

Community of **FUNCTIONAL AREAS** in the European Union

SPECIFIC-THEMED WORKSHOP:

Public-Private Partnership



FUNCTIONAL AREAS IN THE EU
Crossing administrative boundaries for green transition and sustainable development

What we are discussing **TODAY**



- | | |
|---|--------------|
| I. Introduction - what is PPP | (20 minutes) |
| II. Benefits of PPP for the public sector | (15 minutes) |
| III. PPP markets in 6 countries | (10 minutes) |
| IV CEE & SEE - PPP lessons learnt | (10minutes) |
| V. PPP case studies | (15 minutes) |
| VI. Questions & answers session, individual consultations | (20 minutes) |

INTRODUCTION

What is PPP



Be a part of the community.

PPP basics

PPP is:

- ✓ a way to deliver public services
- ✓ a model of work with private sector
- ✓ a transparent route to select private partner

PPP is not:

- ✗ just financing method
- ✗ hidden privatization
- ✗ corruption-generating system

PPP basics

CHALLENGE:

How to **satisfy increasing expectations** regarding public services while the public **budgets are limited**?

TYPICAL PPP MODEL:

Private partner role is to **design, build, finance and then maintain** the infrastructure to **deliver public services**

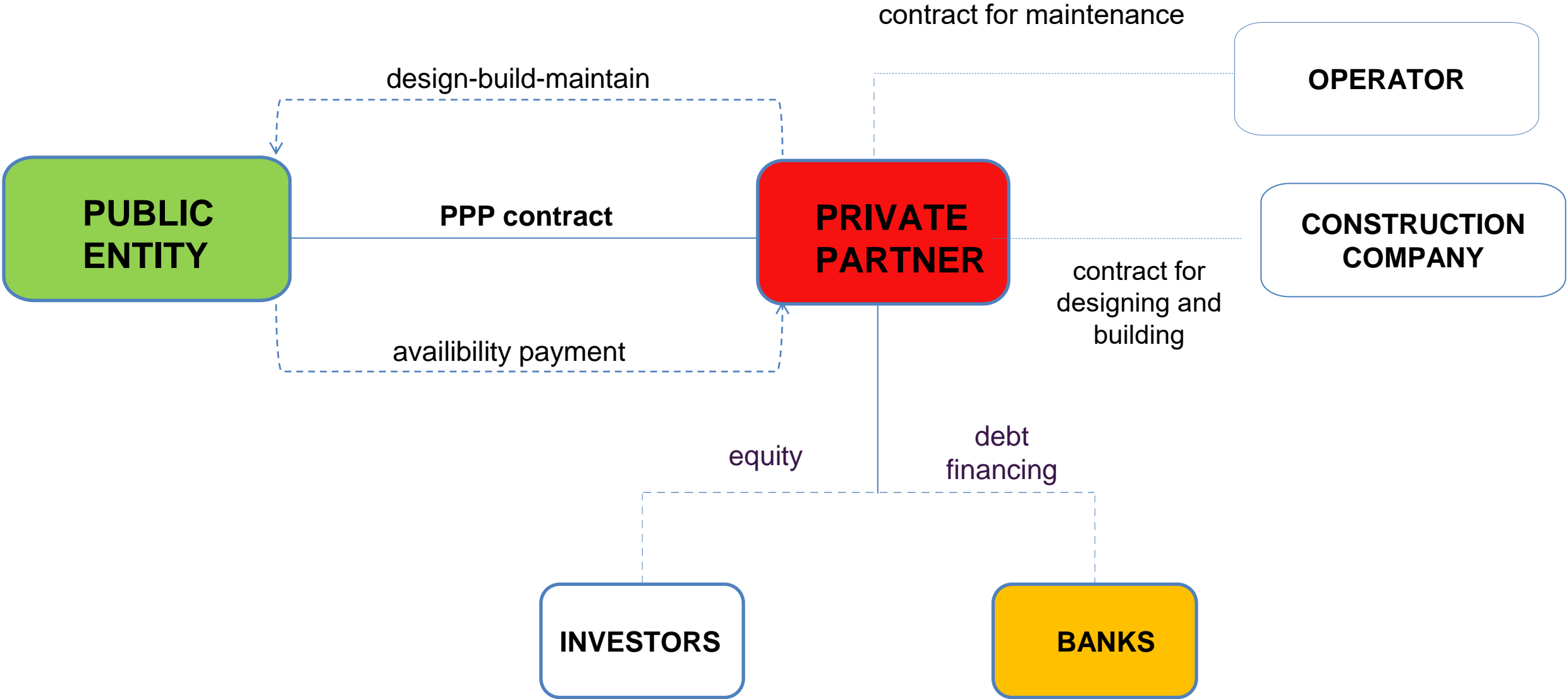
CHARACTERISTICS OF PPP COOPERATION:

Long-term contract based on tasks and **risk allocation**

EU MONEY:

Huge support (historically); change of approach – more revolving mechanisms; **blended PPPs**

