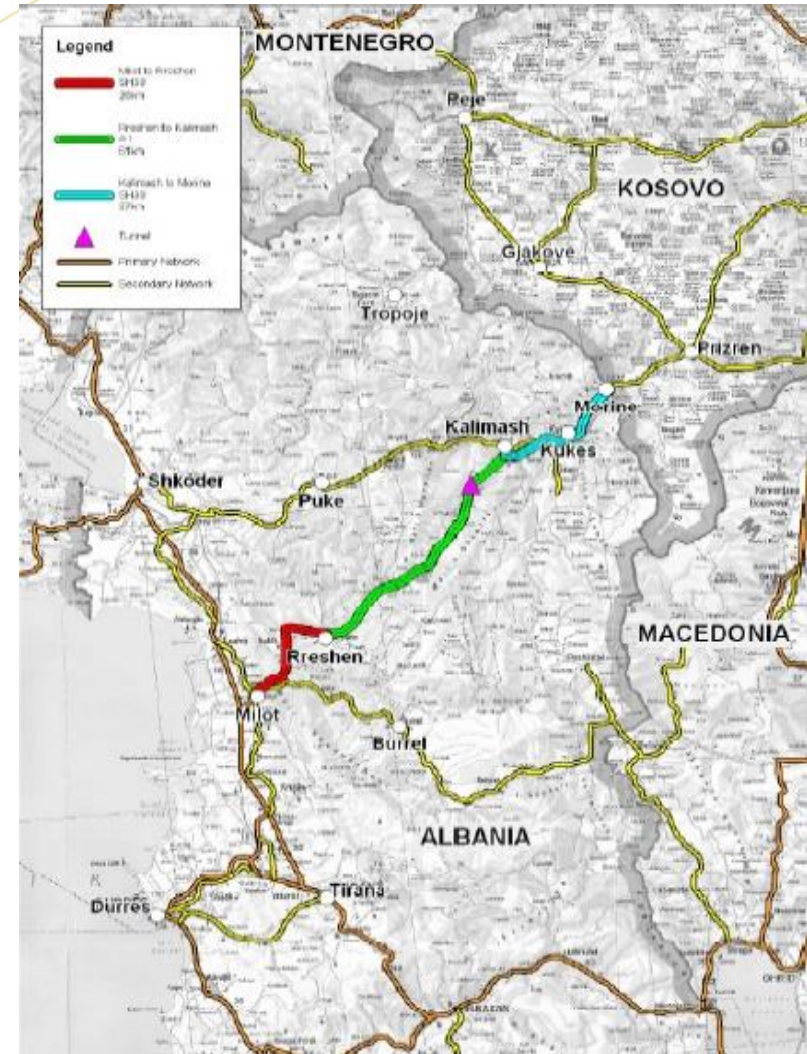
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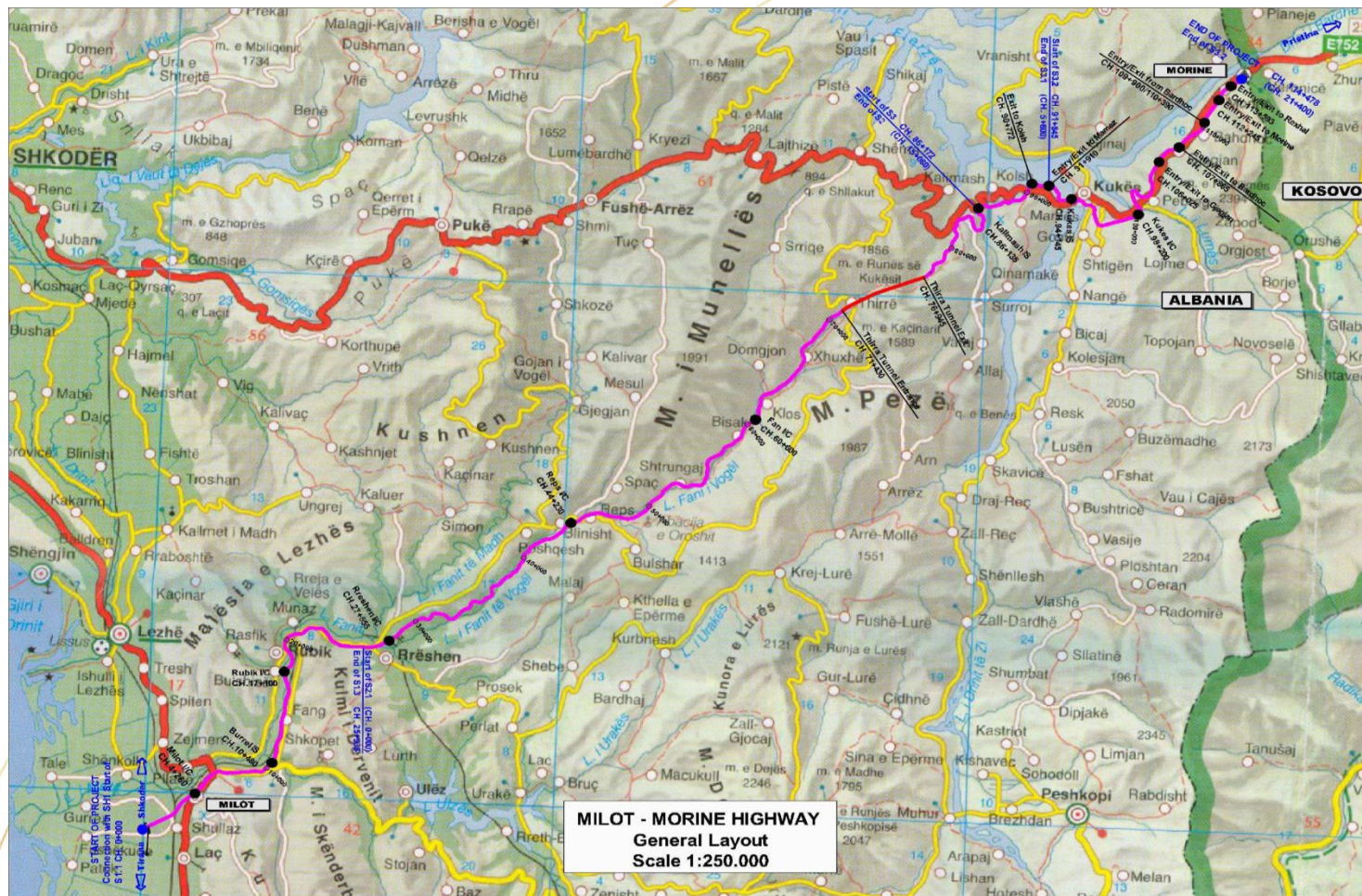


