

## Crucial parameters for PPP projects successful planning and implementation

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### 1 INTRODUCTION

Within the INTERCO-PPP (Interreg IIIC/East) project ([www.intercopp.net](http://www.intercopp.net)), PPP success factors are identified and analyzed, based on the experience of the partners and of local stakeholders. Lead Partner is the Region of West Macedonia (Greece), while the rest partners are the WIBAG-Business Service Burgenland (Austria), the Energy Agency for South East Sweden (Sweden), the Klaipeda Regional Development Agency (Lithuania) and the Economic Development Agency of La Rioja (Spain). A set of factors were proposed, stating their applicability/significance and determining the importance of each of them to a successful PPP project. This comparative approach, while considering the regional and institutional context of the partners, identifies the common ground in five EU countries and thus offers a valuable navigation tool for EU regions.

### 2 WHY THE PUBLIC SECTOR IS TURNING TO PPP PROJECTS?

The main reason is that state usually has limited funds or has other priorities. At the same time the private sector is thought to 'produce' better work or the same work cheaper; is a better manager and takes better account of the risks involved. Also PSP & PFI are utilized; public sector risk is reduced by transferring to the private partner those risks that he can better manage; provided services are improved; and assets are better utilized. Finally, by taking advantage of private sector innovation, experience and flexibility, PPPs can often deliver services more cost-effectively than other traditional approaches. The resulting savings can then be used to fund other needed public services. The basic motives for PPP implementation are the need to secure state budget allocations; quality improvement of public infrastructure and provided services; mobilization of private sector's know-how in project planning/implementation; limitation of the project/service operational cost; and finally sharing of financial risks. The expected results of PPPs are: better exploitation of existing public funds; differentiation of the way public infrastructure projects and services are being implemented, in order to advance innovation; increased competition and know-how transfer from the private to the public sector; and the need to guarantee the desirable level of projects' social benefit and the quality of provided services on a constant basis. The public sector should examine the possibility of PPP when the provided service/project is new and cannot be implemented through public funding and/or the public sector's know-how; and when the private sector can reduce the cost, improve the quality of the service provided and deliver the outcome faster.

#### 2.1 The basic requirements for a PPP project successful planning and implementation

The basic presuppositions are the formation of strong «partnerships», the Public acceptance, the management transfer from public to private sector and finally the guaranty of meritocracy and the performance evaluation during the contracting procedures. The main contribution of the public sector in the achievement of PPP goals is in the planning process, in the financial preparation of the partnership, and in the political and legislative preparation of the partnership. Additionally the public sector acts as the coordinator that ensures the social benefits of PPP projects. The governments ought not to consider PPPs as «easy solutions» on difficult matters. A lot of efforts should be made to ensure a cooperation context that will lead to success. In the past a lot of efforts have been made for the promotion of PPP in big projects. The challenge of tomorrow is the promotion of PPP in medium-scale projects, of questionable viability at regional or sub-regional level.

#### 2.2 Benefits and risks related to PPP projects implementation

The potential benefits from implementing PPP are: cost reduction; risk management and risk assessment; improvement of provided services; and generation of revenue or other indirect financial benefits (economic development reinforcement, employment growth, etc.). The potential risks for PPP are: loss of control by the public sector; political risks; accountability question matters; ill defined and thus unreliable services; lack of competition; and the blurriness in the partners' selection procedure.

### 3 IDENTIFICATION OF THE PPP SUCCESS FACTORS

PPP has attracted a lot of attention in the national and EU context. Changes and reallocations in the national and EU budget underline the necessity of increased engagement of private funds. Although EU Member States have different levels of experience and legislation, the general tendency is the increased importance of PPP. Several factors such as public acceptance and strong partners are considered as essential for success. In the near future, the ability of the administrations to create regional capacity for the implementation of PPP at a regional and local level will define the broad-scale success of PPPs. It becomes evident that PPP should become a mainstream option in EU countries with a heavy public sector legacy. However PPPs are not a panacea. Central and regional public bodies must develop the abilities to assess a PPP concept, calculate risks and benefits and decide for the most viable solution.

#### 3.1 Set of PPP-SSF identified by the INTERCO-PPP Project Partners

The INTERCO-PPP project presents the necessary link between theory and praxis of the project partners. The project among others aims to the identification of the basic PPP success factors. This identification is based on the accumulated experience of the project partners and the local stakeholders, who transferred their know-how and experiences in the INTERCO-PPP network through the interregional Meetings & Study Tours organized. The successful (or not) PPP Case Studies (projects) of the project partners, which have been thoroughly analyzed, constitute the basic element of this identification procedure (Table 1).