PPP model

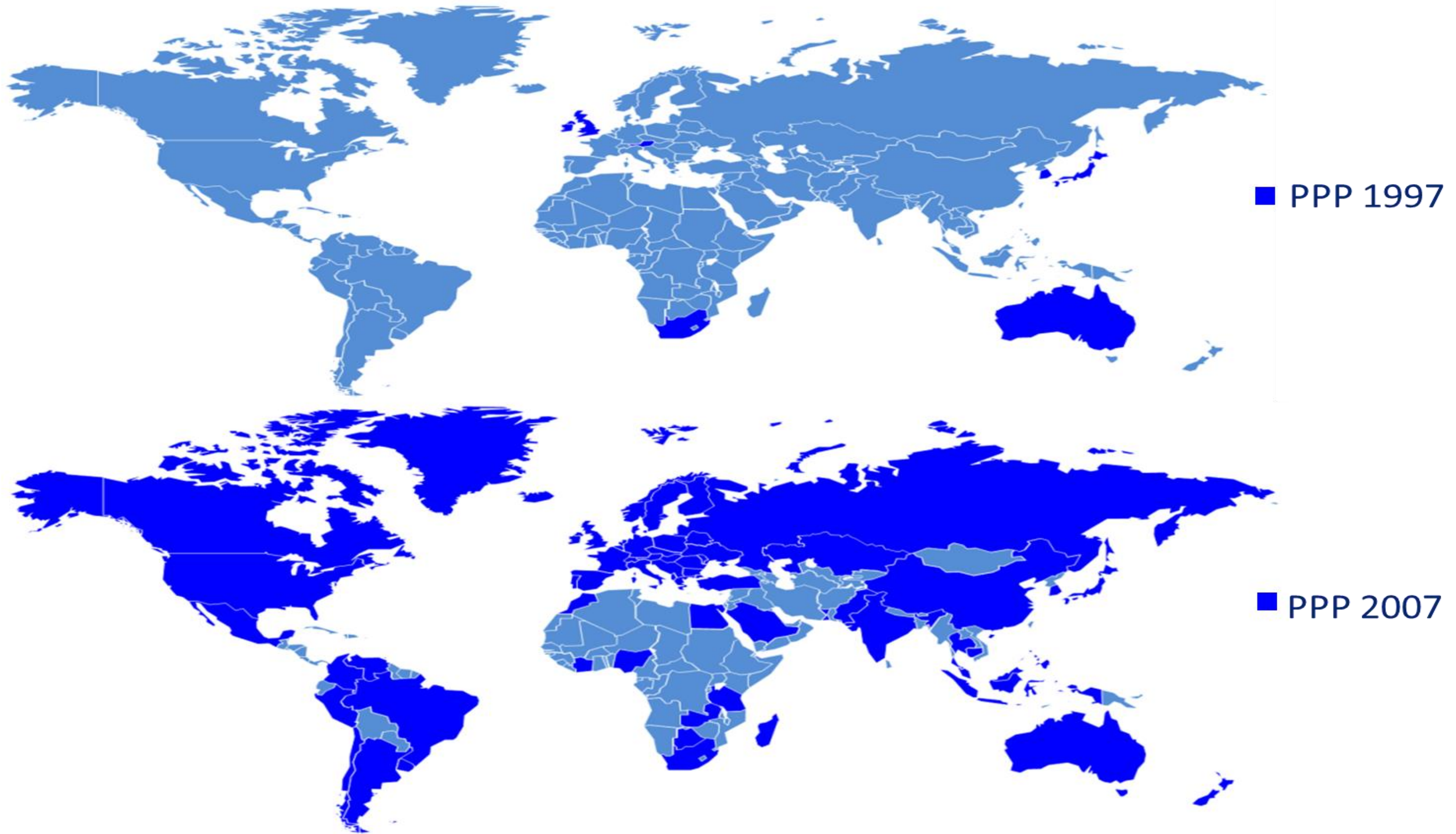


PPP as a positive answer to current challenges?

- **Public authority - stronger budgetary limitations ...**
- **Private partners - stronger demand limitations ...**

Public entity	Private partner
<ul style="list-style-type: none">• Access to private capital• Access to know-how• Stabilization of the price level• Effective operation• Higher quality of public services	<ul style="list-style-type: none">• Stable, long-term contract• Business confidence and stability• Cooperation with a reliable partner• Chance to apply innovations• Easier access to financing





INTRODUCTION

Benefits of PPP



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BENEFITS OF USING PPP – PUBLIC SECTOR

- Access to **private capital** and know-how
- Implementing projects **off-the-balance sheet**
- Way of delivering several projects concurrently
- Projects delivered on time and within the planned budget

Table 1.1.1: Comparing PPP and Public Procurement in the United Kingdom

Source	Comparison	Proportion of Projects Over Budget (%)		Proportion of Projects with Time Over-run (%)	
		PPP	Public	PPP	Public
National Audit Office, 2003 [#17]	Contract award to final	22%	73%	24%	70%
National Audit Office, 2008 [#18]	Contract award to final	35%	46%	31%	37%

Table 1.1.2: Comparing PPP and Public Procurement in Australia

Source	Comparison	Average Over Budget (% of original cost estimate)		Average Time Over run (% of original time estimate)	
		PPP	Public	PPP	Public
Infrastructure Partnerships Australia, 2007 [#19]	Original approval to final	12%	35%	13%	26%
	Contract to final	1%	15%	-3%	24%
Duffield review of PPP performance, 2008 [#20]	Original announcement to final	24%	52%	17%	15%
	Budget approval to final	8%	20%	12%	18%
	Contract to final	4%	18%	1.4%	26%

PPP markets in 6 countries

Current situation & future opportunities



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Romania

- Romania initiated private sector involvement in infrastructure projects in 1998.
- Dedicated **PPP legislation was introduced in 2010** and later revised for alignment with European procurement laws.
- A new PPP bill was proposed in 2013 but faced challenges due to transparency concerns.
- The Central Unit for PPP Coordination was restructured in 2013, and the Department for Infrastructure Projects and Foreign Investment took the lead in coordinating PPP projects.
- A **new legal framework for PPPs was established in 2018**, with the creation of the Public Investment and Management Unit (PIMU) to promote best practices.
- The National Commission for Strategy and Prognosis gained authority over strategic investment projects in public-private partnerships.
- **Key sector interest: water, waste, roads, rail, district heating.**
- Romania's first PPP in the water and sanitation sector, the Bucharest concession, was completed in 2000.
- Four international operators won contracts between 2004 and 2005 to refurbish, operate, and manage dialysis centers in eight hospitals. They resulted in modernized facilities and government savings.
- The Vinci-Strabag-Aktor consortium secured the **Comarnic-Brasov highway** PPP concession in 2013 for a major construction project involving the construction of a 58 km highway.
- Also noteworthy are the following projects: the Iulius Mall Cluj shopping center and the Târgu Neamț - Iași Highway.



