



Ministerie van Financiën

# Procurement of PPP in the Netherlands

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EPEC Private Sector Forum  
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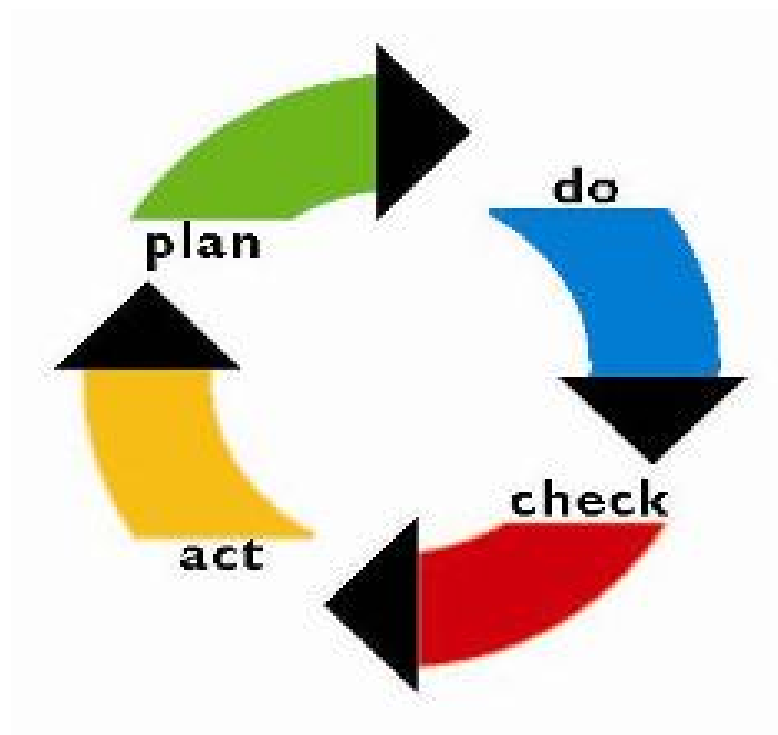


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- The succes of PPP in the Netherlands
- PPP Procurement in the Netherlands
- Issues for consideration: the financial challenge in our tender process.



## Dutch PPP policy according to the Deming circle

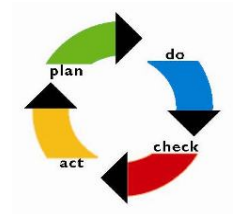




# PPP in the Netherlands

What makes PPP in the Netherlands successful?

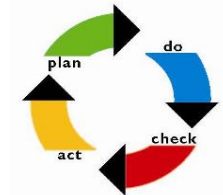
- 1. Plan:** Stable political support for PPP & organisation at State level
- 2. Do:** Pipeline of projects → deal flow
- 3. Check:** Private sector consultation and public accountability
- 4. Act:** Standardisation of DBFM(O) contract & tender guidelines





## Plan: Stable political support for PPP & organisation at state level

- Reliable and consistent PPP policy for almost 15 years
- Coalition agreement 2012: stimulate PPP
  - Left wing – right wing: PPP as a practical solution
  - *To ensure delivery of projects providing Value for Money*
- Private finance as 'guardian angel' ensures that
  - Projects delivered on time and within budget
  - Through frontloading of due diligence, project & risk management
- Off-balance financing is not the "raison d'être" for PPP





## Plan: Stable political support for PPP & organisation at state level

PPP = DBFM(O)

- Accommodation - Government Buildings Agency ("RGD")
- Infrastructure - Rijkswaterstaat ("RWS")

Minimum contract size:

- Accommodation: € 25 mln
- Infrastructure: € 60 mln

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- Supervision and coordination (e.g. financial crisis)
- Reducing transaction time & costs

[www.PPPDutchgovernment.nl](http://www.PPPDutchgovernment.nl)





## Do: increasing deal flow

Compared to other European markets, the Dutch market is not the largest:

- Size of country
- Level of existing infrastructure and accommodation

**Yet**, it is a very interesting market:

- High quality of projects and private sector involved
  - Steady pipeline of projects
- 
- 20 projects have reached financial close
  - Resulting in € 700 mln cost savings