Project Snapshot

- Existing highway of varying standards
- Length – 114.5km
- Concessionaire must upgrade the road, then operate and maintain it as a tolled highway
- Capital investment estimated at around €46M
- 30 year concession term
- Traffic risk will be shared
 - Concessionaire will collect tolls & keep toll revenue
 - MTI will provide a minimum revenue guarantee
- Toll rate will be set at €5 for passenger vehicles, including VAT
- Bidding Criterion will be the lowest Subsidy payable by MTI



General Layout



Description of the Sections

ID	Abbreviation	Description	Length km	Contractor	Construction period	Remarks
1	S1	Milot - Rreshen	26,00			2-lane highway. World Bank funded
2	S1.1	Fushë – Milot – Skuraj Junction	9,00	Main: SCT d.d Ljubljana (SL) Sub: ARIFI (AL)	16/02/2007 - 30/09/2009	Lot 1-Contract duration 24 months Supervisor EgisRoute
3	S1.2	Skuraj Junction - Rubik	9,00	Main: SCT d.d Ljubljana (SL) Sub: KIRCHBERGER (AL)	26/11/2007 - 30/09/2009	Lot 2-Contract duration 18 months Supervisor EgisRoute
4	S1.3	Rubik – Rreshen	8,00	Main: CGP d.d Ljubljana (SL) Sub: DELIAH GROUP (AL)	Concluded Sept 2010	Lot 3-Contract duration 18 months
5		I/C with SH1 (at Fushe Milot)			Not tendered	Design exists
6		Duallization of Milot - Rreshen section			Not tendered	Design by Egis (France) is ongoing
7	S2	Rreshen - Kalimash	60,35	JV Bechtel-Enka	Apr 2007 - Jun 2009	4-lane motorway. Government funded. Completion report 10/2009 by Institut IGH, Croatia
8	S2.1	Rreshen - Repts	18,895			
9	S2.2	Repts - Thirre	26,250			
10	S2.3a	Thirre Tunnel	5,900			North tube: 5.538m (Completion 10/2010) South tube: 5.532m (Completion 05/2010)
11	S2.3b	Thirre Tunnel - Kalimash	9,300			CH 5+900 - 15+080 (9.180m)
12	S3	Kalimash - Morine	28,20			4-lane expressway, 2-lanes over some bridges. First 5,6km under construction (completion by mid 2011)
ID	Abbreviation	Description	Length km	Contractor	Construction period	Remarks
13	S3.1	Kalimash - Rexhepaj/Kukes	5,60	Albanian contractor	Take over in progress	Islamic Bank funded
14		Kukes Bridge & Tunnel				Not constructed
15	S3.2	Kukes - Morine	22,60		Concluded 2009	Different Albanian contractors - Section divided in 7 lots
16	S3.2.1	Kalimash-Kukes	2,26	Gjoka (AL)		CH: 5+604,472 - 7+869,342
17	S3.2.2	Kukes By-pass	4,06	Gjoka (AL)		CH: 7+869,342 - 9+782,494 Approximate length
18	S3.2.3	Kukes I/C - Morine Border Station	16,28			CH: 0+360,60 - 16+640,903 (chainage increases from Morine border station to Kukes)
19		Dualling of Bridges on Kukes - Morine section				Construction on-going
			Total Length =		114,55	According to the combined measurement from as-built drawings and GPS, the total length equals to 114.586 m.