	Region of West Macedonia (Greece)	WIBAG-Business Service Burgenland (Austria)	Energy Agency for South East Sweden (Sweden)	Klaipeda Regional Development Agency (Lithuania)	Economic Development Agency of La Rioja (Spain)
Urban development	A new town project - ZEP (ZAUP - Zone of Alternate Urban Planning) Kozani				
Renewable energy sources		Güssing Municipality			
Tourism	XKKB S.A. – The Kozani-Velvendo Ski Center	Kurbad AG - Bad Tatzmannsdorf			
Technology & business development/innovation		WIBAG Business Service			La Rioja Digital Park
Energy service implementation			- Nyköping Municipality - Regionfastigheter I Skåne		
Entertainment & sports infrastructures	XKKB S.A. – The Kozani-Velvendo Ski Center				
District heating				The Vilnius City Heating Supply Project	
Waste management	DIADYMA S.A. - The Integrated Waste Management System of West Macedonia Region				
Public parking				The Vilnius City Car Parking Project	

Table 1: The PPP projects analyzed within the INTERCO-PPP Project

This knowledge exchange process has led to the identification of the following set of twenty (20) factors:

- Formation of “Strong” Partnership Schemes
- Full Understanding / Acknowledgement of the Social Character of PPP
- Public / Community Acceptance
- Political Backing
- Public Interest Observance
- Focusing on MIRR and not on IRR (Private Actor)
- Profit Assurance for the Private Sector
- Management Transfer from Public to Private Sector
- Public Initiative

- Knowledge Transfer
- Public Guarantees for Loans
- Quality & Product Standards Definition
- Delimitation of Competence Fields (for the Public and the Private Sector)
- Maturity of Technology / Project Concept
- The Guaranty of Meritocracy and Performance Evaluation During the Contracting Procedures
- Legislative Framework and Empowerment
- Capacity Development at National and Regional Level (Public Officials)
- Compatibility with Structural Funds and National Co-financing
- Establishment of an Independent Authority for Conflict Resolution
- Assistance in the PPP Drafting Phase.

Of course, the above mentioned set of factors doesn't cover all possible factors. It only represents the most crucial ones identified throughout the implementation of their respective PPP projects by the INTERCO-PPP project partners. For a successful PPP approach certain additional conditions have to be considered, such as:

- Distinct regulations are laid down concerning the responsibilities of the parties regarding costs/risks
- Project implementability
- Favourable economic conditions & available financial market
- Appropriate Risk Allocation
- Effective procurement

Following this identification procedure, the critics of the project partners are presented regarding the applicability & significance of the suggested factors. These critics / points of view will help determine the level of importance and contribution of each factor to a successful PPP project implementation. The whole process described above is of great importance as it identifies the common ground that is applicable in all EU countries and thus offers a valuable navigation tool for all EU regions. The lessons learned -in terms of PPP structures, national and EU regulatory frameworks and PPP Case Studies for selected sectors- should and will be disseminated to the benefit of other regions

#### 4 COMMENTING THE SUGGESTED FACTORS

At this point the INTERCO-PPP project partners' points of view regarding the applicability & significance of the suggested PPP-SSF, based on their experiences, are being presented.

##### 4.1 Formation of "Strong" Partnership Schemes

The partners could not decide on a common position and the meaning of strong partnership. Whereas the the long-term character (20-30 years) of many PPPs underlined the need for "durable" partners and partnerships, there where hesitations about the binding character and the intensity of PPP schemes. There is a certain deviation from contractual provisions towards a partnership culture that still has to be adapted in the national and regional contexts of the EU Member States and regions.

- **(Greece):** The role of the public sector in the achievement of PPP results is in the planning process, in the financial preparation of the partnership, and in the political and legislative preparation of the partnership. The public and the private sector work together on basis of clear, contractual agreements. Every partner keeps its own identity and responsibility. The respect of the needs of each partner (public and private) forms a crucial PPP success factor.
- **(Austria):** Experiences in Burgenland showed that strong partnerships in PPP did not work on a sustainable basis. Therefore it is recommended that partnership schemes should be formed in a way to be able to work within the foreseen timescale sufficiently but not to construct "strong" partnerships that fix the partners in their role like into a corset. Especially the private partner usually doesn't feel comfortable within "strong" partnership schemes.

