

Kosovo's PPP Policy, Legal, & Institutional Framework

Case study PIA concession
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Arton Ahmeti
Central Public-Private Partnership Department
Ministry of Finance

- Investment needs & opportunities
- Legal, and Institutional Framework
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- Ongoing PPP project: Ski resort “Borea”
- Future infrastructure projects



Investment needs

- Infrastructure and public services
- Industry (Mine, Power Plants)
- Agricultural
- Tourism

- **Agriculture**

Currently, the sector of agriculture contributes 14.5 percent to the GDP and is the main source of income for the majority of the population. It is one of the most important employment providers in Kosovo and it accounts for 13 percent of the value of exports.

Some 70 percent of the local market demand for the agricultural products and processed foodstuff is still being fulfilled by imports.

- **Information and Communication Technology**

From being inexistent 16 years ago, Kosovar companies in the IT sector offer today high quality services and the latest technologies to their customers both local as well as to foreign companies who want to outsource their software development and/or call and support centers.

- **Mining and energy**

Kosovo has an enviable endowment of natural resources. At 14.7 million tonnes, Kosovo possesses the world's fifth-largest proven reserves of lignite. This mineral is of outstanding importance for the country, representing in the long term one of the important factors for the generation of power.



Policy guidelines regarding PPP

July 2008, the Government adopted the Policy Directive where:

- Identifies PPP's as a method for investment in infrastructure and public services;
 - It is required the respect for the principle of value for money, risk allocation and the protection of the public interest;
 - It is required the implementation of PPP's through competitive procedures, fair and transparent.
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Legal framework for PPPs

- **October 2005** – Law no. 02/L-44 on the Procedure for the Award of Concessions enters into force;
 - **August 2009** – Law no. 03/L-090 on PPP and Concessions in Infrastructure and the Procedures for their Award enters into force;
 - **December 2011** – New law on PPP no. 04/L-045 enters into force in accordance with EU legislation and international best practices.
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- Directive 1/2011 – On Procedures for the Review and Approval of PPP Projects;
 - Directive 2/2011 – On Project Management Teams;
 - Directive 3/2011 – On the Review and Approval of Municipal PPPs;
 - Directive 4/2012 – For Publications of PPP Notices;
 - Directive 5/2013 – On Regular Reporting Method of Public Authorities to PPPC.
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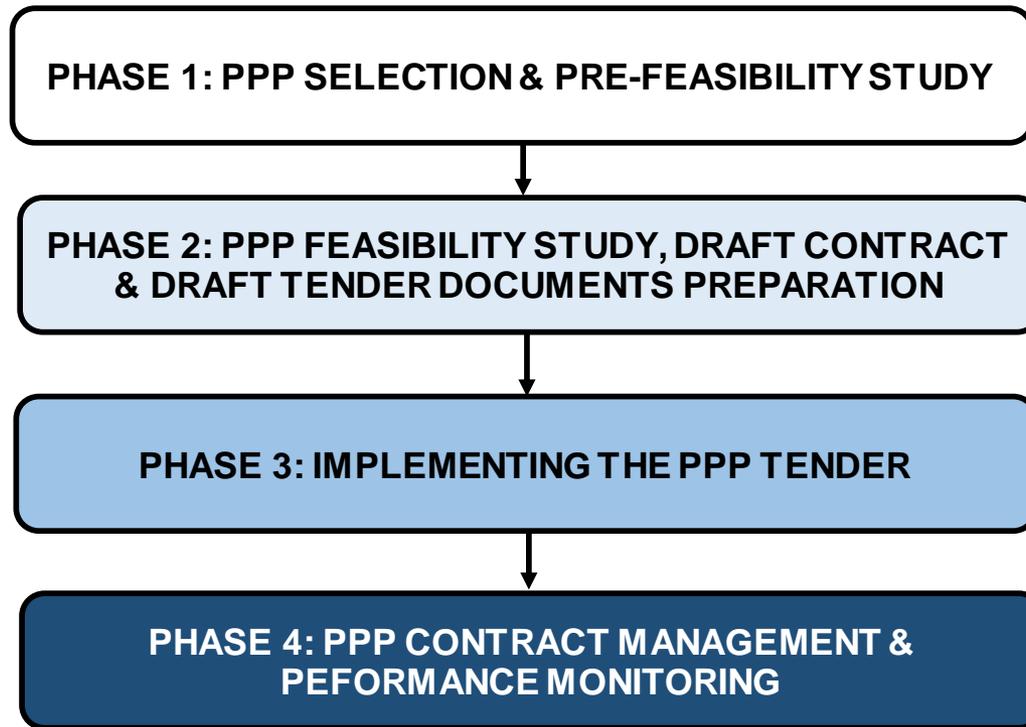


