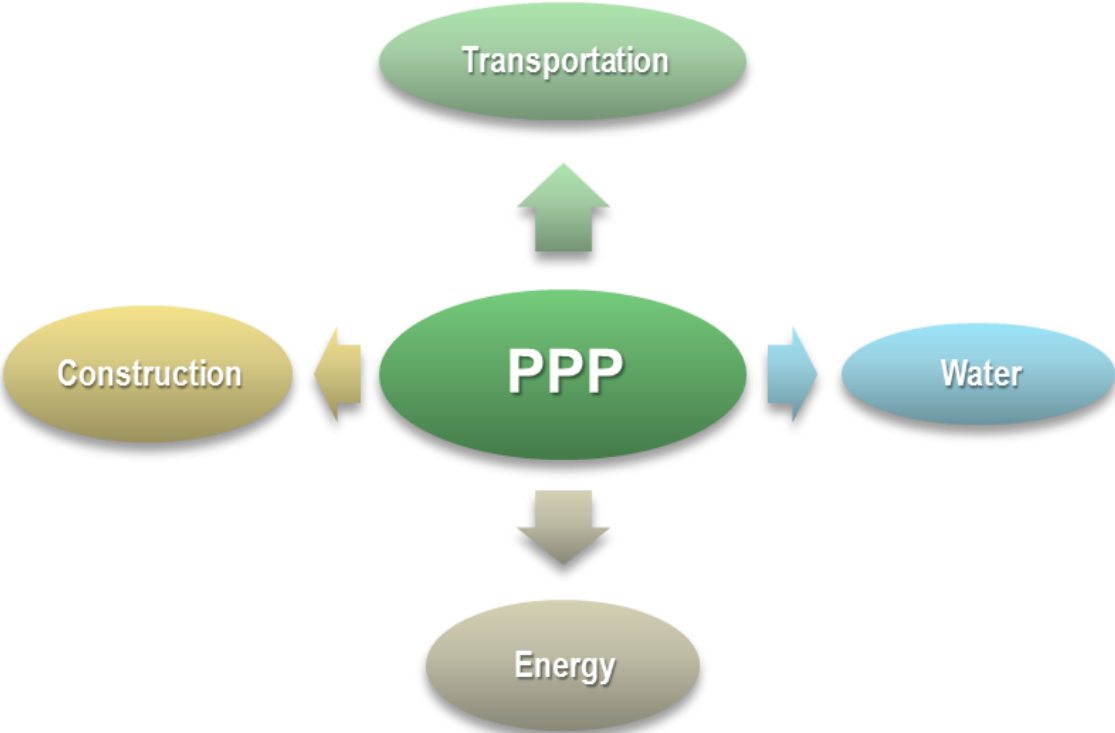


December 2010

**Public Private Partnership
National Infrastructure Projects in Israel**



PPP Projects Currently Conducted In Israel - Background

To date, 20 PPP projects have been executed in Israel ,with an investment of more than 33 billion NIS (9 billion \$).

Thus, the average total cost* per PPP project is approximately 1.5 billion NIS (0.4 billion \$).



* costs for promoting availability + construction costs + operation costs

Vision



- ❑ **Investments in infrastructure** - would enable sustaining Israel's economy growth
- ❑ **Private sector's involvement** - would improve the level of the government's services
- ❑ **Optimizing risk allocation between the public and the private sectors** - would contribute to the wealth of both

Foreign Participation

Why is foreign participation needed?

