



Port Concessions and Privatisation in the Black Sea Region: Best Practices and Lessons Learnt

Black Sea Port Concessions Review

July 2021

MTBS: Maritime & Transport Business Solutions

Three focus areas, all specialised in the Port Sector



Port Finance
International

The logo for Port Finance International is contained within a white circle with a grey border. It features the company name in bold black text, with horizontal lines above and below the name. Below the name, it says 'an MTBS company'.

an MTBS company

Training and Summits



mtbs

The MTBS logo is contained within a white circle with a blue border. It features the lowercase letters 'mtbs' in a dark blue font, with a semi-circle of orange dots to its right.

Financial & Strategy



mtbs

The MTBS M&A logo is contained within a white circle with a grey border. It features the lowercase letters 'mtbs' in a dark blue font, with a semi-circle of grey dots to its right. Below the 'mtbs' text, it says 'M&A'.

M&A

Mergers & Acquisitions

MTBS: Maritime & Transport Business Solutions

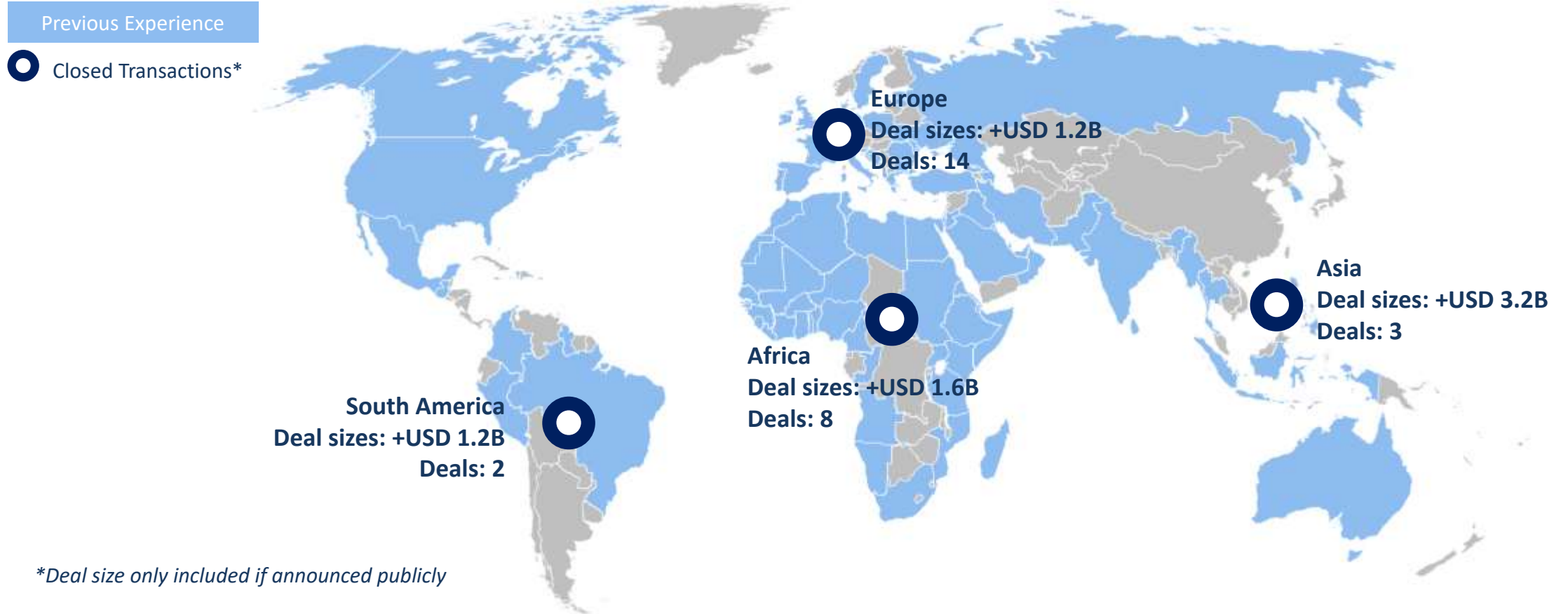
MTBS is the leading international finance and business strategy consultant in port business solutions advising public and private clients regarding financing, strategy, transactions, and business cases.