Types of PPPs

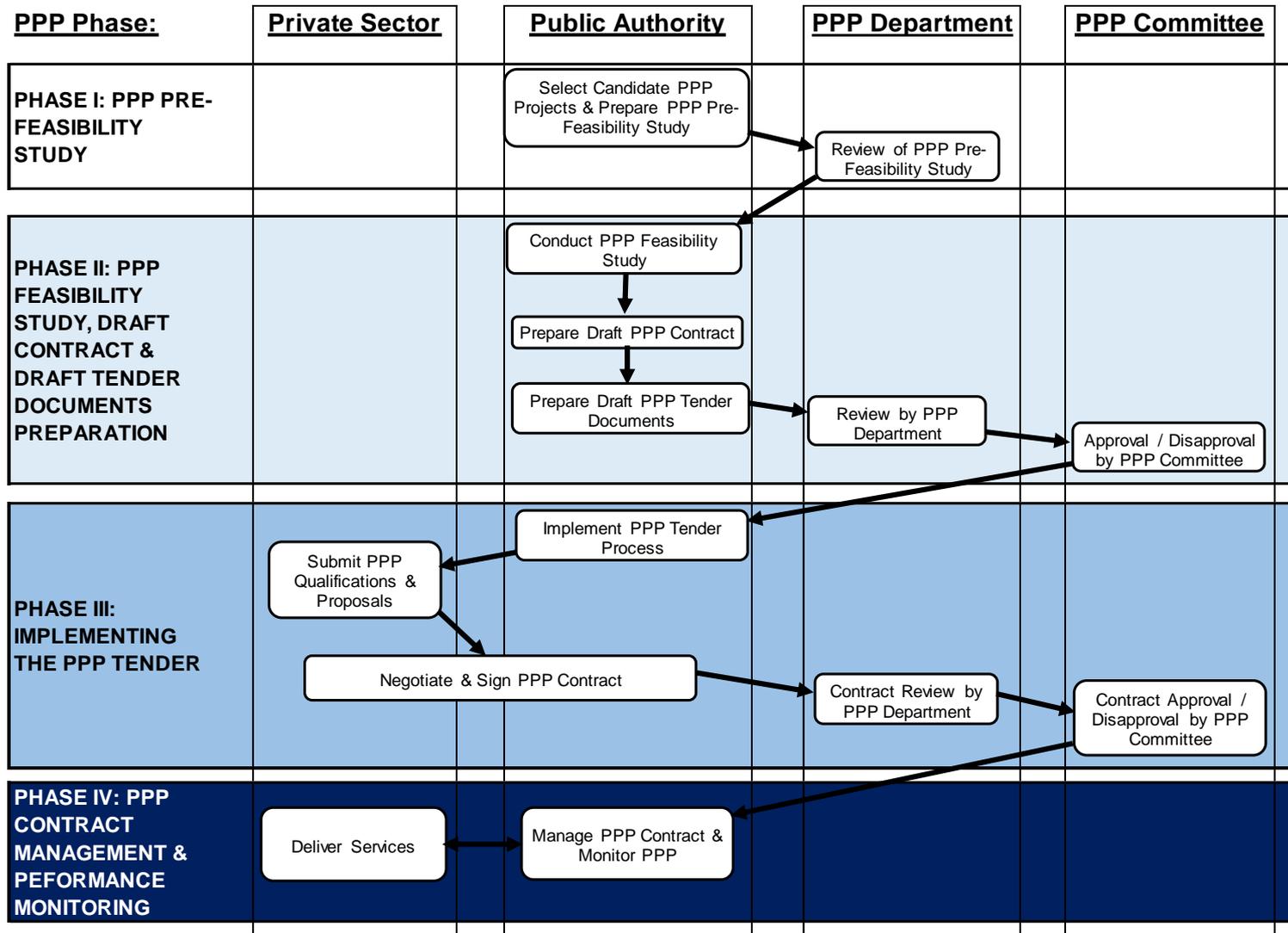
- In Kosovo:
 - In the contractual form (concession or a public contract);
 - In the institutional form.
- Activities:
 - the design, construction, financing, maintenance and operation of new public infrastructure;
 - the rehabilitation, modernization, financing, expansion, maintenance and operation of existing public infrastructure; and/or;
 - the administration, management, operation, maintenance or other services pertaining to public services or new or existing public infrastructure.

