

Public-Private Partnerships

*In light of the 2008
Financial Crisis*



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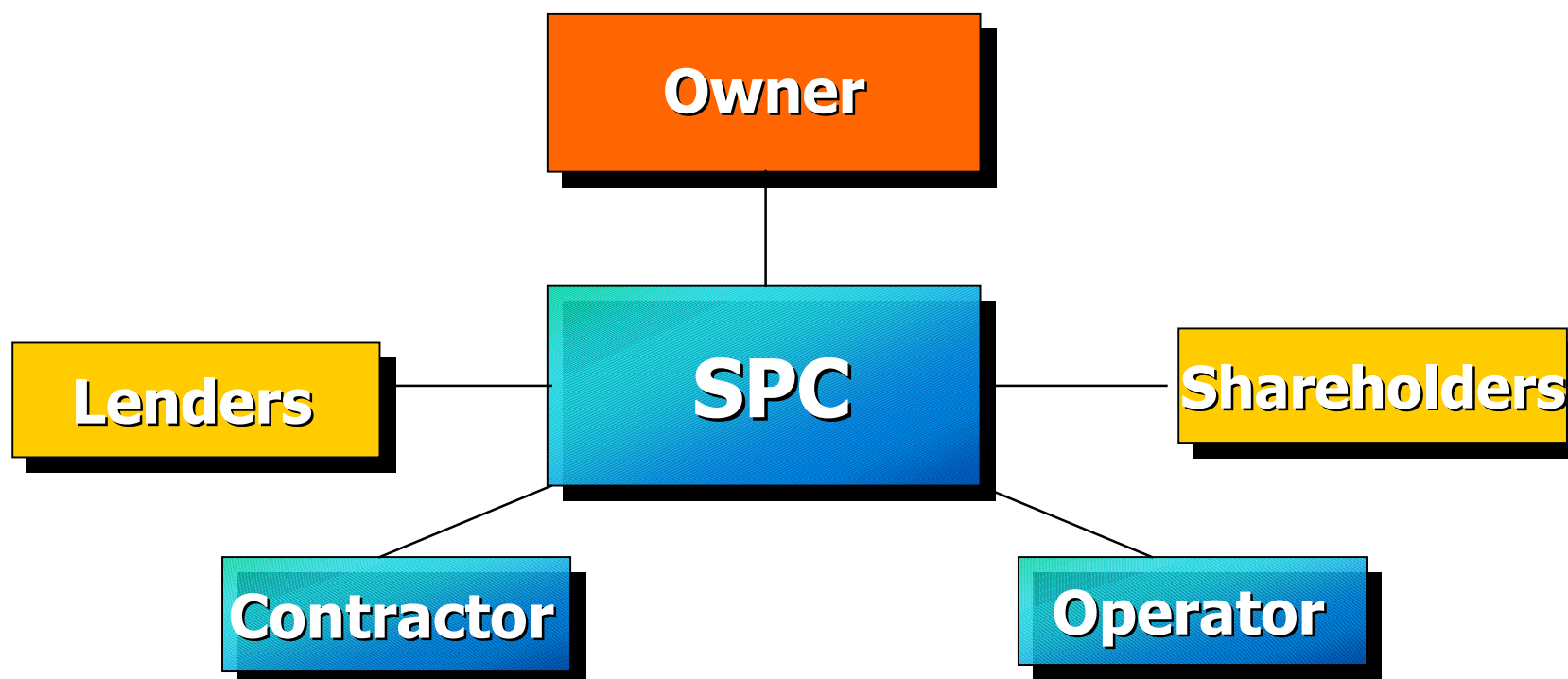
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P.P.P. – Public Private Partnership

B.O.T. – Build-Operate-Transfer

B.O.O. – Build-Operate-Own

P.F.I. – Private Finance Initiative



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P.P.P. – People-People-People

P.P.P. stands for Public-Private-Partnerships, but also for People-People-People.

One of the main criteria of success in infrastructure projects is the **PEOPLE** involved:

- 1.People** – in the Government sector;
- 2.People** – in the Private Sector; and
- 3.People** – in the Financial Sector.



P.P.P. – Several of the Methods Used

- B.O.T. – Build, Operate, Transfer
- D.B.O.T. – Design, Build, Operate, Transfer
- B.O.O. – Build, Own, Operate
- P.F.I. – Project Finance Initiative
- Joint Venture
- Securitization (incl. Municipal Bonds)
- and more...