MTBS is a leading and Global Port Advisor

Specialised in port M&A and PPP projects, with a portfolio of global clients

MTBS has advised on a large number of global port transactions



MTBS Clients

A selection of our worldwide client base

Authorities	GTOs & Shipping Lines	Industrials	Governments	IFIs	Banks & Equity		
            	            	            	        	           	           	             	          

MTBS Black Sea Projects: Track Record

MTBS is the leading port PPP and transaction advisor in the Black Sea with almost 30 completed port projects in the past ten years.

Due to its extensive track record in PPP and transaction-related port projects, MTBS is uniquely positioned to assist Clients with Black Sea port transactions

Transaction Advisory

28

Black Sea Port Projects (past 10 year)

Buy Side & Bid Support Advisory

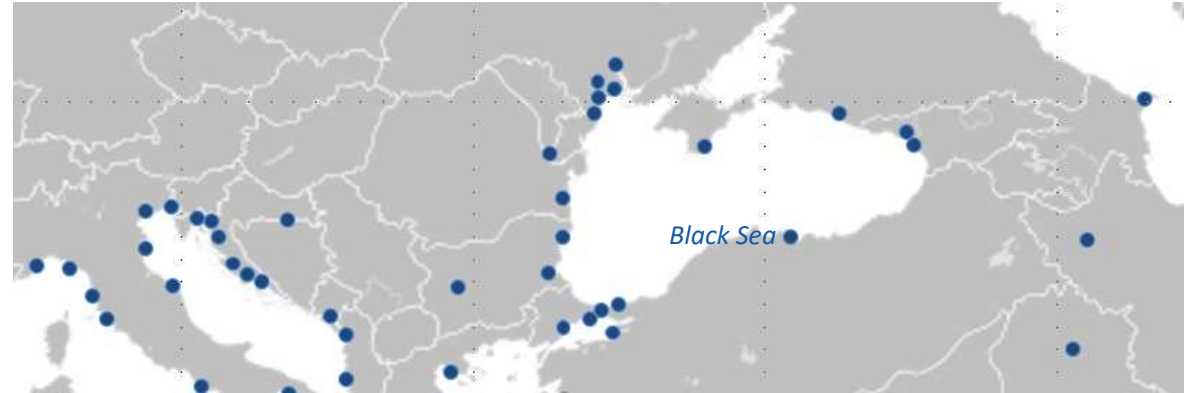
65%

Of Black Sea Projects related to Transactions

All-Round Port Due Diligence Advisory

125+

Port Projects in Europe & Middle East



Transaction Advisor 

Kherson Sea Commercial Port Ukraine

Transaction Advisory Services for

Strategic and Financial Advisory for the First PPP Transaction in Ukraine

30-year Concession Awarded to

Deal Size USD 15 Million

2020

Transaction Advisor 

Port of Olvia Ukraine

Transaction Advisory Services for

Strategic and Financial Advisory for the Second Port PPP Transaction in Ukraine

35-year Concession Awarded to



Deal Size USD 123 Million

2020

Financial Advisor 

Multi purpose Terminal East-2 Concession Burgas, Bulgaria


Bid Preparation Navibulgar



Winning Bid


Deal size: EUR 100 million

2011

Commercial Advisor 

Kumport, Turkey

Commercial advisory to



For the acquisition of shares in the terminal

Deal size confidential

2014-2015

Technical & Market Due Diligence 

Kocaeli Railport Turkey

Technical & Market Due Diligence for

senior debt facility for the first private intermodal logistics terminal in Turkey