Phases of Kosovo's PPP Project Life Cycle

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Phases of Kosovo's PPP Project Life Cycle



Case study: PIA PPP

- Overview:
 - General information about airport
 - Why this project was chosen?
 - Detailed preparation
 - Project implementation
 - Evaluation



General information about airport

- Prishtina International Airport (PIA) is situated approximately 15 km southwest of Prishtina, capital of Kosovo, and its history dates back to 1965.
- The trigger for the project was demand for investments to expand the passenger terminal, as well as parking infrastructure and to contribute to enhanced quality of aviation services: air-traffic control and hangars for large aircraft.
- To conclude the concession agreement, POE's activity was split into two parts, i.e. the passenger services were transferred to the concessionaire and the air navigation services remained within the POE.
- As a result: a new 42,000 m² terminal; 1,750 parking lots; a new air-traffic control building and hangars for large airplanes.
- The scope of the concession includes operation of airport services, both airside and landside for 20 years. An estimate of capital investments accounts for 100 m €.
- The concessionaire will share 39.42 % of the gross revenue, which is expected to account for 400 m € for 20 years.
- Result of the concession – the new terminal was inaugurated on 23 October 2013.
- The private partner was established by the Turkish company consortium “LIMAK” and the French company “Aéroport de Lyon”

Why this project was chosen?

- PIA is a strategic public asset public, and as such the GoK aimed to ensure that country's main (and only commercial) airport is managed efficiently, effectively and in accordance to strict international regulations and safety standards.
- While PIA functioned adequately as a publicly owned and operated enterprise (till 2011), the GoK sought to ensure that the Airport meets its full economic and operational potential, while simultaneously remaining competitive with other airports in the region.
- At the same time, Government acknowledged that the airport needs to retain its commercial nature and seek profitability of the airport by attracting new users and offering enhanced and efficient services.
- On the basis of an investment grade feasibility study on June 12, 2009, the GoK formally authorized proceeding with a PPP for the operation and expansion of Pristina International Airport (PPP Project).
- PPP Project was structured as 20-year Design-Build-Finance-Operate-Transfer (DBFOT) contract, to involve both the operation and maintenance of the airport, as well as the design, construction, and financing of required infrastructure improvements.
- The Project encompassed the following:
 - (i) Management, operation, and maintenance of Pristina International Airport; and
 - (ii) Financing, engineering, procurement, and construction of an infrastructure expansion program, including a new landmark terminal building, new control tower and related facilities, new aprons, landside facilities, upgrading taxiway shoulders, etc.

Detailed preparation

- To provide an objective, quantitative criteria for making this determination, a Value-for-Money analysis was performed, which provided the following results:

Investment and operation options	Economic benefit calculation		
	Cash flow projections for 20 years (€ millions)		
	<i>Low Scenario</i>	<i>Base scenario</i>	<i>High Scenario</i>
Status Quo	€128.9	€212.5	€290.8
Management Contract	€157	€269	€356
PPP (DBFOT)	€170	€313.2	€403.7
100% Sale	€ 95	€ 95	€ 95

- The additional value provided by this option derives principally from:
 - Additional commercial revenues (due to experience management and expanded facilities)
 - Improved economies of scale and operating efficiencies
 - Timely delivery of new infrastructure
 - Additional Capital / Private investment in public assets (equity and debt)
 - Better value-for-money (greater economic benefit to Kosovo)
 - Better Risk Allocation (some risk transfer to the private sector)
 - Quicker delivery of infrastructure and services
 - Improved Quality of Service / Defined Minimum Performance Standards
 - New Management Specialization
 - Country Image
 - Strategic Alliance with private airport operators