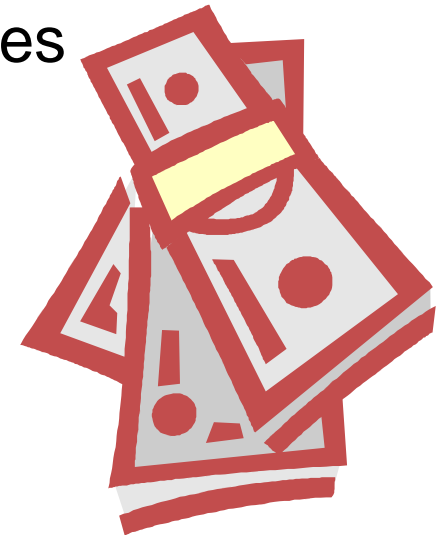
P.P.P. – General Principles

- Public sector provides the land/asset to the private sector
- Private sector Build, Operate and Transfer the back the project to the public sector
- Return on investment + profit, during a long term operation period
- “Positive” or “Negative” concession
- S.P.V. / S.P.C.
- Unique financing methods
- Options to the Government and to the lender



P.P.P. – General Economic Aspects

- External sources of finance
- Competitive procurement process
- Efficient Risk Allocation and Transfer
- Efficient management of the projects
- Efficient allocation of limited public resources
- Tax Aspects



Advantages of using P.P.P. methods

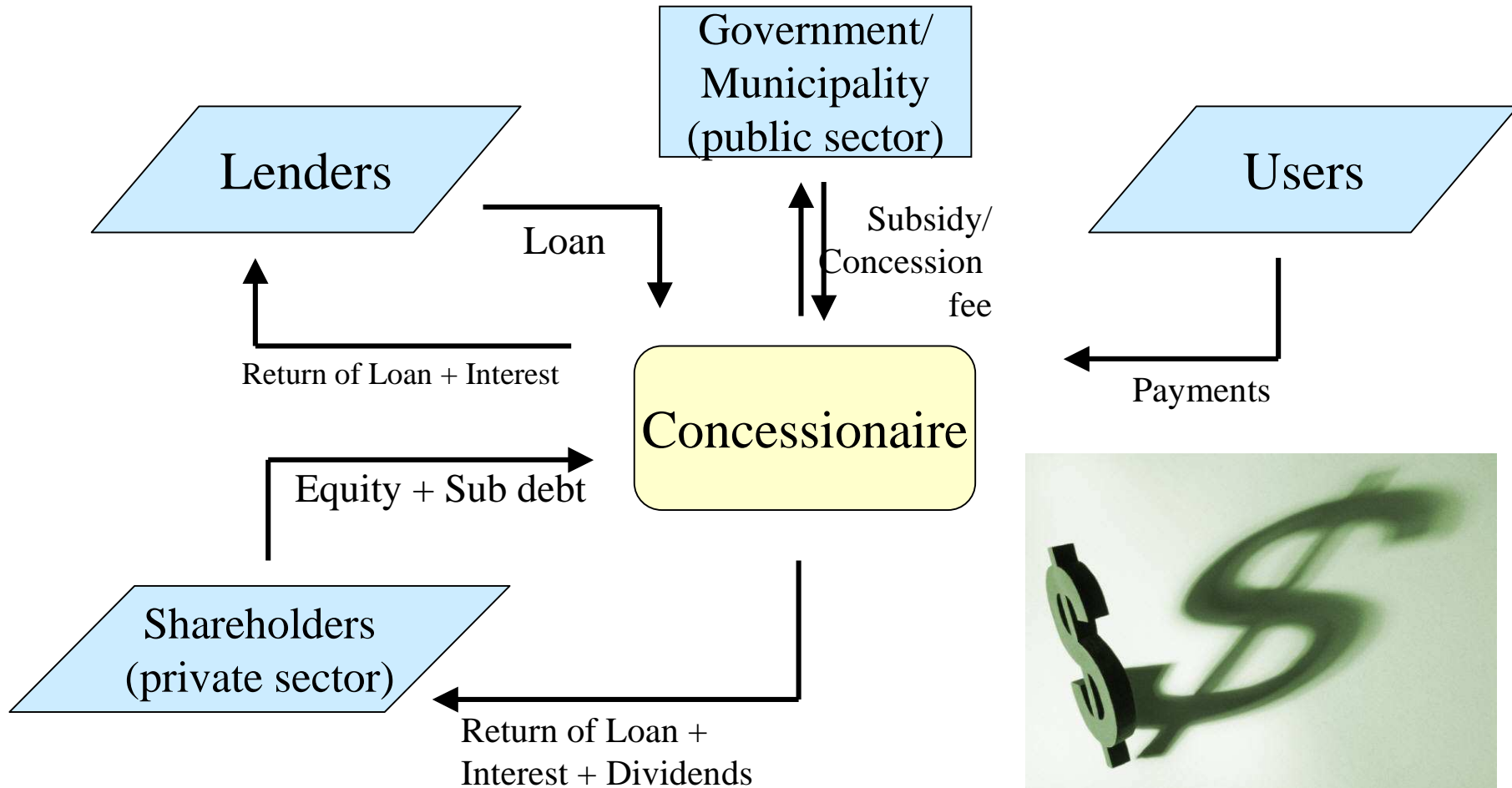
- Non-Public budgetary sources
- Fast implementation of projects
- Value for Money – Implementing services via specialist entities
- State-of-the-art technologies
- Decreasing administrative burden
- Achievement of privatization advantages without relinquishing control of the project