Deal Size 30 M USD

2019

Financial Advisor 

Anaklia Development Consortium Georgia

Master Concession

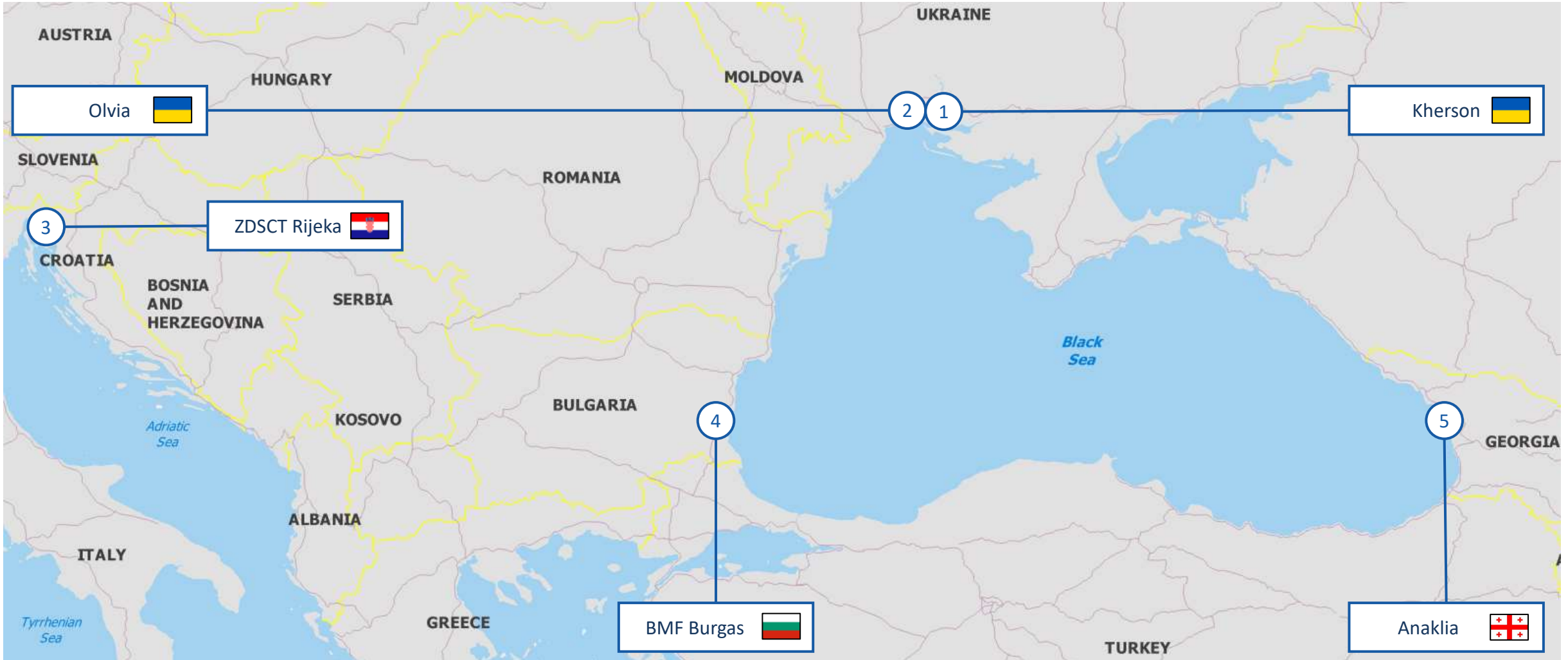
Investment agreement between Government of Georgia and ADC

Committed investments 2.5 billion USD

2017

MTBS Black Sea Projects: Best Practices PPP Projects & Lessons Learnt

Overview of Selected PPP Projects



MTBS Black Sea Projects: Best Practices PPP Projects & Lessons Learnt

Lessons Learnt from the Selected PPP Projects

National Vision & Masterplan

Port PPP projects should fit within a national port vision and master plan to avoid the risk of overcapacity.