Existing Condition

- 57 bridges and 5 overpasses out of which 37 dual carriageway, 16 single carriageway (all in Section 1 as well as the existing bridge over river Drini), 4 are under construction (the left carriageway, all in Section 3)
- All bridges, except the existing bridge over river Drini, are from very good to excellent structural condition
- Pavement is in good condition and has sufficient thickness for actual traffic levels
- Most of the road is expected to last for more than 35 years and only a few percent of the total alignment is expected to develop deterioration caused by traffic load within the next 20 years

Section ID	Average IRI (as of 2012)			
	Milot-Morine		Morine-Milot	
	Slow Lane	Fast Lane	Slow Lane	Fast Lane
Section 1.1	1,37		1,27	
Section 1.2	1,95		1,77	
Section 1.3	2,02		1,86	
Section 2.1	1,55	1,39	1,29	1,27
Section 2.2	1,12	1,19	1,08	1,06
Section 2.3	1,03	0,97	1,23	1,05
Section 3.1	2,03	1,94	2,04	1,97
Section 3.2	2,45	2,31	2,37	2,27



Existing Condition (Geotechnical)

- Part of the Highway passes through complex terrain characterized by numerous deep cuts and steep embankments
- Egnatia Odos carried out extensive geotechnical surveys which assessed and characterized all cuts and embankments along the Highway
- The survey concluded that there is need for immediate investment in stabilization of some of the slopes
- In addition, the Project envisions a long term geotechnical monitoring and maintenance plan, which will provide for:
 - Efficient application of emergency measures
 - Maintenance of the slopes
 - Additional preventive works as needed



Estimated Capital Investment

Investment Item	Estimated Cost, € million
New Kukes bridge	15.0
Slope stabilization works	11.3
Interchanges and junctions	6.5
Environmental protection measures	3.0
Toll plaza	2.5
Other (fencing, lighting, safety improvements)	<u>7.3</u>
Total	45.6