## Do: Deal flow of accommodation projects



Bezuidenhoutseweg 30  
Renovation  
Multi user



Prison Zaanstad  
New building



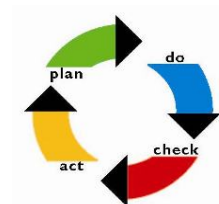
Rijnstraat 8  
Renovation  
Multi user



Court Breda & Amsterdam  
New building  
Multi user



RIVM Utrecht  
New building  
Multi user







# Do: Deal flow of infrastructure projects

1/3



Limmel Lock  
Tender 2013  
€ 60 mln



Eefde Lock  
Tender 2013  
€ 60 mln



Beatrixlock  
Tender 2014  
€ 250 mln



IJmond Sealock  
Tender 2014  
€ 800 mln



Gent Terneuzen Lock  
Tender 2015  
€ 1 bn



Afsluitdijk  
Tender 2015  
€ 1 bn



## Do: Deal flow of infrastructure projects

2/3



SAA-A9 GDW  
Tender 2013  
€ 800 mln



A12 Ede-Grijsoord  
Tender 2013  
€ 100 mln



N18 Varsseveld-Enschede  
Tender 2014  
€ 300 mln



VIA 15  
Tender 2014  
€ 800 mln

**AND MANY MORE.....**



**Do:** Deal flow of **infrastructure** projects

3/3

For the next 3 years:

€ 6.000.000.000





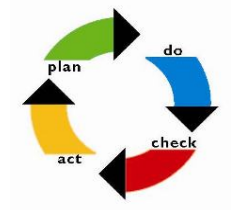
## Check: Public & Private sector consultations

### Public sector:

- Implementation of PPP policy in subsequent coalition covenants
- Annual progress to be reported and discussed in parliament

### Private sector:

- New developments
- Continuous exchange of knowledge and views
- Some specific issues like early contractor involvement, insurances
- Project consultation and evaluation
- Request for harmonisation of the DBFM contract and tender guidelines



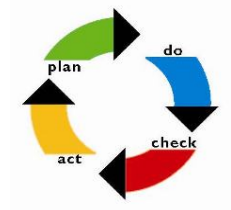


## Act: Standard contract & guidelines

- Standard contract DBFM(O) in development since 2005
- Standard guideline tender based on competitive dialogue
- In close cooperation with private sector
- Preliminary findings: compliant with Eurostat

*English version available:*

[www.PPPDutchgovernment.nl](http://www.PPPDutchgovernment.nl)





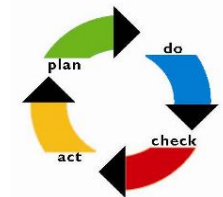
## Act: Project preparation (pre-tender)

### Project preparation: [appr. 2-10 year]

- Aligning the stakeholders
- Public Private Comparator
- Budgeting processes
- Zoning & planning processes.

### Pre-tender [approx 1-3 years]

- Ambitions / SMART goals
- Procurement strategy (procedure, criteria, contract, team)
- Output specifications
- Availability payment mechanism