Political Willingness

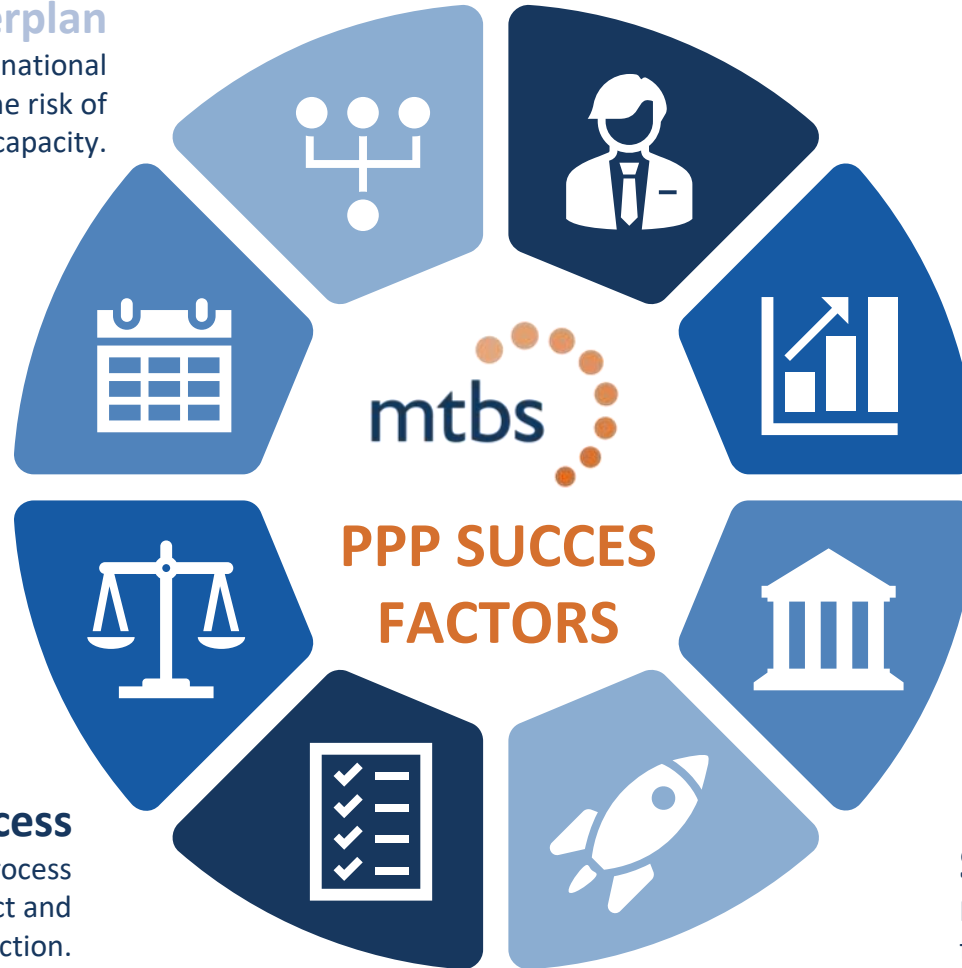
Political willingness and support (or lack thereof) can make or break a port PPP project. Private investors require consistent political support.

Legal/Institutional Framework

An institutional setting that includes a dedicated port authority as well as a PPP unit contributes to the success of Port PPP projects

Well-Structured Tender Process

A well-prepared and clear tender process increases market appetite for the project and the probability of a successful PPP transaction.



Specialised Transaction Advisor

Port PPP projects are complex and specialised advisors and local experts are required to ensure the PPP transaction is implemented adequately.

Project Business Case is Crucial

Port PPP projects should have a clear business case rationale with sufficient market/throughput potential to attract (international) investors.

IFI Support

IFI Support can help bring a project through development and approval stages

Smaller Pilot Projects

For countries that implement port PPP's for the first time, starting with smaller pilot projects is a good starting point.

Lessons Learnt from Ukraine: Kherson & Olvia

In 2019 the tender started to transfer Kherson port's and Olvia port's public assets into a PPP concession agreement. Both PPP transactions are successful with PPP contracts signed in 2020.



- Port PPP implementation addressed as a core opportunity in the **Ukraine's National Transport Strategy 2030**.
- A **two-stage competitive tender** with a comprehensive data room to attract the well-informed and competitive bids. Much effort was put into the tender to attract international investors.
- **Full political willingness and support** to make the two PPP project happen with close involvement of Ministers.
- **Local community support safeguarded** by including social investment requirements in the concession contract.
- MTBS as **port transaction advisor together with local experts** to make Ukraine's first PPP successful and in line with best practice.
- The projects show opportunities opened by the **new Concession Law of 2019** that safeguards interests of international investors.
- After these **2 successful "learning" or "pilot" projects**, the next concession is planned in the larger port of Chernomorsk.