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B.O.T. – General Cash Flow



Importance of PPP Systems

Times of crisis, such as the current Global financial crisis, emphasizes the importance of PPP systems.

Besides the common belief that in times of financial difficulties, investment in infrastructure proves to be an essential growth engine, the main reason is, *inter alia*, that the prospected investors in infrastructure projects are the “Institutions Investors” (Pension Funds, Provident Funds etc.), which, despite any financial crisis, enjoy continuous incoming flow of cash which continuously seek investments.



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Renewable Energy Projects

The growing concerns over the environment coupled with high and unstable oil prices caused increasing government support for renewable energy and drive a growing number of renewable energy projects all over Europe.

The potential for the use of modern technologies, such as geothermal, wind, solar, and ocean energy very large, is exceeding all other readily available sources.

Our Firm is currently involved in both domestic and European renewable energy projects in the aggregate scope of approximately USD 1,600,000,000.



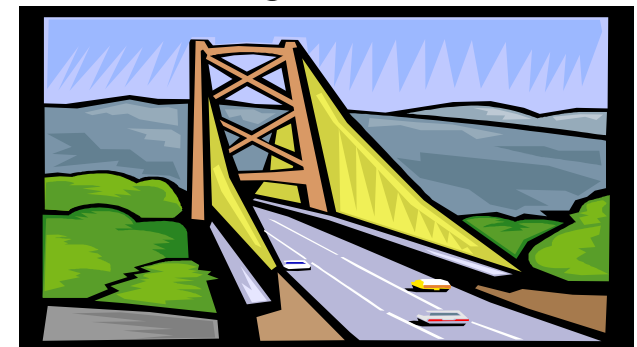
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P.P.P. – Expanding the Scope of Projects Suitable for these Methods

- Recently, we witness expansion of the use of the P.P.P. methods to areas that were previously and traditionally considered as unsuitable
- The Current Perception – P.P.P. is suitable not only for large national projects initiated by Governments, but also for middle sized projects issued by other authorities
- Main Examples:
 - Projects issued by local authorities
 - Projects issued by other public non-government organizations



Sample of Projects Suitable for Local Authorities (1)

- Water Projects
- Sewage Projects
- Parking Facilities
- Schools, Colleges and Universities
- Hospitals
- Municipal buildings
- Cultural centers
- Offices
- Commercial Centers



Sample of Projects Suitable for Local Authorities (2)

- Municipal Power plants
- Solar and Clean-tech Facilities
- Municipal Desalination Projects
- Schools
- Sport centers
- Day Care centers
- Projects built by Donations
- Almost any income generating project



Israel's First Infrastructure Fund (1)

- As part of the general policy to increase the involvement of the private sector in the development of infrastructure, there is a need for Infrastructure Funds.
- The first infrastructure fund in Israel is Israel Infrastructure Fund (“IIF”)
- Main rolls of the Fund:
 - Raising capital for investments in infrastructure projects being built by the private sector in and out of Israel.
 - Locating infrastructure projects that have good potential.
 - Serving as an “arranger” for raising the needed funds together with other funds, banks and accredited investors.