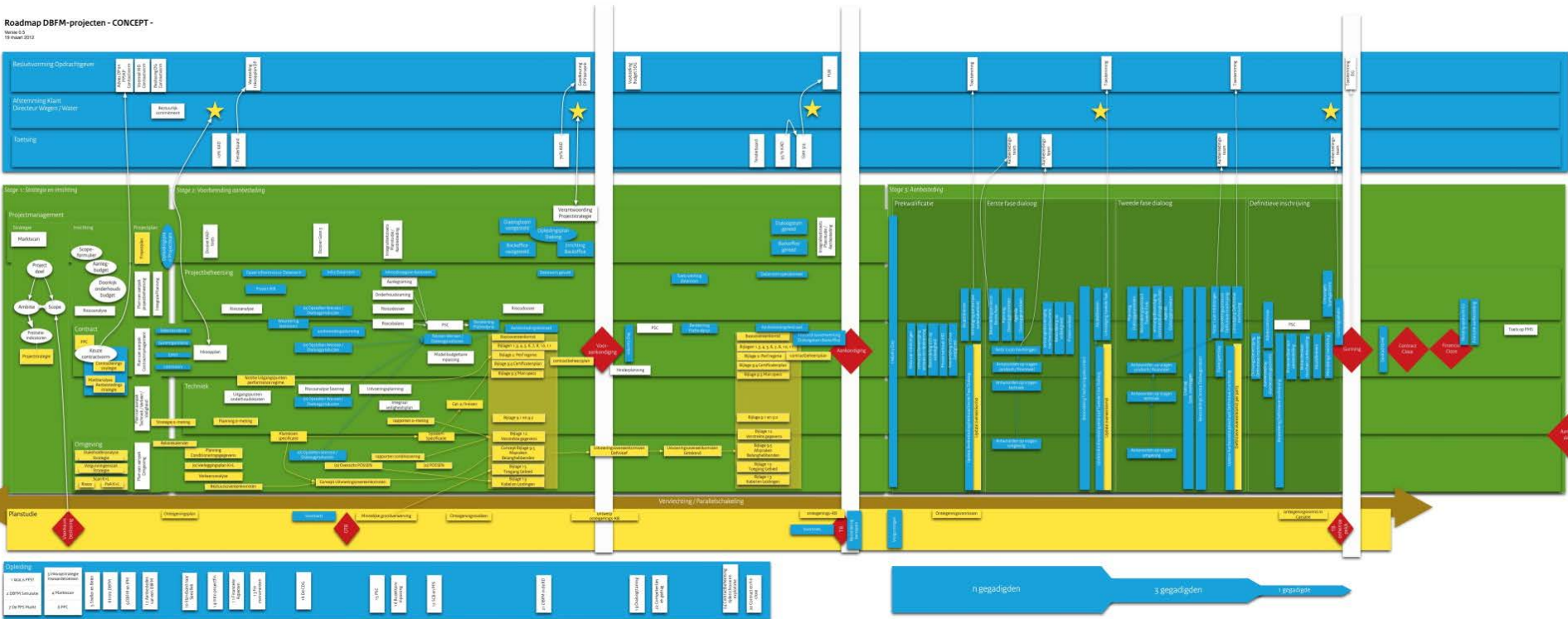






# Act: DBFM activities roadmap for infrastructure projects

Roadmap DBFM-projecten - CONCEPT -  
Versie 0.5  
18 maart 2013







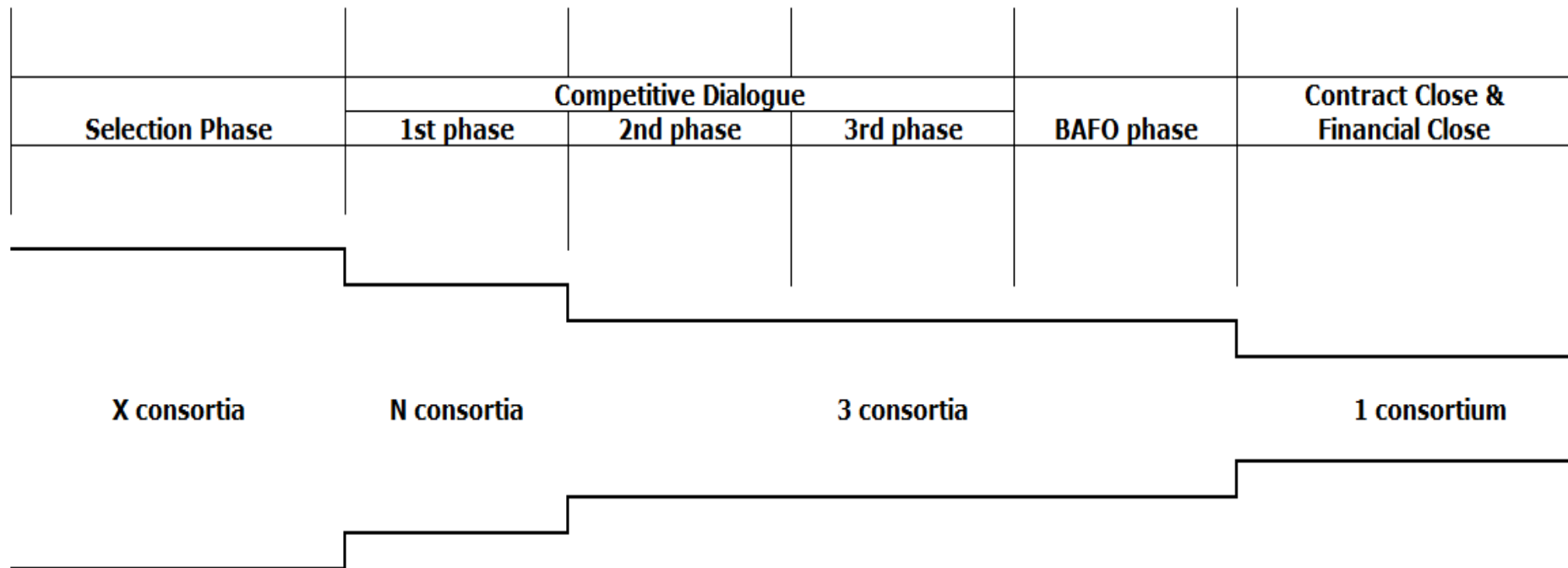
## *Case study Afsluitdijk:* PPP procurement decision