Kherson & Olvia Transaction Advisory Services (2020) PPP Project Details

- **Tender:** two-stage, competitive process
- **Concession Period:** 10 to 35 years (flexible)
- **Grantor:** Ministry of Infrastructure
- **Successful PPP transactions:**
 - **Kherson PPP:** Risoil S.A. & GIP (2020/06)
 - **Olvia PPP:** Qterminals (2020/08)



Lessons Learnt from Croatia: Zagreb Deep-Sea Cont. Terminal



Strong market conditions, short-term capacity needs and a well-written concession agreement in close cooperation with potential bidders results in considerable market interest for PPP tenders

- MTBS as Port of Rijeka Authority (PRA) Transaction Advisor.
- The **Tender launch** for the Zagreb Pier Deep Sea Container Terminal (ZDSCT) was in March 2019.
- The tender included a two-round competitive dialogue
- **A previous tender attempt in 2014 failed** (no market interest).

ZDSCT Rijeka Transaction Advisory Services (2020) PPP Project Details

- **Tender Process:** Public solicitation through competitive dialogue proceeding
- **Status:** 2 successful and qualifying bids
- **Concession Period:** 50 Years
- **Concession Type:** Landlord
- **Grantor:** Port of Rijeka Authority (PRA)



Lessons Learnt from Croatia: Zagreb Deep-Sea Cont. Terminal



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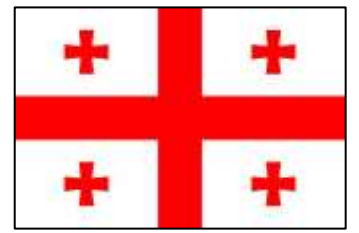
- Other reasons why the tender in 2019-2021 did result in two successful and qualifying bids:
 - The PRA completed the construction of the ZDSCT port Infrastructure in May 2019, making the transaction credible (The Government is meeting its own obligations).
 - **Improved market conditions:** Considerable container throughput growth in Northern Adriatic after 2013.
 - **Extra capacity was needed in the area.** Koper (the main competitor) was operating at full capacity in 2018 and the NAPA region was reaching > 80% utilization.
 - The procurement of the primary road connections to the terminal was ongoing in 2019: **The D403 highway.**
 - The concession agreement also includes provisions that the **concessionaire's investment obligations** only started after the D403 road link is established.



Port	2018 Throughput	2018 Capacity	2018 Utilization	CAGR '08-'18	CAGR '13-'18
Trieste	725	900	81%	8.0%	9.6%
Venice	632	750	84%	5.2%	7.2%
Koper	989	990	100%	10.8%	10.5%
Rijeka	227	500	45%	3.0%	11.7%
Ravenna	223	285	78%	0.4%	-0.4%
Total NAPA	2,796	3,425	82%	6.8%	8.5%



Lessons Learnt from Georgia: Anaklia

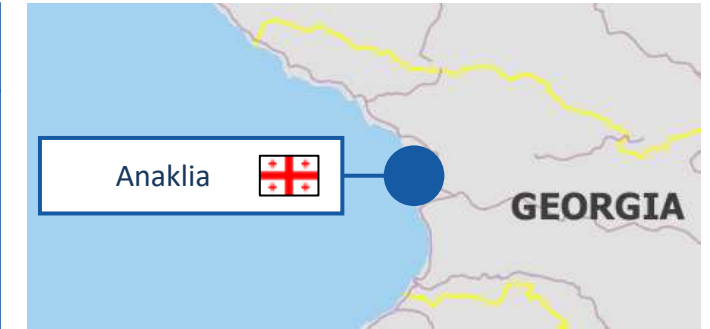


The Anaklia port tender was won by the Anaklia Development Consortium (ADC) in 2016, initial construction started in late 2017, but the project was halted by the Government in January 2020

- In 2016, ADC won the international tender procedure. **In January 2020, the Georgian Government canceled the agreement.**
- Reasons why this project PPP concessions had its challenges are:
 - The Government of Georgia **included hard and time-based commitments in the concession contract** for the concessionaire (ADC). This imposed high risk on ADC.
 - Banks were only willing to fund the project if the Georgian Government provided **guarantees on the loan repayment** if the project would fail (which the Government **declined**).
 - Lack of political commitment to make the project “work” and to **absence of national strategic port vision**.
 - Poti, the major port in Georgia operated by APMT, also announced **major competing expansion plans** during the Anaklia transaction (also supported by the Government).