Romania

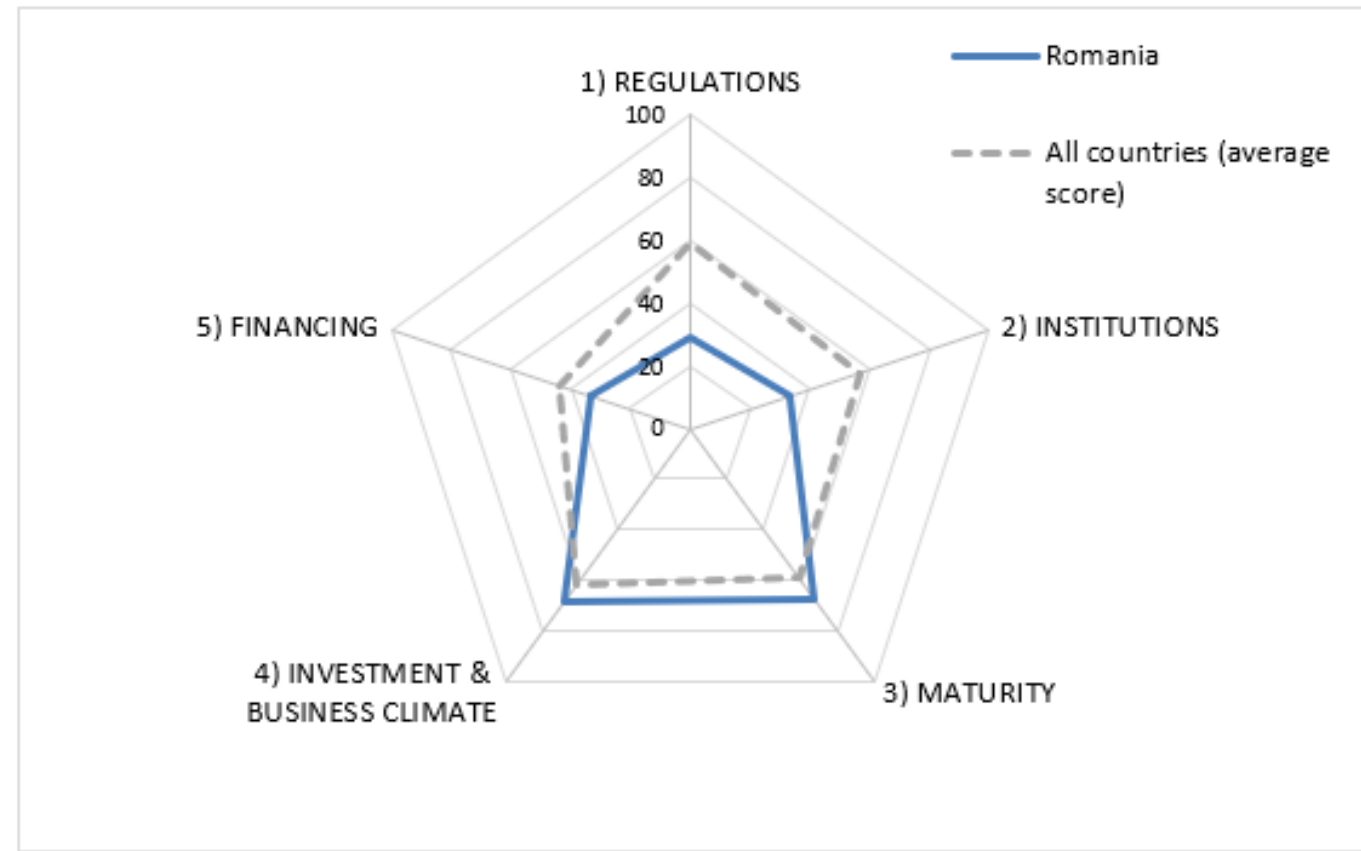
INFRASCOPE 2020 HOW TO USE CUSTOM GROUP RANKINGS SERIES EXPLORER COUNTRY PROFILE

SELECT REGION: All countries

SELECT COUNTRY: Romania

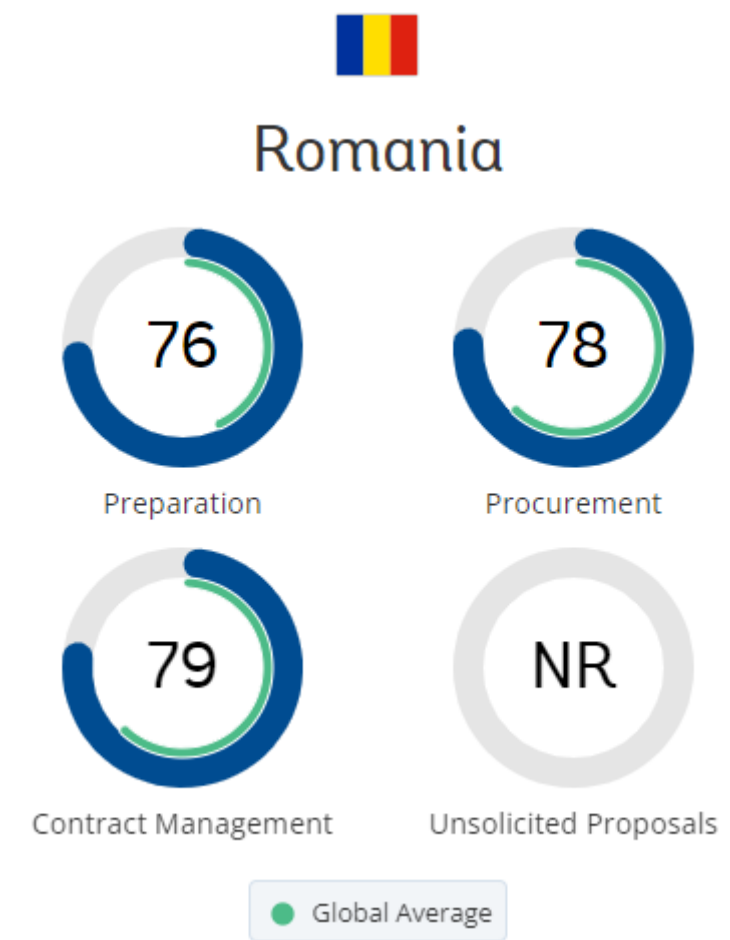
SELECT WEIGHT PROFILE: Maturity Focus (default)

