



FRESHFIELDS BRUCKHAUS DERINGER

Public Private Partnerships in Greece

An overview

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Key points

Greece has experienced a rapid development of its Public Private Partnership (PPP) market since it adopted a PPP law in 2005. This development has also been promoted by the establishment of a centralised process headed by the Special Secretariat for PPPs at the Ministry of Economy and Finance and the interministerial PPP committee.

Benefiting from a PPP-friendly environment, since 2006 more than 50 PPP projects have been approved under the 2005 PPP law, with a total budget of more than €4bn. These projects are in industries including the housing sector, education, health, justice, public transport and roads all over Greece.

Examples of finalised and ongoing major PPP projects in Greece include the Athens International Airport; the Attiki Odos, Elefsina Corinth-Patras and Maliakos-Kleidi motorways; the installation and operation of security systems in 12 Greek ports; and the implementation of an integrated automatic fare collection system.

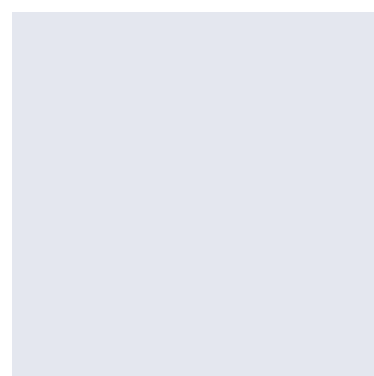
Framework for PPPs


Greece has started a new, dynamic period of PPP development. A traditionally socialist country, Greece was initially wary of allowing the private sector into what is seen as the domain of the public sector, as evidenced by the reaction to certain privatisations in the early part of this decade. However, the replacement of the socialist PASOK government by the more conservative New Democracy government in 2004 has led to a strong movement to tackle the country's considerable infrastructure needs with the assistance of the private sector.

The most apparent evidence of this move was the enactment of the PPP Law 3389/2005 on 9 September 2005 and the creation of a PPP task force to implement a programme of PPP projects in Greece. The creation of the PPP task force was marked by the appointment of Leonidas Korres, who was originally charged with financing infrastructure projects in the run-up to the Athens Olympic Games, as Special Secretariat for PPPs.

The legal framework

One of the issues that impeded the use of project finance in driving infrastructure improvements in Greece was the ad hoc system under which each project had to be submitted to the parliament for individual approval. The new PPP Law establishes a framework under which projects will be implemented directly once approved by a task force, without the need for individual approval by the parliament.





The PPP Law has created a national legal framework for PPPs in Greece. It has significantly simplified and clarified the rules and procedures applicable to PPPs and thereby laid the foundation for the robust development of the Greek PPP market. It also streamlines the procurement process by implementing EU legislation on the procurement of public works contracts and it brings some risk-allocation issues that have typically caused major concerns in Greek project finance deals in line with international market standards. It has defined a minimum content for a partnership contract and resolved a number of special legal issues that in the past required special regulation (protection of the environment, granting of permits, archaeological findings, expropriation etc). The PPP Law also regulates financial and legal issues such as listing on the stock exchange, sureties, risk taking or dispute resolution by arbitration. It has speeded up the procedures and enhanced legal security for private investors.

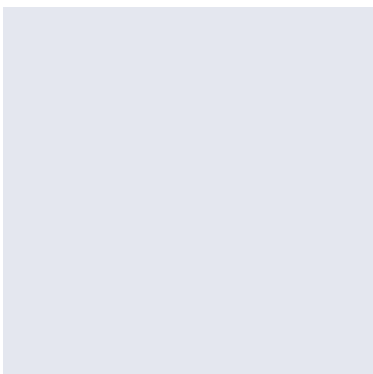
Administrative bodies

Alongside the adoption of the PPP Law, the Special Secretariat for PPPs was established at the Ministry of Economics and Finance. The Special Secretariat promotes the use of partnership contracts, assists public entities in developing and implementing PPP projects and monitors the implementation of partnership contracts. The Special Secretariat also co-ordinates the contract award procedures. Moreover, it serves as a centre of knowledge and expertise on PPPs in Greece.

In addition to the Special Secretariat, an interministerial PPP committee was set up to approve PPP projects and contractual payments to private entities. It is chaired by the Minister of Economics and Finance and makes decisions on the basis of proposals by the Special Secretariat.

With the establishment of the Special Secretariat and the interministerial committee, Greece has opted for a centralised process. This shall ensure efficient and transparent procedures, the involvement of expertise from the beginning of a project and proximity to the political decision-makers as well as governmental planning and prioritisation.