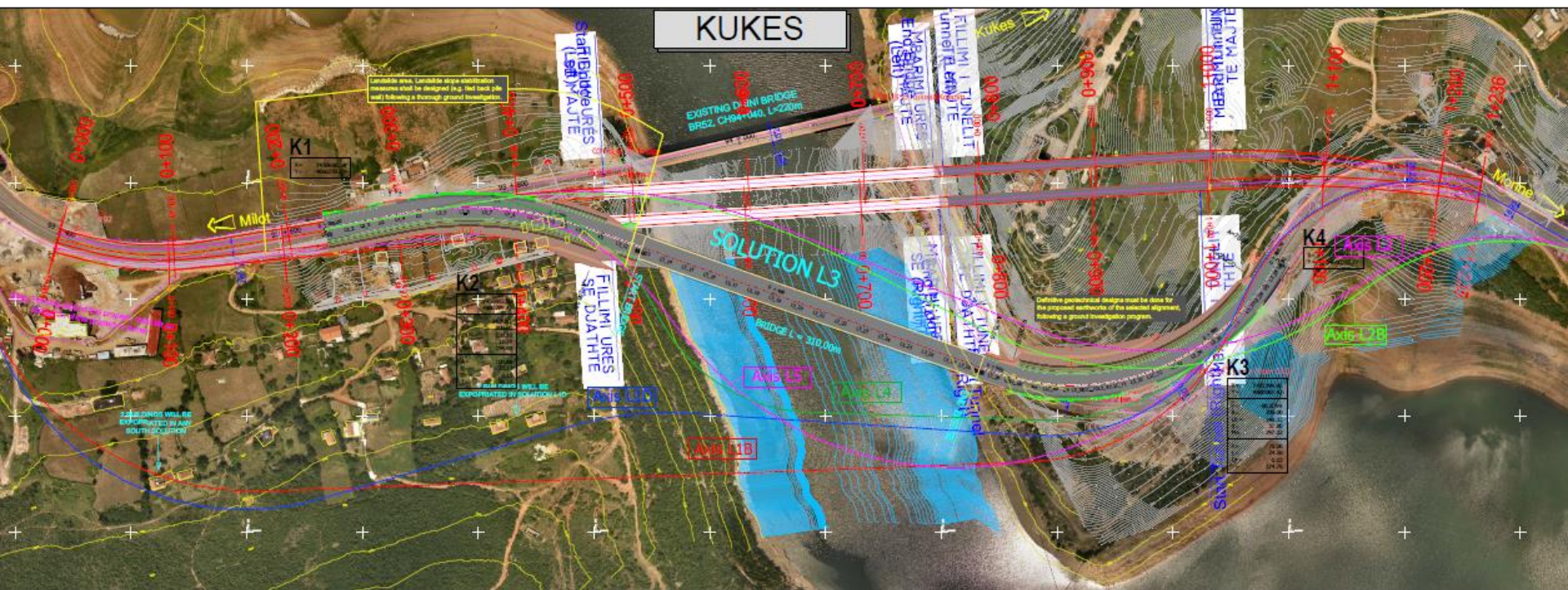


New Kukes Bridge

- Concessionaire will be responsible for constructing the new Kukes bridge by the end of year 3 of the Concession period
- Concessionaire will be responsible for preparing final detailed designs
- MTI will provide bidders with:
 - Specifications in relation to bridge alignment
 - Conceptual design
 - Relevant topographic data
- This will give bidders sufficient information to accurately estimate construction costs for the purposes of bid submission
- Land expropriation and resettlement risks will be assumed by the Contracting Authority
 - Potential expropriation required of up to 3 hectares of land
 - Potential need for resettlement of up to 5 households



New Kukes Bridge



Estimated Opex & Repex, €M (real)

O&M Item	Estimated Cost, € million
Operation and Routine Maintenance	148.5
<i>Highway Operation</i>	<i>11.0</i>
<i>Toll Plaza Operating Costs</i>	<i>27.8</i>
<i>Routine Maintenance</i>	<i>42.4</i>
<i>Winter Maintenance</i>	<i>14.9</i>
<i>Tunnel O&M</i>	<i>52.4</i>
Major Maintenance	50.8
<i>Pavement</i>	<i>22.9</i>
<i>Structures</i>	<i>11.0</i>
<i>Drainage</i>	<i>1.4</i>
<i>Tunnel (incl. E&M equipment)</i>	<i>15.5</i>



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Core Conditions of the Contract

The following 'core conditions' shall not be subject to change

1. Subject of the concession project: the road between Milot and Morine, consisting of sections Milot-Rreshen, Rreshen-Kalimash, and Kalimash-Morine.
2. Duration of the concession term: 30 years (subject to the earlier termination of the Concession Agreement in accordance with its terms).
3. Activities to be performed by the concessionaire: upgrading, financing, operating (including tolling)¹ and maintaining the Milot-Morine highway subject to a set of contractually defined performance standards.
4. Sources of concessionaire's revenue: toll revenues collected from road users, Subsidies received from MTI, and – in years when traffic falls below guaranteed levels – minimum revenue guarantee payments from MTI
5. Concession fee payable by the concessionaire: none.
6. Governing law: Concession Agreement shall be governed by the Law of the Republic of Albania.
7. Bidding criterion: lowest Subsidies requested from the Contracting Authority.

¹ Concessionaire shall provide tolling infrastructure, collect tolls and retain toll revenue.



Other Transaction Structure Elements

Key transaction structure elements¹

- Initial toll rate shall be set at €5 (incl. VAT) for passenger vehicles traveling one way.
- Bid security shall be set at €250,000.
- Government shall assume foreign exchange risk.
- Concessionaire shall have 6 months b/w signing of the Concession Agreement and achieving Financial Closing (i.e. no committed financing will be required at the time of bid submission).
- Concessionaire shall finance and construct a new bridge at Kukes.
- Concessionaire shall finance and carry out the most urgent Initial Geotechnical Works.
- Concessionaire shall be responsible for financing and constructing / implementing 'motorway improvement measures' (i.e. interchanges, lighting, fencing, safety improvements, etc.).
- Costs of repairing 'major' latent defects shall be funded by the Government.
- Dispute resolution shall be subject to arbitration by ICC in Geneva.