- PPC (dec. 2011)  
→ Positive outcome
- 1st meeting Tenderboard  
→ not convinced
- Private Sector consultation (feb 12)  
→ Request for Integrated DBFM
- 2nd meeting Tenderboard  
→ more convinced
- conditional DBFM decision  
by Minister (may 2012)
- Final decision → may 2013



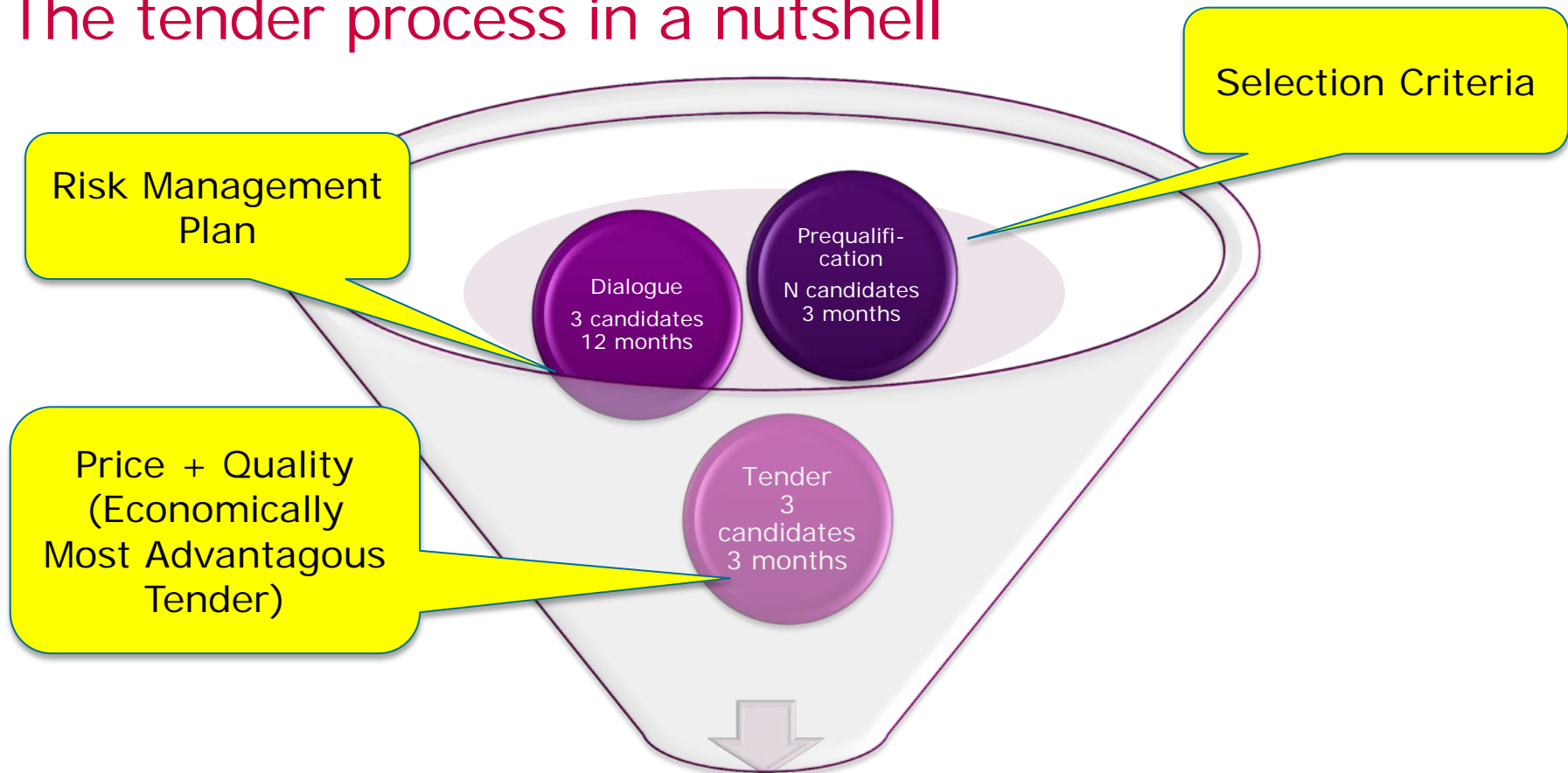


# Act: Tender guideline on a competitive dialogue





# The tender process in a nutshell



Award → Contract Close → Financial Close  
The winning consortium: 3-5 months



## Private Finance: Issues for consideration

- Less banks willing to finance long-term; dropping ticket sizes
- Commitment period between BAFO and Financial Close