Anaklia Lender's Due Diligence (2018) PPP Project Details

- **Tender:** two-stage, competitive process
- **Concession Period:** 52 years (BOT)
- **Grantor:** Ministry of Economy and Sustainable Development (ESD).
- **Successful PPP:** well-structured tender but lack of strategic vision and political support.



MTBS Black Sea Projects: Best Practices PPP Projects & Lessons Learnt

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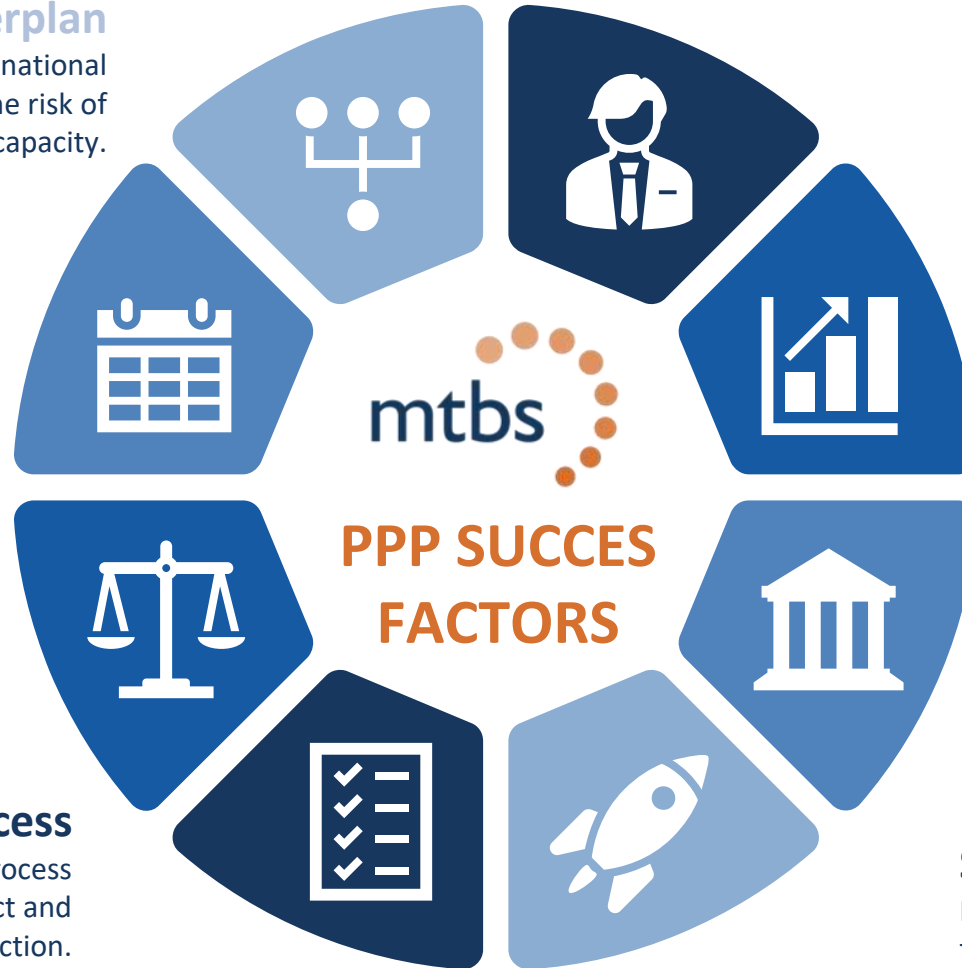
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Thank you

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