Category	Score / 100	Rank / 71	All countries (average score)
OVERALL SCORE	48	=53	56
1) REGULATIONS	29	=65	59
2) INSTITUTIONS	33	=59	57
3) MATURITY	67	=19	59
4) INVESTMENT & BUSINESS CLIMATE	68	24	62
5) FINANCING	33	=54	44



Benchmarking Infrastructure Development

Benchmarking Infrastructure Development 2020 assesses the quality of regulatory frameworks worldwide to develop large infrastructure projects, benchmarking them with internationally recognized good practices.





Hungary

- No **specific law governing public-private partnerships**.
- PPP projects are executed based on existing legal acts, including **the Public Procurement Act, Concessions Act, Municipal Act**, and Civil Code.
- According to the Public Finance Act, PPP projects exceeding 180 million euros require parliamentary approval, while projects below this threshold do not necessitate parliamentary consent, with government approval being sufficient.
- An update to the Public Finance Act in 2010 addressed off-the-balance sheet treatment of PPP projects.
- In 2011, amendments were made to the Public Procurement Act to increase the number of valid bids submitted by potential contractors.
- Hungary predominantly employs the **DBFO (Design, Build, Finance, Operate) model** for most projects, especially in road investments.
- Primary sectors for PPP application in Hungary include educational and sports infrastructure, as well as prisons, road and railway infrastructure, waste management, water supply systems, and urban revitalization.
- **Political support for PPP is limited**, and the current government is reviewing existing PPP agreements.
- Hungary has experienced project cancellations and renegotiations, notably in the case of the M5 motorway.
- The country's economic situation poses challenges for PPP development due to budget deficits and slow economic growth.



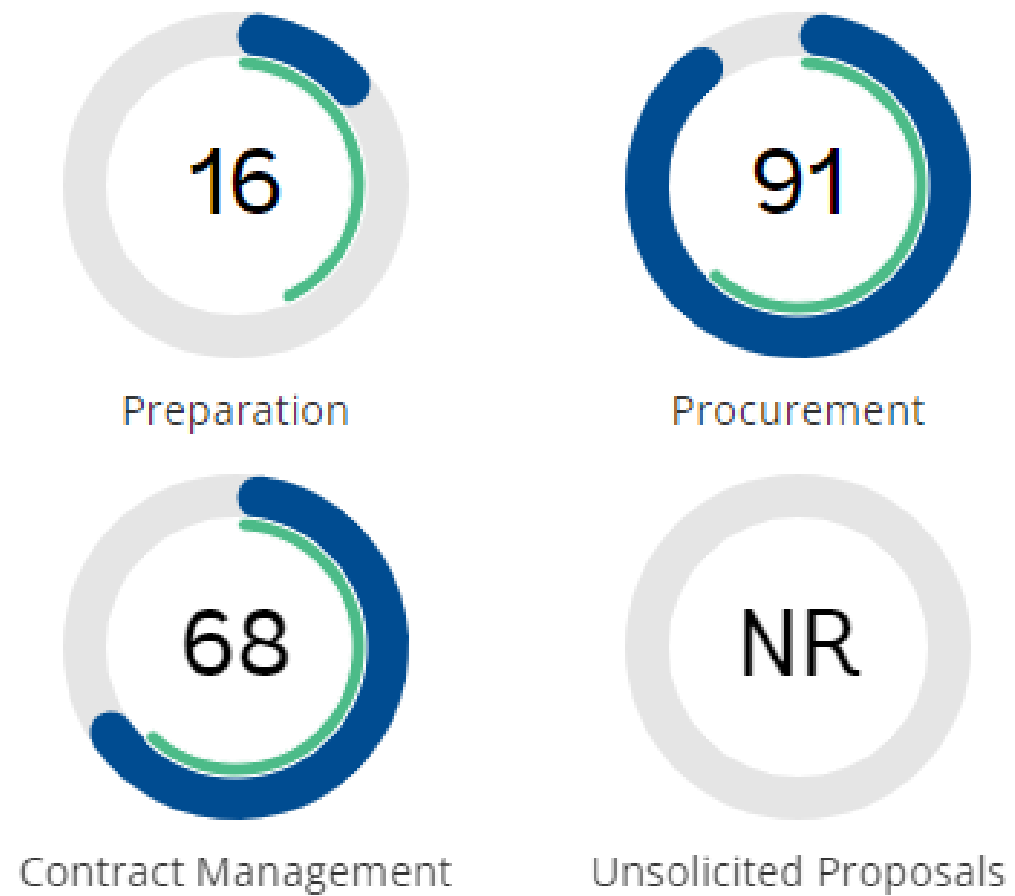
Hungary

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Hungary



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Slovak Republic

- Slovakia does **not have a specific PPP law**, but it utilizes existing laws to facilitate PPP projects. The key regulation is Act No. 343/2015 on public procurement.
- PPP projects receive support from the PPP Association, which represents the private sector's interests and collaborates with the public sector.
- Institutional support for PPPs weakened when the dedicated unit within the Ministry of Finance was dissolved in 2010.
- **PPP projects can be implemented at both the local and central government levels.**
- The existing PPP law is relatively brief and lacks specific provisions defining the rights and obligations of involved parties.
- The former Concession Law was repealed, and references to concessions are now integrated into the general Public Procurement Law.
- Methodological, supportive, and supervisory functions and communication center functions are handled through the Technical Assistance Scheme for PPP.
- **Slovakia's Ministry of Finance is responsible for various aspects of PPP projects.**
- Major experience in the road sector R1 expressway, D4 expressway and the R7 road.