¹ This list is not exhaustive.



Tender Process

- A one stage tender with prequalification at the time of bid submission
- At least two 'workshops' with interested bidders (one on legal / contractual issues, one on technical issues)
- Electronic data room with project related information
- Electronic submission of bids
- Environmental and social issues shall be managed in accordance with the Equator Principles
 - An environmental & social scoping study has been prepared and shall be made available to bidders



Content

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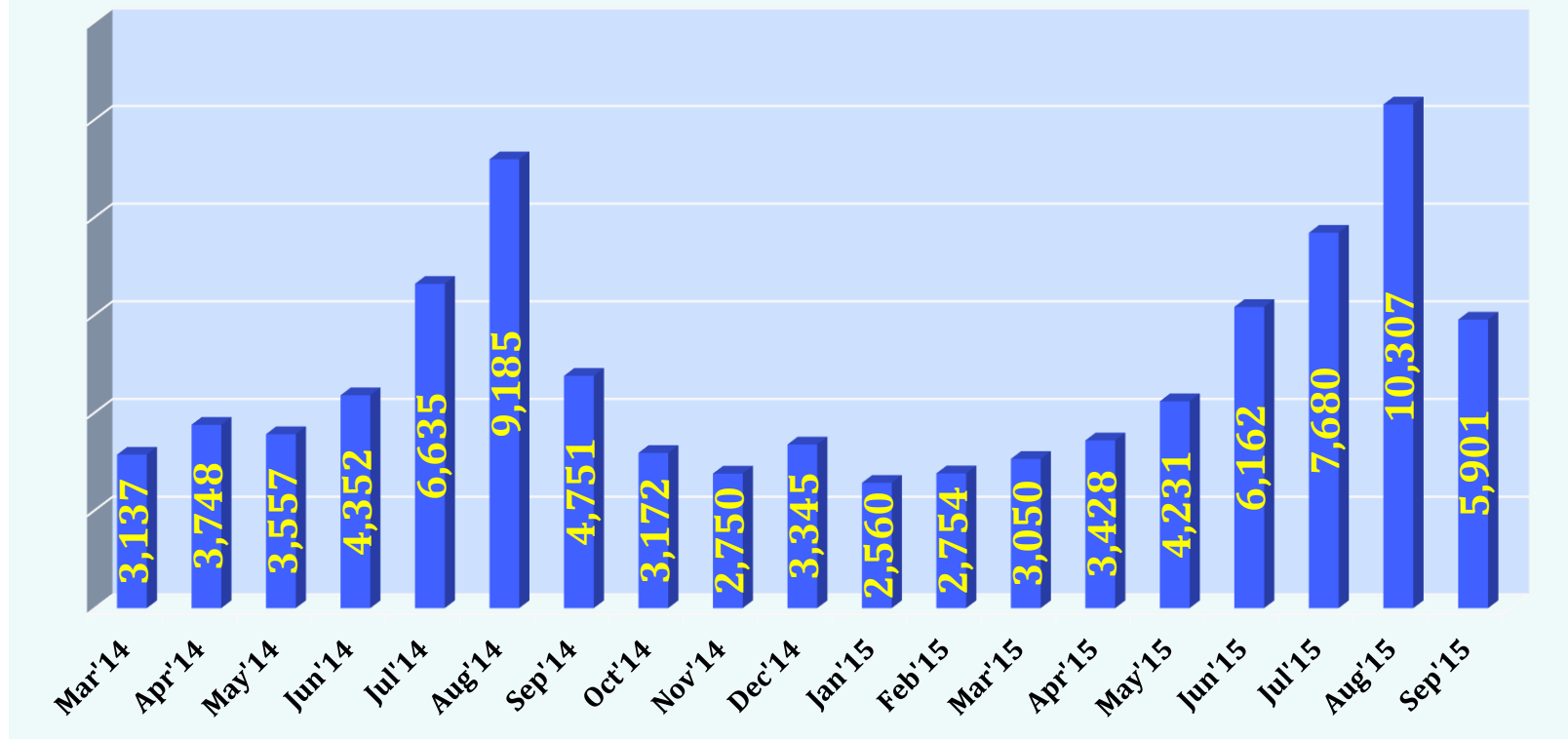
Traffic Summary