Israel's First Infrastructure Fund (2)

- The fund invests in medium size PPP projects.
- Most of the Investors in the Fund are Institutional Investors.
- The Fund identifies for the Institutional Investors low risk, long terms investments.
- The current world financial crisis has created some promising opportunities for the Fund and for other similar funds.
- The return on the investments in the Fund is projected at 15% per annum.



Innovative Financing Combinations between Banks and Institutional Investors

● The Traditional Perception:

● Banks negotiated the Financing and served as “Arrangers”.

● Institutional Investors joined at a later stage.

● The New Perception:

● The Banks have been greatly affected by the financial crisis and are less liquid as a result therefrom, while Institutional Investors are better equip to finance long term projects. As a result, and in order to achieve the best possible approach, in light of the crisis, Banks and Institutional Investors currently join together in the financing from the initial stages (including negotiations), while Banks finance and supervise the short-term construction credit facilities, the Institutional Investors finance and monitor the long-term credit facilities.

Recognition of Israel as a leader in the P.P.P. field

- In 2007 the United Nations Economic Commission for Europe (UNECE) convened for the first time in Israel, and discussed the development of the Infrastructure projects in Israel, planned and implemented under the P.P.P. system, and issued a concluding statement of this convention, recognizing that Israel is a leader in this field.
- The following Israeli projects were awarded the “Project of the Year” title by the prestigious *Project Finance Magazine* in the last few years:
 - The 1.3 Billion US dollars Cross Israel Highways
 - The 1.2 Billion NIS Desalination project in Ashkelon
 - The 2 Billion NIS 431 road



A Few Selected B.O.T. / P.F.I. Projects in which our office has been involved

- 1.6 Billion USD Cross Israel Highway
- 3 Billion USD Tel-Aviv LRT
- 500 Million USD Jerusalem LRT
- 700 Million NIS Tel-Aviv and Jerusalem Fast Lanes
- 350 Million USD Ashkelon Desalination Facility
- 365 Million NIS Ashkelon IPP
- 350 Million USD Hadera Desalination Facility
- 2 Billion NIS Road 431
- 3 Billion NIS Road 531
- 800 Million USD Solar Power Plants
- Natural Gas Transmission System
- The Municipality Square in Jerusalem
- The Nation Square Parking Complex in Jerusalem
- Expansion of the Knesset Building
- Student Dormitories Complex
- Imprisonment Facility in Be'er Sheva
- City Square in Tiberias
- City Hall in Eilat
- Sports Center in Eilat
- Science-based industry Park in Jerusalem and in Carmiel

Selected B.O.T./P.F.I. Projects in the Pipeline

- P.F.I. Roads
- Renewable Energy Facilities
- Natural Gas Powered Private Power Plants
- Alternative Energy Power Plants
- Police Academy Facilities
- Military Facilities



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Details of some Infrastructure Projects, underway in Israel

Cross Israel Highway / Section 18



- Largest B.O.T. Project in Israel as of today
- Estimated cost – 1.32 billion US dollars for main project; 180 million US Dollars for Section 18
- 86 km inter-city roads, 14 intersections, 140 bridges, 2 tunnels, control & operating center
- Titled “Project of the Year” in the *Project Finance* Magazine of 1999; Section 18 awarded “Project Finance Deal of the Year 2007”

Our firm has represented the concessionaire, the international consortium, throughout the tender process, including the Financial Close and continues to represent the operation of the project.



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Details of some Infrastructure Projects, underway in Israel

Road 431

- PFI project for building and operating road of 22 km., 3 lanes each direction
- Estimated cost – 500 million US dollars
- Banks funded short term construction loans and the Institutional Lenders committed to fund the long terms loans
- Awarded “Project Finance Deal of the Year 2006”



Our firm represents the lenders – Bank Hapoalim, HSBC, Bank Mamizrahi-Tfahot, First International Bank of Israel, Harel Insurance Group, Clal Insurance Group, New Mivtachim Fund, Menorah Insurance Group and Mivtachim Fund.



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Summary

- The recent Global financial crisis may introduce opportunities for investments in Infrastructure
- Despite the crisis, Institutional Investors seek investment opportunities in low risk and reasonable high yield investments
- Increasing potential in investments in renewable energy due to new technologies
- Opportunity for Governments and Municipalities to exploit investments in infrastructure in order to encourage growth