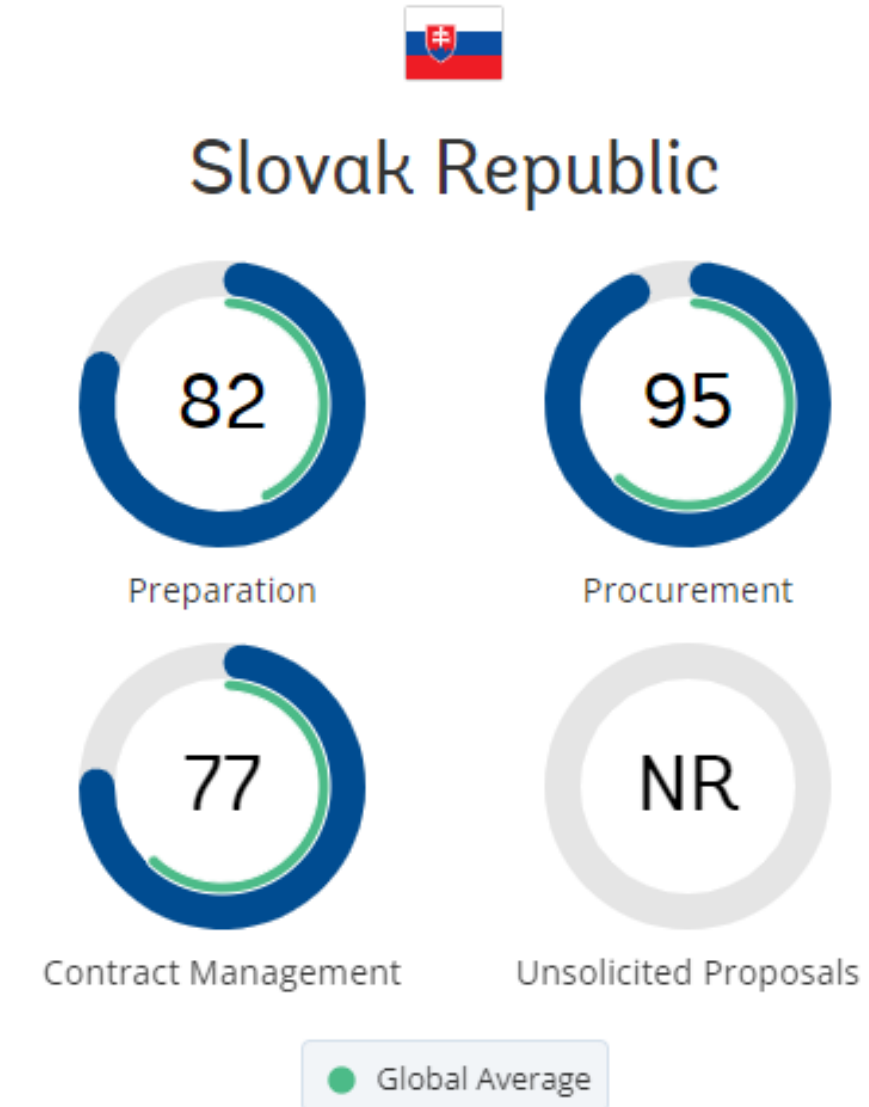
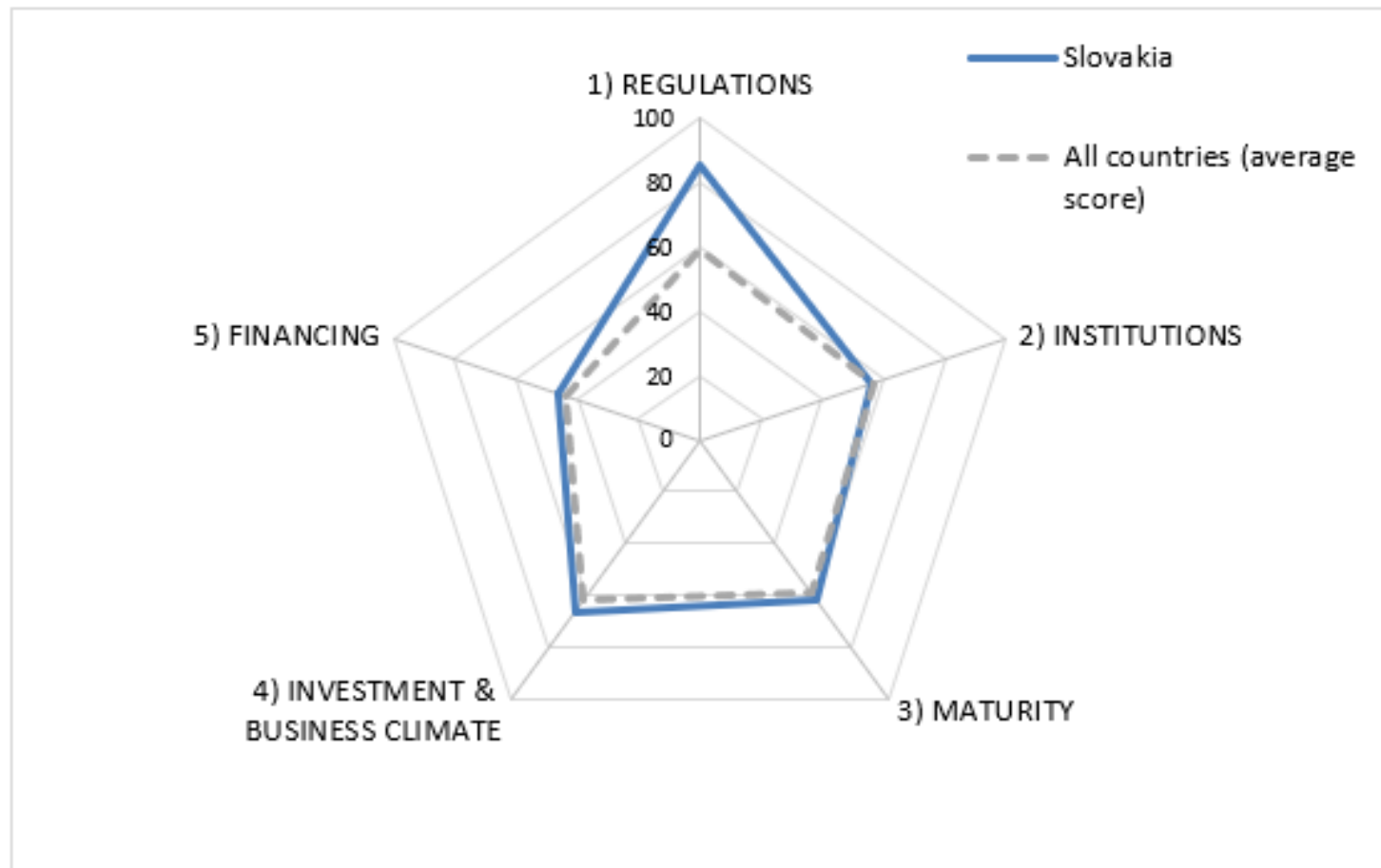