Detailed preparation

- **Contract Structure:** Design-Build-Finance-Operate-Transfer (DBFOT).
- **Contract Duration:** Twenty (20) years.
- **Required Minimum Investment Plan:** At a minimum, the Selected Bidder shall be required to design, build, and finance all infrastructure improvements, including, amongst others, the following:
 - New Representative, Landmark Terminal (25,000m²)
 - New Control Tower and Related Facilities
 - Relocation of the NAVAIDS equipment (radar, DVOR)
 - New apron: 7 Code C (B 737) aircraft parking positions
 - New parking (1,750 new bays)
 - New taxi and bus staging areas
 - New airport access lane
 - New water treatment plant
 - Airport Equipment
 - Widening of Taxiway Shoulders (to accommodate code E aircraft).

- Project implementation
- Process after award
 - Award
 - Incorporation of a Special Purpose Vehicle (SPV) and Legal Confirmation
 - Signing ceremony
 - Conditions Precedent to be fulfilled by Private Partner and Grantor [i.e. securing financing, insurance, performance bonds etc.]
 - Effective Date

- The airport since the 2011 is being operated by the private partner Limak Kosovo International Airport J.S.C, and as stipulated in the contract its responsibilities and the rights are to:
 - operate, administer, manage, improve and maintain PIA, both airside and landside,
 - complete the design for, engineer, procure, finance, construct and complete the Airport Facilities on the Site,
 - collect the fees and charges (both regulated and commercial ones)
 - collect all other revenue and income generated by the Project



Case study: Prishtina International Airport PPP contract

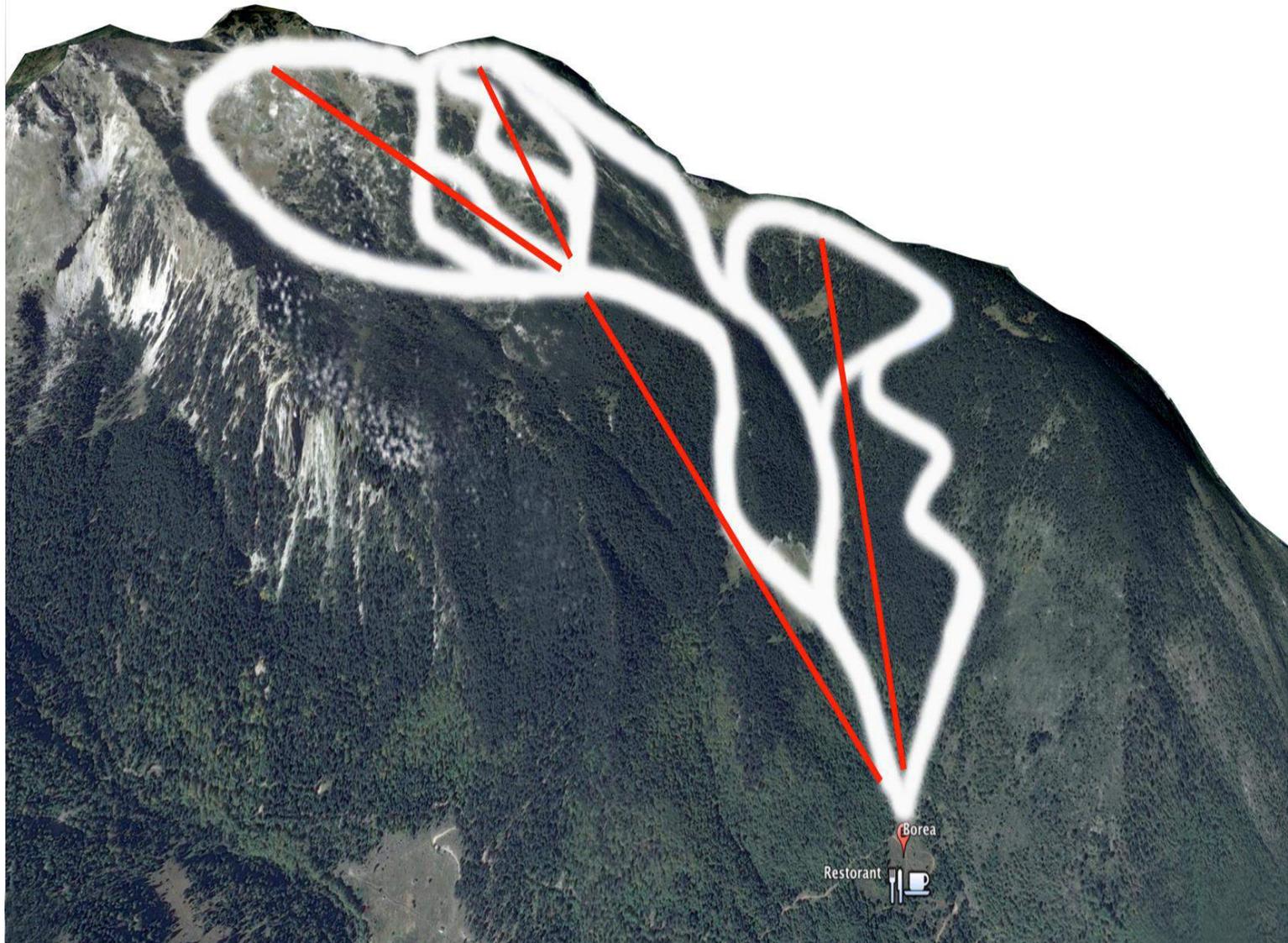
- PIA has been nominated as Europe's Leading Airport 2015
- PIA Concession Contract since the beginning was managed without a dedicated project management team.
- As this team was lacking, the contract management was provided by the PPP Department.
- The PPP Law does not give the PPP Department any role in contract management, except for the obligation to monitor and issue opinions regarding the level of compliance of a contracting authority and a private partner with the terms of a PPP agreement.
- Pursuant to the PPP Law, every CA is required to establish a professionally qualified contract management team to monitor and enforce strict compliance by the private partner with the terms of the PPP agreement.
- In late 2015 a PMU has been established outside of PPP Department with clear scope of work.