- Traffic flows are volatile with high peaks in summer months and on weekends due to leisure trips from Kosovo to Tirana / Albanian coast
- Segment 1 has the highest traffic level at around 6,400 AADT
 - Construction of a toll plaza on Segment 1 is likely to cause significant loss and/or diversion of traffic due to availability and good quality of alternative routes
- Long distance traffic from Durres/Tirana towards Kosovo is captured at the Thirra tunnel and is currently about 4,200 AADT
 - The Highway captures virtually 100% of the Durres / Tirana – Kosovo traffic and is expected to continue doing so following introduction of tolling due to high savings in Value of Time and Vehicle Operating Costs
- Willingness to Pay is relatively high due to high savings in Value of Time and Vehicle Operating Costs at the Thirra tunnel
- A new motorway from the Albania-Kosovo border to Pristina is now open to traffic (untolled for now but an O&M concession is likely)



2014-2015 Traffic Counts

ADT, Thirra Tunnel



Traffic – Existing Situation

Figure 2.2 Average Weekly Traffic Flow through Thirra Tunnel

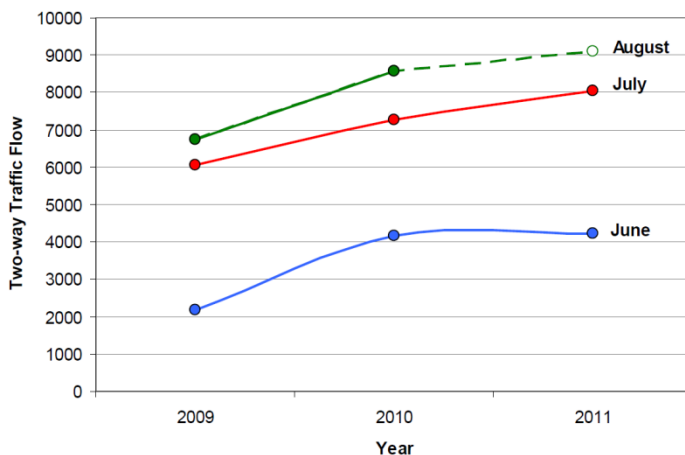


Figure 2.4 Split of Albanian Vehicles at Border

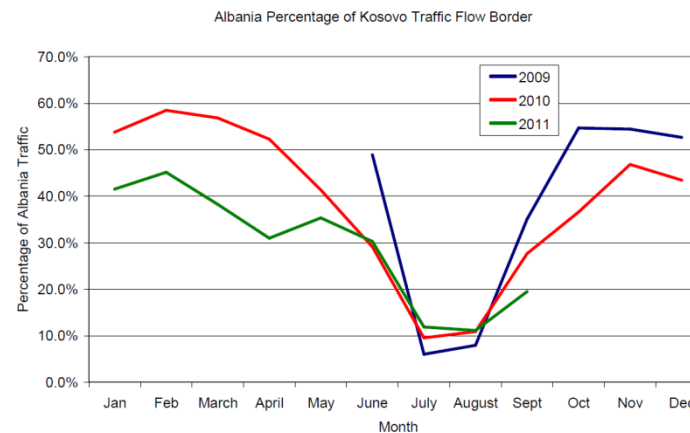


Figure 3.3 Total Daily Traffic Flows Observed through ATCs in June 2011

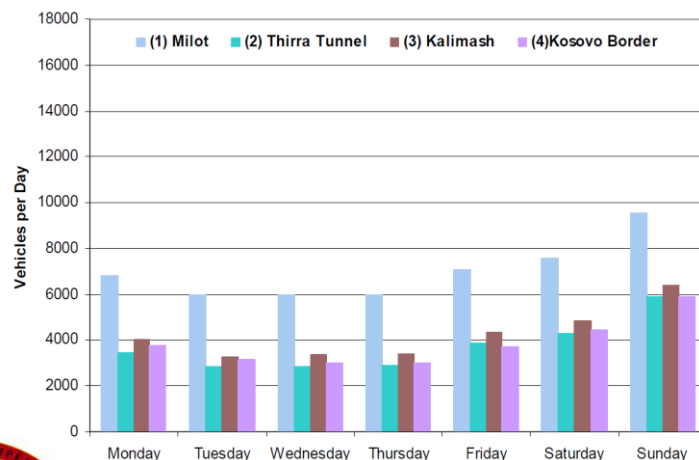
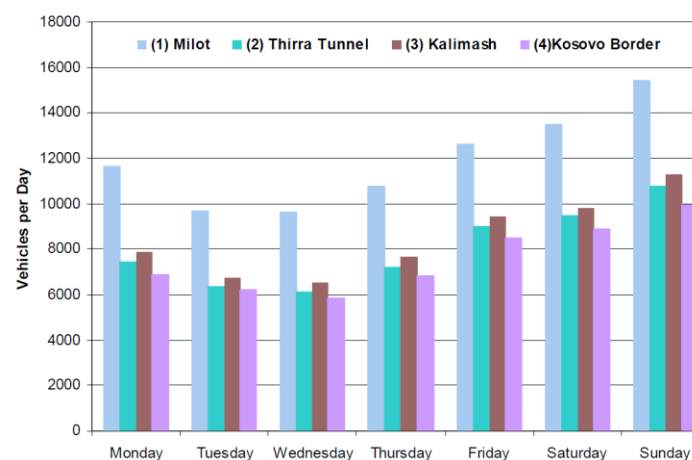