Slovak Republic

INFRASCOPE 2020 | HOW TO USE | CUSTOM GROUP | RANKINGS | SERIES EXPLORER | **COUNTRY PROFILE**

SELECT REGION: All countries | SELECT COUNTRY: Slovakia | SELECT WEIGHT PROFILE: Maturity Focus (default)

Category	Score / 100	Rank / 71	All countries (average score)
OVERALL SCORE	63	=23	56
1) REGULATIONS	85	=5	59
2) INSTITUTIONS	56	=39	57
3) MATURITY	62	34	59
4) INVESTMENT & BUSINESS CLIMATE	66	=30	62
5) FINANCING	46	=29	44





Croatia

- ❑ Croatia's public-private partnerships (PPPs) are governed by the **PPP Act (2008, amended in 2011), the Concessions Act (2008), and the Public Procurement Act (2012)**, among other regulations. These laws align with EU standards.
- ❑ The Ministry of Economy and Sustainable Development is at the helm of evaluating, approving, and monitoring PPP projects. It maintains the Register of Public-Private Partnership Agreements and fosters international best practices in PPPs.
- ❑ The **Ministry of Finance provides preliminary consent** concerning budget projections, plans, and fiscal constraints, as per special regulations.
- ❑ The State Commission for the Control of Public Procurement Procedures oversees appeals in public procurement, concessions, and private partner selection for PPP projects.
- ❑ In 2012, Croatia aligned its PPP Act with international best practices, establishing the Agency for Public-Private Partnership (AJPP), which later merged with the Agency for Investment and Competition (AIK). Key guidance documents were issued.
- ❑ The 2012 Concession Act follows a less stringent documentation and approval process, with the distinction between concessions and PPPs determined on a case-by-case basis.
- ❑ **Sector of interest: energy, healthcare, ports, energy efficiency in public buildings, culture, justice.**
- ❑ **Croatia has successfully implemented various PPP projects, with more in approved, announced, or contracted.**



Croatia

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Benchmarking Infrastructure Development 2020 assesses the quality of regulatory frameworks worldwide to develop large infrastructure projects, benchmarking them with internationally recognized good practices.



Croatia



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Greece

- ❑ Greece's PPPs governed by the **PPP Act (Act No. 3389/2009)**, offering a robust legal framework for project awards, execution, and management, boosting private investor confidence.
- ❑ Key entities established by the PPP Act are the **Interministerial PPP Committee**, responsible for project approval, and the Special PPP Secretariat, supporting the committee and public entities.
- ❑ PPP Act covers public infrastructure projects with a value not exceeding EUR 500 million, mainly funded and managed by private entities, involving significant financial, construction, availability, or demand risks.
- ❑ Private entities engage in PPP projects through special purpose vehicles, limited liability companies solely for project implementation.
- ❑ **PPP Act mandates minimum contract requirements**, ensuring alignment with public authority's tender document conditions during procurement.
- ❑ Tendering processes in Greece follow EU Directive 2004/17 and EU Directive 2004/18.
- ❑ The ICPPP, headed by the Minister of Economy and Development, plays a vital role in shaping PPP policy and project approvals within the PPP framework. **The ICPPP decides on PPP project inclusion**, contractual considerations for private partners in the Public Investments Programme, and public sector participation in PPP project financing.
- ❑ **Greece actively participates in the PPP sector since 2006**, fostering infrastructure development.
- ❑ Projects are being implemented in Greece in the following areas: infrastructure, **public transport, broadband development, waste management, judicial services, tourism, road construction and upgrading, public transportation. 14 PPP contracts so far (822 mln euro value); DBFO model mainly, blended PPPs.**