***Private sector remains responsible for funding  
(and has best incentives and expertise to do so)***

### **Public sector:**

- Constantly challenged by private sector to facilitate capital market solutions
- Removing barriers while safeguarding public interests (i.e. acceptable level of public risk)

***When private financing becomes too difficult, too complex or too expensive, the government will reconsider***



## Available Options for Private Debt Finance

- Bank Loan 2<sup>nd</sup> Coen, A12 LuVe, A15 MaVa
- Private (institutional) bond N33, A1/A6
- Public bond Canada, USA
- Preferred Debt Funding Competition Flanders

### **Ministry of Finance requires fully committed finance**

So far, we noticed that fully committed finance remains a challenge to

- Public bond
- Preferred Debt Funding Competition



## Case study: Bids for A1/A6

- 3 very competitive bids
- Commitment period of 18 weeks  
CDS mechanism triggered support of an additional number of banks
- Institutional investors involved by 2 out of 3 bids
- Credit support by 2 out of 3 bids  
Major EIB loan involvement
- No capital market solution was used by the winning bid



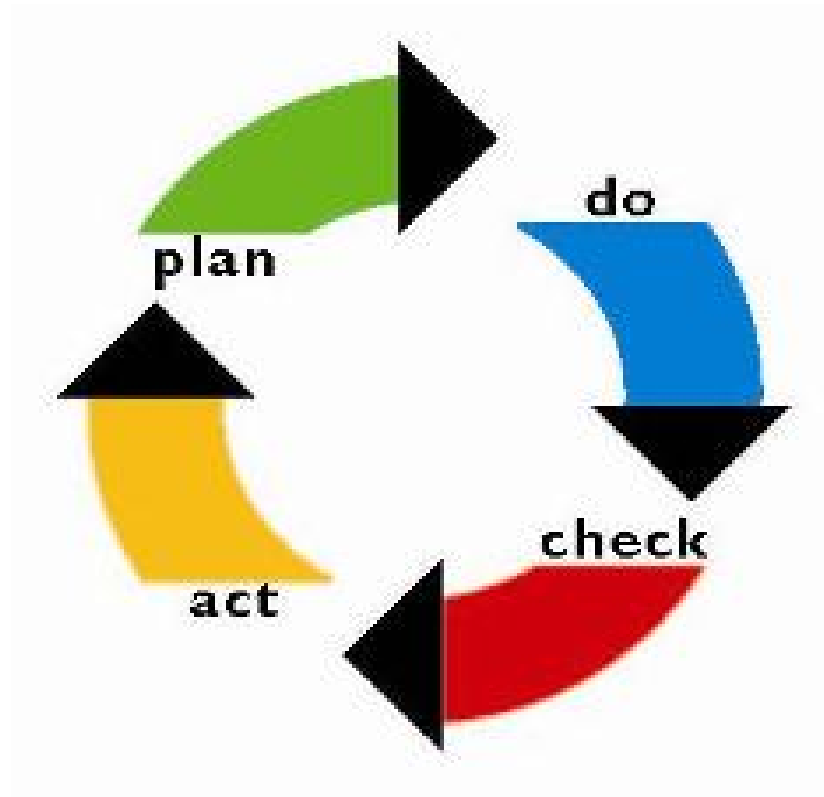
bidder 1	bidder 2	bidder 3
club deal 8 banks	fixed rate solution	PEBBLE
EIB involvement	EIB involvement	EIB involvement



## Outlook

- Preserving the Dutch framework:
  - › Fully committed debt finance at BAFO
  - › Clear allocation of risks and responsibilities
  - › Phased tender process with competitive dialogue
  - › Project scope and contract duration related to life cycle costing
- Remove unnecessary barriers for private finance solutions while safeguarding our core objective: ***Value for Money***
- If problems might occur in the future, we will ..







# QUESTIONS?



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