- **(Sweden):** The successive formulation of strong partnership schemes has been an important success factor, but not only in a contractual perspective, the spirit of co-operation and a mutual interest and commitment in the project has been equally important.
- **(Lithuania):** Dialogue, trust, long-term focus and reciprocal understanding constitute essential characteristics of the partnership culture that is crucial to the success of the PPP process. However, the PPP situation in Lithuania demonstrates the lack of such partnership culture. On the one hand, private sector partners often seek to maximise their short-term profits from the PPP contracts. On the other hand, public sector institutions are often unable to understand commercial interests of the private sector in the PPP process. It is difficult to establish “strong” partnership schemes due to the underdevelopment of partnership culture, differing interests of the private and public sectors and possible allegations of corruption from the media or other sources. There is some evidence in Lithuania that a long-term PPP partnership can evolve into corrupt relations between the private and public partners. Therefore, competition between different private partners needs to be promoted in the PPP market.
- **(Spain):** One of the pillars on which the success of these initiatives lies is that during the drafting phase of the projects the following steps are perfectly defined: the actions to develop, the objectives and goals to reach, the technical, legal and financial implications, etc. There should not be loose ends that lead towards misunderstandings among different organizations. It is absolutely necessary that each organization, both public and private, understand their obligations and rights, and agree to carry them out as well as other organizations. At the same time, they must have the capacity to carry out the fixed task.

#### 4.2 Full Understanding / Acknowledgement of the Social Character of PPP

PPP projects are clearly Public Projects, thus their social character is integral. During the planning and drafting phase this dimension should be clearly communicated to the involved partners and the interested public. A sound approach is to break each project/concept down to its components and decide which parts can be implemented in a PPP scheme, thus sketching the roles of the involved partners.

- **(Greece):** The full understanding and acknowledgement of the social character of PPP is of great importance for the success of a PPP project. It is essential that all involved parties be constantly clarified on this issue. A common misunderstanding regarding PPPs is the nature of the service or product to be provided. Thus many endeavors of private character are usually interpreted as PPPs because the private sector is entering as a partner, e.g. recreation centers. PPPs focus on core tasks of the public sector and examines whether this tasks can be broken down in components, which can be object of a PPP. A typical case can be educational facilities. Whereas the construction and management of buildings can be easily reallocated to the private sector, however operational issues are a much more complex matter. A reduction in input/output relations should thus be avoided.
- **(Austria):** In this case the interests of the public and private partners differ. Usually the public partners have social interests and the private economic interests. It is therefore necessary for the private partner to be aware of the social character of the project and vice versa. The public partner must accept the economic interests of the private partner. Both, social and economic interests (and their defined frameworks and borders) should be defined before starting the PPP in order to avoid problems.
- **(Sweden):** The project was mainly an energy efficiency and O&M (operation and maintenance) improvement project. The issue of providing better services to the tenants of the city and secured indoor climate were nevertheless important social components that strengthen the project.
- **(Lithuania):** As indicated above, the private partners are often unable or unwilling to understand the social character of PPP because their behaviour is often driven by profit-maximisation on the short-term or long-term basis. There is a need to impose certain social responsibilities onto the private sector in a legally-binding way. Also, increasing competition in

the PPP market and higher publicity can enhance orientation of the private sector towards social aspects of PPP. The concept of corporate social responsibility, which is promoted in Lithuania and other countries in the private sector, can be useful in the PPP context.

- **(Spain):** With the implementation of a public private partnership, economic as much as social benefits are hoped to be obtained. When the private sector decides to carry out a project of this nature the main aim is to achieve a predetermined economic benefit. On the other hand, in order that the public sector enters a partnership, it is essential that a social benefit is achieved. One of the circumstances that determine that both sectors develop their practices separately is the social rejection that the initiative may cause. For this reason it is important to put necessary measures into action so that the citizens understand the intrinsic social benefits of the project.

#### 4.3 Public / Community Acceptance

Public acceptance is crucial to PPP success taking in account the political dimension and private interests safeguarding towards political changes. At the initial phases the public might be hesitant. Thus the focus of the public debate should be set on the objectives and gains of the PPP and not on contractual details. It is very important to emphasize on the alternatives and especially on the zero option of non-implementation.