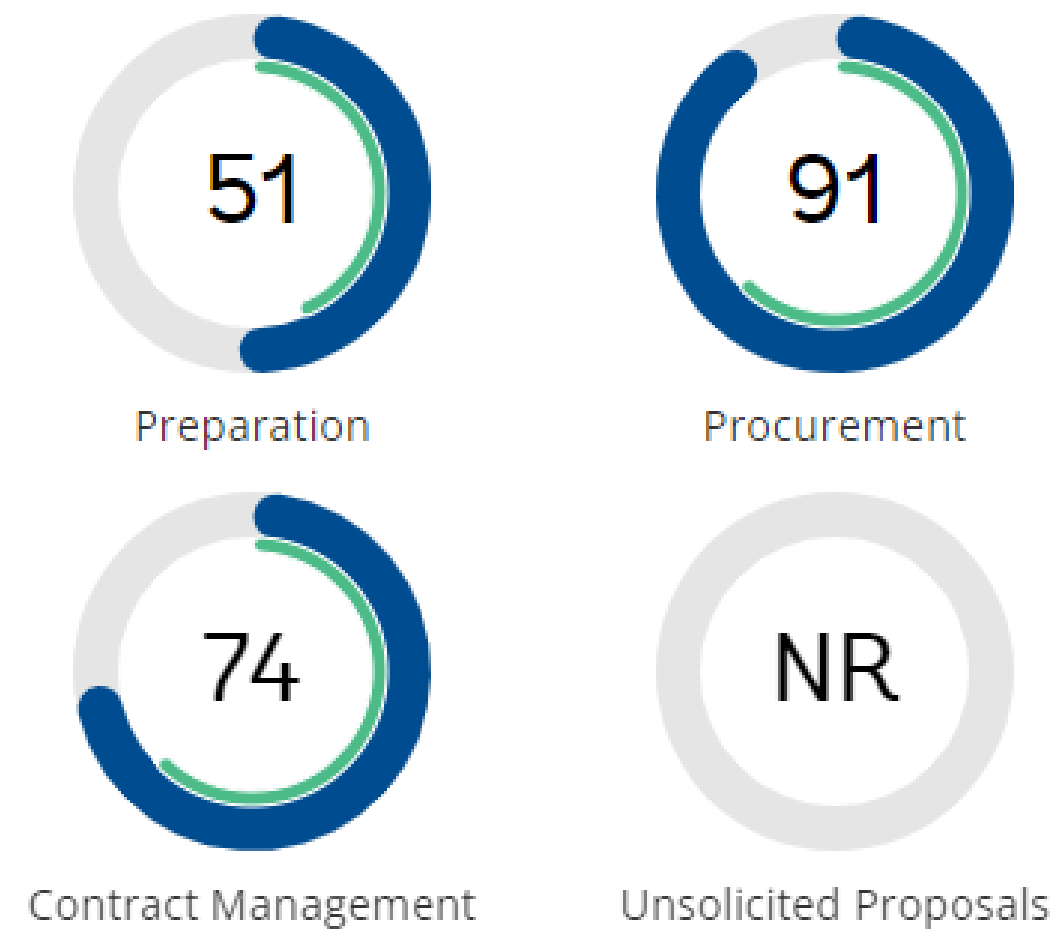
Greece

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Greece



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Czech Republic

- Czech Republic introduced PPP policy in 2004.
- The Public Procurement Act of 2016, along with implementing decrees, outlines essential PPP partnership conditions.
- The Ministry of Finance is responsible for creating legal standards and monitoring budgetary impacts of PPP projects.
- Projects categorized into state-led and regional/local authority-led initiatives.
- Two pilot PPP project packages initiated in 2005-2006 faced cancellations and suspensions.
- Current and largest PPP Project: The D4 highway project is a significant PPP project currently underway. It involves completing a 32 km section of the D4 highway between Příbram and Písek, including financing, operation, and maintenance for 25 years.
- Building Information Modeling (BIM) technology is being utilized in the construction of the D4 highway, facilitating project management, communication, and the creation of a 3D digital model of the entire road.
- The D4 project sets a standard for future PPP ventures in the Czech Republic, potentially expanding the highway network through public-private partnerships.



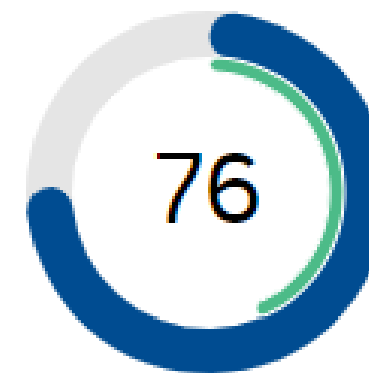
Czech Republic

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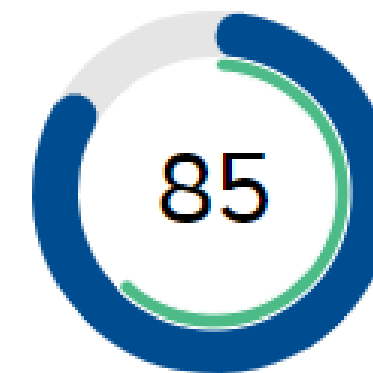
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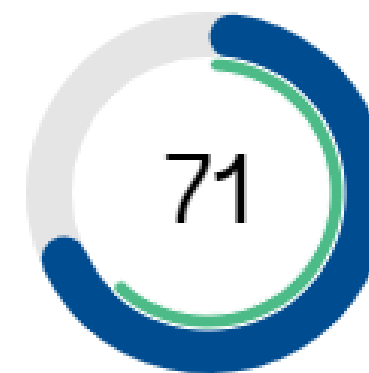
Czech Republic



Preparation



Procurement



Contract Management



Unsolicited Proposals

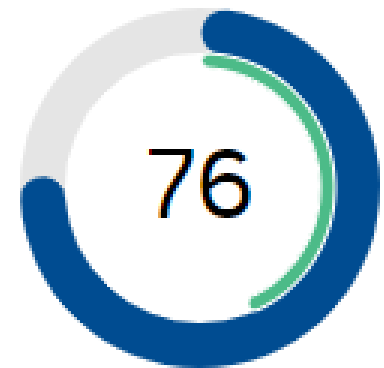
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Benchmarking Infrastructure Development