Figure 3.4 Total Daily Traffic Flows Observed through ATCs in July 2011



Traffic Composition

Vehicle Type Variation between Sites and ATC/MCPC Datasets

Site	Period	ATC			MCPC		
		Car	Truck	Other	Car	Truck	Other
(1) Milot	All traffic	73%	6%	20%	76%	9%	15%
	Weekday	74%	7%	18%	73%	10%	18%
	Weekend	87%	8%	5%	80%	8%	13%
(2) Thirra Tunnel	All traffic	80%	11%	8%	85%	6%	9%
	Weekday	78%	12%	10%	82%	7%	10%
	Weekend	88%	8%	4%	87%	5%	8%
(3) Kalimash	All traffic	78%	6%	16%	78%	10%	12%
	Weekday	74%	7%	18%	76%	11%	13%
	Weekend	87%	8%	5%	81%	7%	12%
(4) Kosovo Border	All traffic	84%	10%	6%	86%	7%	7%
	Weekday	82%	11%	7%	85%	7%	8%
	Weekend	87%	8%	5%	87%	6%	7%
Average	All traffic	79%	8%	13%	81%	8%	11%
	Weekday	77%	9%	13%	79%	9%	12%
	Weekend	87%	8%	5%	84%	7%	10%

Vehicle Occupancy by Vehicle Type

Occupancy	Car/Pickup	Bus	Truck	All Vehicles
1 person	6%	1%	37%	5%
2 people	27%	1%	33%	17%
3 people	30%	1%	6%	18%
4 people	24%	2%	2%	15%
5 people	7%	4%	0%	6%
6 people	1%	6%	0%	3%
7 people	0%	1%	0%	1%
8 people	1%	17%	0%	7%
9 people	0%	6%	0%	2%
10+ people	1%	62%	3%	23%
Unknown	3%	1%	18%	2%
Total	100%	100%	100%	100%

Journey Purpose Proportions

Journey Purpose	Proportions
Commuting	7%
Business	39%
Leisure	52%
Other	0%
Unspecified	1%
Total	100%

Trip frequency by Day and Survey Location

Vehicle Type	(1) Milot		(3) Kalimash		(4) Kosovo Border	
	Weekday	Weekend	Weekday	Weekend	Weekday	Weekend
First time	3%	2%	2%	5%	4%	2%
1-2 time per week	22%	23%	38%	8%	11%	28%
3 times per week	21%	15%	6%	14%	20%	3%
1-2 times per month	38%	37%	35%	44%	32%	45%
1-2 times per year	17%	21%	18%	27%	32%	21%
No response	0%	0%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%	100%



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GDP, Car Ownership, Population

Historical and Forecast GDP Growth Rate

	Albania	Neighboring Countries
2010	3.7%	1.5%
2011	2.5%	2.2%
2012	1.6%	-1.0%
2013	1.4%	2.4%
2014	2.1%	2.2%
2015	2.7%	2.9%
2016	3.4%	3.2%

Annual Population Growth Rates

Period	Albania	Kosovo
2001-2006	1.2%	-
2006-2011	1.1%	-
2011-2016	0.9%	0.6%
2016-2021	0.7%	0.7%
2021-2026	0.8%	0.8%
2026-2031	0.8%	0.7%
2031-2036	0.8%	0.6%
2036-2041	0.8%	0.5%
2041-2046	0.8%	0.4%
2046-2051	0.8%	0.3%