- ✓ Single borrower limitation
- ✓ Low competition (only 2 major banks)
- ✓ Only 7-8 major groups are participating in all government projects

Technical Know-How

- ✓ Bringing professional expertise and experience
- ✓ Bringing advanced technologies
- ✓ Increasing efficiency in the planning and execution of projects
- ✓ Improving the capability of Israeli entities

Investment

- ✓ Partnership between Israeli and foreign entrepreneurs
- ✓ Increase in foreign investments

Encouraging Foreign Participation

In order to facilitate the participation of foreign bidders and foreign lenders:

- ✓ Foreign interest rate changes protection
- ✓ Foreign currency changes protection
- ✓ Various indexation and protection options in accordance with risks at different stages of the project
- ✓ Payments to Concessionaire in foreign currency

Foreign Entities Involvement

Financing

- ✓ Israel's sovereign rating (A – A+) attractive to international finance entities
- ✓ Improvements in Tender Rules encourages foreign participation: financing in USD / Euro with interest rate protection, various indexation protection at the different project stages.
- ✓ Help to increase number of financing entities (single borrower limits for Israeli banks)
- ✓ Stimulate competition → reduce financing costs
- ✓ Offer new and improved financing tools and solutions

Industries Under Focus

The government has decided to focus primarily on the following industries:

✓ Transportation

- Railroads / Mass Transit Systems
- Roads



✓ Water

- Water desalination and sewage treatment

✓ Energy

- LNG
- Solar



✓ Environment

✓ Construction

PPP Projects Status - Transportation

FIELD	PROJECT		General Details	The Project Stage		
			Concessionaire	Tender + Financial Closing	Construction	Operation
TRAINS	Jerusalem Light Train		City pass		X	
	Road no. 431		Denya Sibus			X
ROADS AND HIGHWAYS	Carmel Tunnels		Carmelton			X
	Cross Israel Highway (H-6)	Central	Derech Eretz			X
		Section 3+7	-		X	

Other PPP Projects – Status in Israel

SECTOR	FIELD	PROJECT	The Project Stage		
			Tender + Financial Closing	Construction	operation
Energy	Solar	Photo – Voltaic (30 Mega Watt)	X		
		Thermo – Solar A (100 Mega Watt)	X		
		Thermo – Solar B (100 Mega Watt)	X		
	LNG	Liquid Natural Gas	X		
Water	Water Desalination	Ashkelon (120 Cubic Meters)			X
		Palmachim (45 Cubic Meters)			X
		Hadera (127 Cubic Meters)			X
		Sorek (150 Cubic Meters)	X		
		Ashdod (100 Cubic Meters)	X		
Construction	Security	Police National Academy	X		
		Army Training Basis City	X		
	Health	Ashdod Hospital	X		
	General	National Archives	X		

Foreign Entities Involvement

FIELD	PROJECT	Foreign Entities Involvement
TRAINS	Jerusalem Light Train	"ALSTOM" holds 20% share in consortium and "VEOLIA" holds 5% share (both French companies)
ROADS AND HIGHWAYS	Road no. 431	Financing of construction phase: HSBC (together with 3 Israeli banks)
	Carmel Tunnels	A Chinese company ("CCECC") is involved in the tunneling works
	Cross Israel Highway (H-6)	Both in the operation and in the financing of the project. "Aecon construction – Canada" is part of the concessionaire
Water	Ashkelon	A French company ("Veolia Water") is part of the consortium (50%)
	Hadera	Financing of the project : Calyon Bank , EIB, Espirito Santo Bank, Dexia Bank, KFW.
	Sorek	A Hong Kong company ("Hutchison") is part of the consortium (49%)
Energy	Solar	Foreign companies are part of bidding groups
	LNG	Foreign companies are part of bidding groups

Israel Water System

Legend

- Signed contract
- Contract in formation/tender



2009

- Agriculture Sector – 1 Billion m³
- Industry Sector – 150 Million m³
- Home usage Sector – 750 Million m³

1.9 Billion m³

2020

- Agriculture Sector – 1.2 Billion m³
- Industry Sector – 190 Million m³
- Home usage Sector – 1.1 Billion m³

2.5 Billion m³

The Development of Desalinated Water

2005

• 30 Mm³

2009

• 230 Million m³

2013

• 550 Million m³

2015

• 600 Million m³

2020

• 750 Million m³

m³=cubic meter

Thank you