- Project of ski resort “Borea”

Public Private Partnerships may take the form of a 40-year concession contract and will include:

- Construction of a station at 1600 meters above sea level with residences, hotels.
- Construction of 3-wire cars and ski lifts that will bring visitors to 2400 meters to enjoy the ski area (runways black, red, green, blue).
- Ski capacity will accommodate about 8,000 people a day.
- Area intended for construction of Tourist Centre snow, with other associated business premises, is expected to have a total surface of 2101 Ha.

Koprraniku mount



Capacity of the Ski Runways

	GJATËSIA	GJERËSIA	PJERRTËSIA	HAPSIRA	KAPACITETI SKIATORËVE	KAPACITETI SKIATORËVE	RRJEDHJA
N°	<i>ml</i>	<i>ml</i>	%	<i>m2</i>	<i>Konfort</i>	<i>Maksimum</i>	<i>Skiator/orë</i>
6	1966	20	35	39320	71	118	101
7	2130	25	35	53250	96	160	171
TOTALI	4096			92570	167	278	272
2	1620	25	24	40500	89	158	247
3	1760	25	27	44000	97	172	238
4	1470	20	29	29400	65	115	119
5	1300	20	29	26000	57	101	105
8	1660	25	26	41500	91	162	233
TOTALI	7810			181400	399	708	942
9	1560	20	20	31200	81	140	211
10	1810	25	22	45250	118	204	347
11	1890	25	24	47250	123	213	332
SUM	5260			123700	322	557	890
1	1620	30	14	48600	146	219	703
TOTALI	1620			48600	146	219	703
TOTALI	18786			446270	1034	1762	2807



Thank you for your attention!

Arton Ahmeti

**Central Public-Private Partnership Department
Ministry of Finance**

Email: arton.ahmeti@rks-gov.net

Tel: + 381 (0) 38 200 34 677

<https://mf.rks-gov.net/sq-al>

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