Procedure



A PPP in Greece starts with the submission of a project proposal by a Greek public entity to the Special Secretariat, who will evaluate the proposal and, in the case of approval, add it to the list of proposed partnerships. The proposals on this list are submitted for final approval to the interministerial committee. After approval by the committee, the Secretariat will tender the project and co-ordinate the procurement procedure.

Projects may be subject to the PPP Law if the following conditions are met:

- their purpose is the construction of works or the provision of services in the area of competence of public entities;
- the private entities assume a substantial part of the risks associated with the financing, construction, availability of or demand for the project;
- the financing, in whole or in part, of the construction of the works or provision of services shall be accomplished with capital and resources secured by the private entities; and
- the total contractually budgeted cost for implementing the project does not exceed €200m.

By a unanimous decision of the interministerial PPP committee, projects may be exempted from one or more of these conditions.

Current PPP projects in Greece

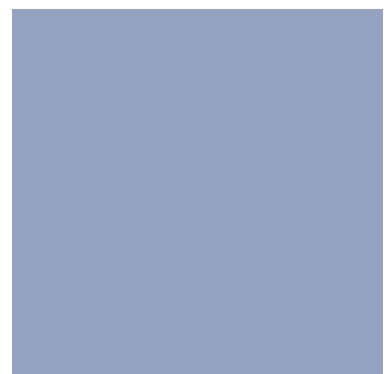
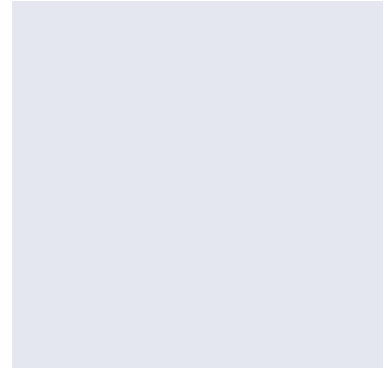
So far, more than 50 PPPs have been approved under the PPP Law since 2006; 28 of those were in 2008 alone. This corresponds to more than 200 new infrastructure sites and a total budget of more than €4bn. The following four projects give an impression of the variety of projects implemented as PPPs.

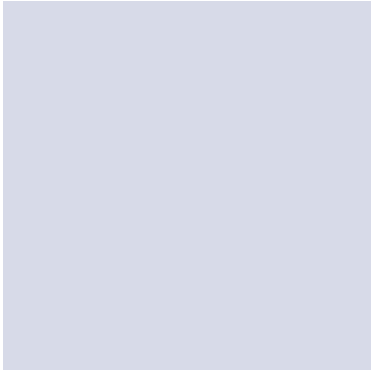
Integrated automatic fare collection system

This project involves the design, financing, setting in operation, maintenance and facility management of an integrated automatic fare collection system for all the available means of transport of the Athens Urban Transport Organization that are currently in operation or will be in the future, within the wider region of Athens. The duration of the partnership is 12 years. The project's contracting authority is Athens Urban Transport Organization. The estimated cost of the availability payments that will be made by the contracting authority to the private partner amounts to €82m plus VAT.

Building infrastructure of International Hellenic University

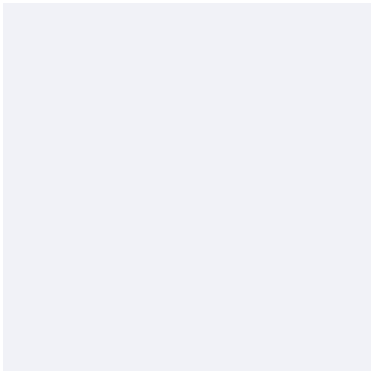
The project involves the design, financing, construction, maintenance, facility management (security and cleaning), insurance and exploitation of the International Hellenic University's new building infrastructure via a PPP scheme. The duration of the partnership is 40 years. The project's contracting authority is the Hellenic Public Real Estate Corporation. The anticipated indicative cost of this PPP project amounts to €213m plus VAT.





New school buildings in the Peloponnese, northern and southern Aegean and Crete

The project involves the design, financing, construction, maintenance, facility management (security and cleaning) and insurance of 26 new school buildings in the Peloponnese, northern and southern Aegean and Crete via a PPP scheme. The partnership's duration is 25 years and the contracting authority is the Organisation of School Buildings. The anticipated construction and maintenance cost of this PPP project amounts to €94m plus VAT.



Integrated waste-management system in the prefecture of Salonica

This project involves the design, financing, construction, maintenance, facility management and operation of the new infrastructure of an integrated waste-management system in the prefecture of Salonica for 29 years. The plant will treat the solid waste of the north-western unit of the prefecture of Salonica and will be composed of a treatment and exploitation unit and a sanitary landfill. The unit will have a capacity of 400,000 tons per year. There is an indicative budget of €242m.



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