



## «Kekava Bypass» Case Study Introduction

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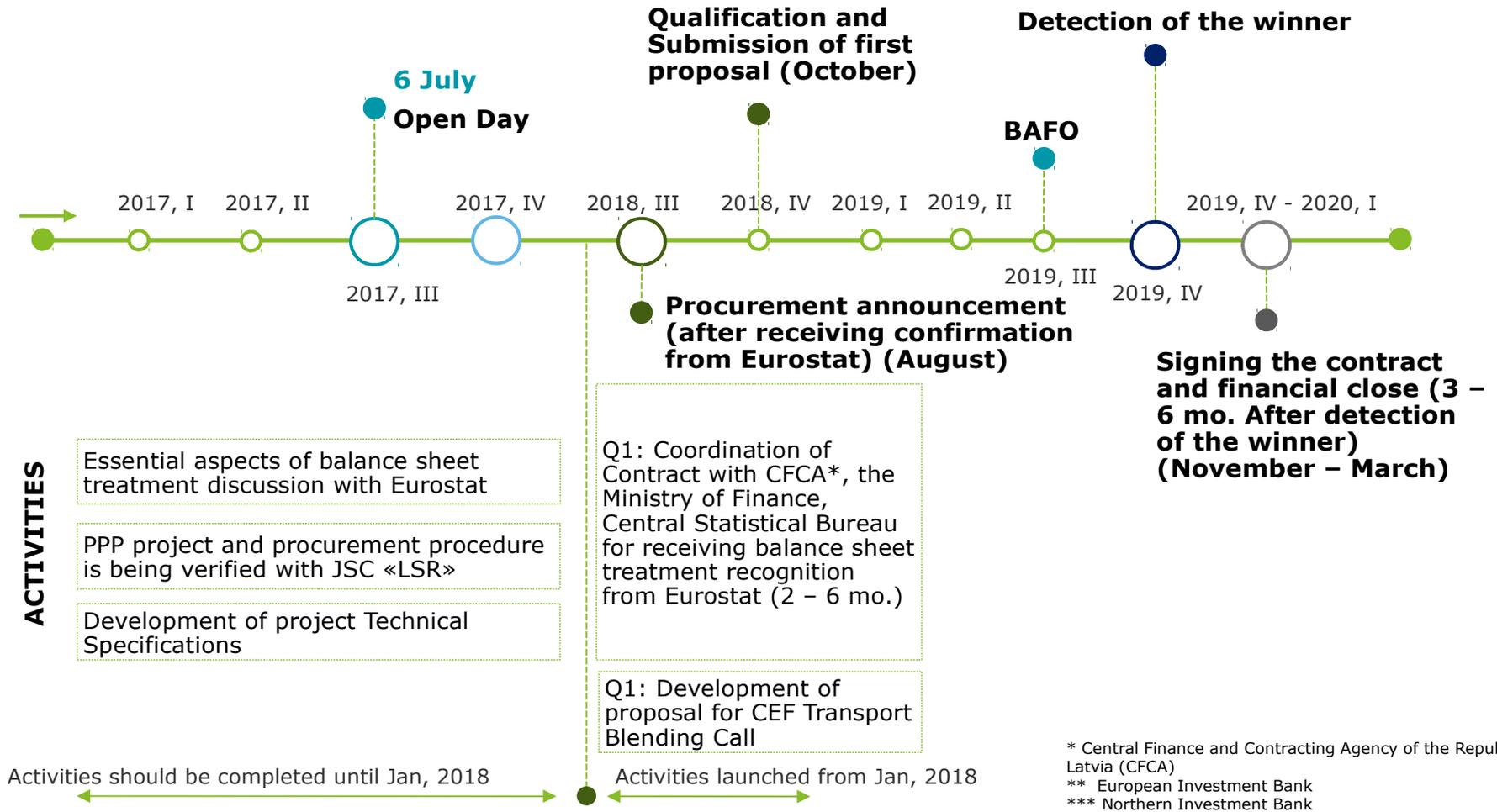
# Introduction

# Project execution structure

**PPP project «Kekava Bypass» is procured by the Ministry of Transport and carried out by JSC «Latvian State Roads». SIA «Deloitte Latvia» is fulfilling the role of Financial and Legal advisers.**

- **The Ministry of Transport** acts as a Procuring Authority.
- **JSC «Latvian State roads»** acts as Implementing Authority and Project Manager.
- **SIA «Deloitte Latvia»** acts as Financial and Legal advisers.

# Project timeline



# Project details

# Why Kekava Bypass

- National Planning documents:
  - National Development Plan;
  - Transportation Development Guidelines 2014 – 2020
- Feasibility Study for Potential PPP Projects in the Road Sector
- Kekava Bypass project was defined as one of the most appropriate PPP projects in Latvia, reported to the Ministry of Transport by PricewaterhouseCoopers in 2006

## Why Kekava Bypass

- Over the past 15 years the population in project area increased several times
- One of the highest traffic intensities in Latvia (AADT exceeding 10,000 to 20,000 per day)
- Current traffic intensity is three times higher than amount this road section was designed for
- A7 is the only 2 lane single carriageway road crossing Riga

## Part of TEN-T Corridor

Part of the Trans-European Transport Network (TEN-T) Corridor I.

«Kekava Bypass» project is included in the Final Report (Dec 2014) of the North Sea-Baltic Core Network Corridor Study of the European Commission with objectives to improve cross border connection, increase capacity and removing bottleneck.



# Details of the Project

Total length	17,5 km
Construction of the new road	14,4 km
Existing road reconstruction	3,1 km
4-lane road	11,1 km
2-lane road	6,4 km
CAPEX	80-100 m. EUR



# Governmental support and PPP model

## Governmental support

- Declaration of the Government
- Initial decision of the Government from 12 Sept 2014 on preparation of the project
- Approval of the Government from 13 Oct 2015 for purchase of land properties for the needs of project
- March 2016 order of the Cabinet of Ministers was issued about launching procurement procedure for "E67/A7 «Kekava Bypass» PPP project"
- Feb 2017 service agreement with advisers

# Public-private partnership model

## PPP model

Type of contract	DBFM (design, build, finance and maintain)
Length of contract	23 years (3 + 20)
Type of payment	Availability payment
Client	The Ministry of Transport
Balance sheet treatment	Off-balance from perspective of the Client

# Principles of implementation approach

Capital expenditure

Maintenance



KEY ELEMENT	PRINCIPLE
<b>DESIGN</b>	In accordance with EU standards. Open to innovative solutions.
<b>CONSTRUCTION</b>	
<b>COMPLETION &amp; AVAILABILITY</b>	In accordance with regulatory requirements (for completion certificate) and criteria of availability certificate.
<b>MAINTENANCE</b>	Daily maintenance – subject to requirements of the Cabinet of Ministers Regulations for A1 road class. Periodic maintenance – subject to depreciation/technical indicators.
<b>HAND-BACK</b>	In accordance with technical parameters.

# EIB funding

## EIB appraisal mission

The appraisal mission in respect to technical, economic, environmental, procurement, implementation matters have been **completed in April 2017**

The **first stage approval** is being sought:

- The project has been approved by Management Committee
- The Board of Directors approval is received on 18<sup>th</sup> July 2017
- The project is a potential candidate for EFSI\* and Investment Committee's approval in respect of EFSI received on 18<sup>th</sup> July

**Final approval** will be sought **after the winning bidder is selected** and the full due diligence has been made: before financial close

*\*European Fund for Strategic Investments*