Projected Car Ownership

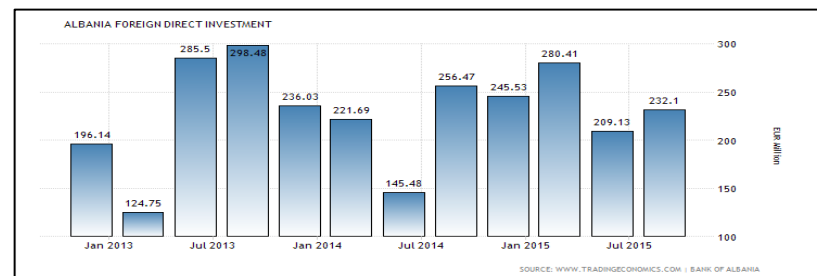
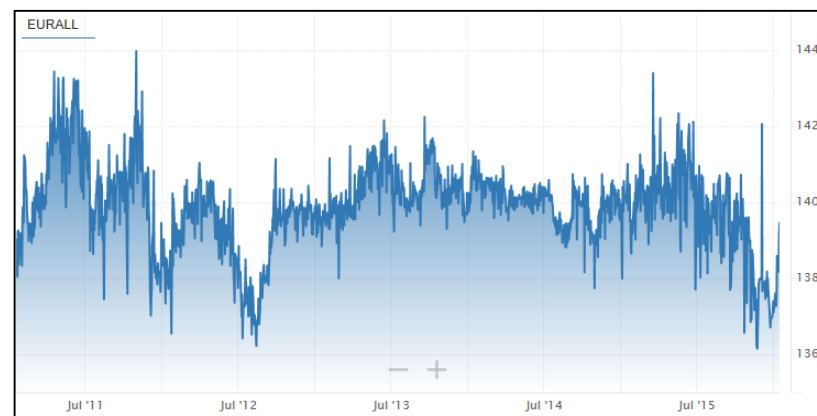
Year	Number of Cars per 1,000 People			
	Albania	Kosovo	E. Europe	W. Europe
2010	93	159	235	451
2021	156	197	345	483
2041	380	390	493	540



Inflation, Debt, FX, FDI



	S&P	Moody's
Albania	B positive	B1 stable



Legal Framework

- Albania has a comprehensive legal framework (including laws and regulations) that regulates and encourages private investments in the area of infrastructure
- Public Private Partnerships for national roads in Albania are governed primarily by Council of Ministers Decision no. 634 “On the Approval of Rules for Evaluating and Awarding of Concessions / Public Private Partnerships in Public Works for the Construction, Operation, Maintenance and Rehabilitation of National Roads”
- In the Road sector, relevant regulatory framework includes the Road Code of Albania and Road Transport Law



PPPs in Albania

- Examples of successfully concluded PPPs in Albania
 - Concession of the Tirana Airport to Hochtief AirPort (Germany)
 - Concession of the Port of Durres Container Terminal to Kurum (Turkey)
 - Concession of the Ashta HPP to Verbund (Austria)
 - Concession of the Devoli HPP to EVN (Austria) and Statkraft (Norway)
 - Privatization of 4 HPPs on rivers Mat and Bistrica by Kurum (Turkey)



SWOT

Strengths

1. Low capex
2. Well developed tender documentation
3. Minimum rev. guarantee
4. Readiness of IFIs to finance the concessionaire (strong interest from EBRD, IFC, BSTDB)

Weaknesses

1. No history of road tolling in Albania
2. Low traffic volumes

Opportunities

1. Successful implementation of the first PPP in the road sector in Albania can open the door to other opportunities (e.g., Tirana-Durres)

Threats

1. Excessive risk perception of the country and project by potential bidders



**International
Finance Corporation**
World Bank Group

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Indicative Timeline

Event	Date
Publication of the Contract Notice, RFQ, RFP and Draft Concession Agreement (CA)	January 25, 2016
Deadline for submission by bidders of initial requests for clarifications and comments on the RFQ, RFP and Draft CA	February 8, 2016
Bidders' Conference in Tirana	February 15-19, 2016
Deadline for submission by bidders of final requests for clarifications and comments on the RFQ, RFP and Draft CA	February 29, 2016
Issuance of the final RFQ, RFP and Draft CA to the bidders	March 14, 2016
Deadline for submission by bidders of final bids	April 25, 2016
Signing of the CA	June 25, 2016



Contact Details



Oleg Kudashov
Investment Officer
 Transaction Advisory – Infrastructure
 Europe and Central Asia

Kralja Aleksandra 86
 11000 Belgrade, Serbia
 Tel: +381 11 330 8957
 Mob: +381 63 103 3968
 Email: okudashov@ifc.org

Eduart SEITAJ

Sekretar i Përgjithshëm
Ministria e Transportit dhe Infrastrukturës
Adresa : Adresa: Sheshi Skënderbej Nr. 5, Tiranë
e-mail : Eduart.Seitaj@transporti.gov.al



Web: www.transporti.gov.al



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