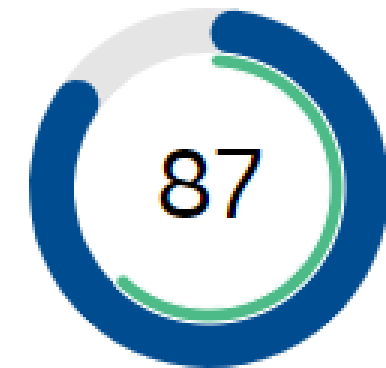
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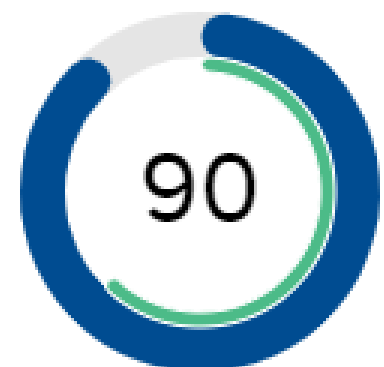
Italy



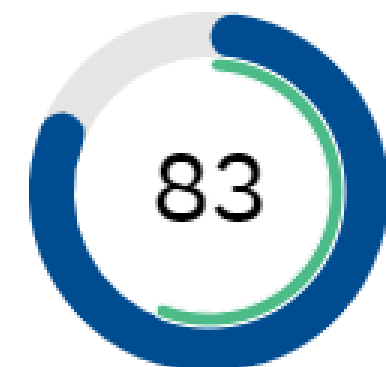
Preparation



Procurement



Contract Management



Unsolicited Proposals

● Global Average

GOOD PRACTICES

CEE & SEE - PPP lessons learnt



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Success factors

- **Proper analysis** and project preparation
- Human factor – **political champion** and qualified people in public side
- **Market testing** and appropriate communication with private sector
- PPP project **proper structure** – model, **payment mechanism**, risk allocation
- Credibility of public side – e.g. **PPP pipeline**
- Professional **advisory services**
- Strategic **long-term thinking**
- Reliable **documentation**



Common mistakes

- **Lack of proper analysis** and lack of market testing
- **Unrealistic expectations** of public authority regarding private partner
- **Lack of flexibility** during the negotiations
- **Lack of PPP knowledge** (not using advisors)
- **Ineffective management of PPP contacts**

Successful implementation of PPP – based on international experience

Necessary conditions:

- Strong political support
- Stable and friendly law
- Predictable macroeconomic environment
- Readiness and maturity of the public sector
- Reliable and solid private partners

Sufficient conditions:

- Develop national (local, regional) policies (strategies) to use forms of PPP, including:
 - Determination of preferred areas of PPP implementation,
 - Creating a system of organization and coordination, monitoring and evaluation of PPP projects including creation of the institutions
 - Creating a system of promotion the PPP development
- Preparation of PPP good practices, standard procedures and agreements' patterns in order to support activities of institutions
- Developing the system of PPP knowledge popularization - conferences, courses, postgraduate studies.

GOOD PRACTICES

PPP case studies



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Construction and maintenance of municipal roads for selected towns of the Słupsk Commune

Description of the project	The construction and modernisation of residential roads in the Słupsk municipality will be entrusted to a private partner, who will bear the risk of construction and availability . For the period specified in the contract, the partner will also manage the roads, in return for their services they will be remunerated directly from the municipal budget , in proportion to the fulfilment of the contract and its duration.
Public entity	Słupsk Municipality Office
Private partner	Consortium of BDB Partnership (leader) and "Krężel,, (partner)
CAPEX	10 mln EUR
Contract conclusion date	22-02-2019
Duration	10 years
Mechanism of payment	Availability payment
Risk allocated to public	Risk of providing the private partner with the infrastructure involved in the performance of the contract. Demand risk for the service provided under the PPP contract. Design risk (technical documentation with building permits)
Risk allocated to private	Construction risk, including the risk of financing the project during the construction phase, availability risk.

Reconstruction and extension of the Adam Mickiewicz High School + construction of a sports hall in Piastów

Description of the project	Private partner financed and reconstructed (+extension) the Adam Mickiewicz High School and delivered a sports hall with land development and infrastructure. The private partner has been responsible for the provision of services in the field of technical maintenance of the infrastructure and energy management.
Public entity	Town Hall in Piastów
Private partner	Warbud S.A.
CAPEX	20 mln EUR
Contract conclusion date	April 30, 2019
Duration	20 years
Mechanism of payment	The public entity has been paying a fee to the private partner based on availability of infrastructure and the delivery of public services.
Risk allocated to public	Risk arising from changes in the law , risk resulting from technological changes
Risk allocated to private	Risk related to price increases , risk related to material and personnel shortages , risk related to loss of financing

Thermal modernization of educational buildings in the City of Zgierz

Description of the project	The subject of the project is the provision of financing by the private partner – with the participation of the public entity's own contribution – as well as the design, execution of construction works, energy management and technical maintenance of 24 facilities in order to ensure the standards of accessibility of the facilities and to obtain guaranteed savings.
Public entity	Zgierz City Hall
Private partner	Engie Services Sp. z o. o., ul. Bobrowiecka 8, 00-728 Warszawa
CAPEX	13 mln EUR
Contract conclusion date	30-01-2017
Duration	18 years
Mechanism of payment	Availability payment
Risk allocated to public	In particular, the risk of construction related to archaeological discoveries, changes in political objectives or changes in legal regulations , changes in tax rates or fees, water, electricity or heat prices.
Risk allocated to private	Construction risks related in particular to geological, geotechnical and hydrological conditions, meteorological conditions, private partner guarantees to achieve savings

CONSULTATIONS

Q & A session



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THANK YOU!

Feel free to email me any questions at

bmysiorski@worldbank.org

+48 519 138 517