- **(Greece):** A common issue arising in public discussions on PPP in Greece is the accusation of disguised privatization. Where this fear might be unjustified in many cases it could easily lead to a deadlock. Thus the efforts for community acceptance should follow three directions: a) Clarification on the PPP context (in a manner that can be accepted by the public and not become another factor of suspicion); b) Transparency of the risk allocations, expected benefits and role definition (though respecting the potential demand of the private sector for confidentiality, especially in now-how matters); and c) Promotion of PPP cases that might cause smaller suspicion or disapproval, e.g. waste management instead of real estate development. Especially in projects that are subject to EIA or SEA, or any other form of compulsory public consultation provisions should be made at the earliest possible stage.
- **(Austria):** The acceptance of the community is important at least for the political success of a PPP project as it should demonstrate, that the public partner is looking for modern solutions for the benefit of the community. To achieve as much community acceptance as possible it is necessary to make the community getting involved by informing them about the project, in order to create identification with the PPP project.
- **(Sweden):** A PPP in form of Energy Services was not the first alternative that was discussed in the municipality when aiming at increased energy savings and operational efficiency in the public premises. However, facing the fact that the financial resources for the project were limited, the municipality and its civil servants had to opt for an alternative model that gave the most value for the available money. Despite the fact that there was some hesitance regarding the business model as such, the PPP Energy Service idea was eventually accepted and approved by the political body. Over the time of the contract the community acceptance raised significantly.
- **(Lithuania):** Acceptance from the public is important for the political success of PPP-like projects. The acceptance of PPP arrangements in the Lithuanian public is limited (because of corruption allegations under several previous or ongoing PPP projects). However, the public usually favours better public infrastructure and/or services developed with the application of PPP arrangements in Lithuania. It would be useful to promote awareness of the public about PPP (e.g. by disseminating examples of good practice).
- **(Spain):** The project's acceptance by the community is vital for its future success. In order to achieve this it is essential that the citizens understand the benefits that they will gain by putting this action in practice. Therefore, through its political representatives, the public sector is responsible for informing the community about the actions to be executed with transparency and clarity. The administration must be able to make the citizens understand the benefits that this initiative will bring them. All the information should be provided from the first moment to avoid initial rejection and suspicion. The citizens must understand that the process does not

imply a disguised privatisation of goods and services, because the final responsibility of the initiative falls on the public authorities.

#### 4.4 Political Backing

The landscape of the available Structural Funds in the 2007-13 period is changed for many NUTS 2 regions. Hence the PPP tool has a clear role in the production of public projects and services. It is crucial to have the “right” political bodies positively involved at the early stages, while citizens support (§4.3.) can be regarded as a guarantee for political backing. Finally common suspicion of corruption and privatization, derived by the novel features of PPPs are clearly political and not administrative matters.

- **(Greece):** Greece, as other Objective 1 countries will experience a serious decrease in EU funding in the next programming period 2007-13. Hence whereas PPPs have been an option among others so far, they will rise in importance and necessity. This will be especially the case for the Region of West Macedonia, which will join the “phasing out” regions. Thus PPP will inevitable enter the political agenda, especially at the regional and local level, since the support at the central level can be taken as granted. It is important for PPPs to acquire a broad political consensus based on their necessity. It will be crucial to transfer the focus on the details instead of the suitability of the medium itself and avoid close affiliation with specific politicians or parties.
- **(Austria):** Without any political backing and active involvement of policy makers most of PPP projects are convicted to failure. Depending on the kind of PPP it is crucial to have the “right” political bodies positively involved in order to have the necessary political backing. This is important especially if troubles or problems arise and political support is needed to be able to continue the project and also to have opportunities to overcome these problems. In general it is important to be able to concentrate on the work within the PPP project instead of permanently reacting on criticism from political bodies that are just waiting for the next mistake or problem.
- **(Sweden):** The political backing was not a success factor in this particular case, as Swedish politicians, and in particular local politicians, generally have a limited understanding of and interest in PPP. The project was however initiated and developed by senior civil servants, whereas the politicians were involved only in the later stage of the project development. Eventually they turned up to be positive, but lessons learned are that the political level must be involved in the process much earlier than in this case.
- **(Lithuania):** Political backing for PPP is mixed in Lithuania, depending on many reasons. The current mayor of the Vilnius city municipality, A. Zuokas, is particularly supportive to the application of PPP. But some critics pointed to the lack of transparency in his relations with the Rubicon group, the largest operator of PPP-like projects in Lithuania. Also, it is important to note that there is no political backing for PPP projects from the central government. Some Lithuanian politicians and top officials are suspicious about the transparency of PPP and its value added.
- **(Spain):** The political risks that can be generated as a consequence of Spain’s inexperience in PPP (rejection on behalf of the trade unions, the administrative staff or the society who associates PPP with privatisation), may lead to the political power showing reticence to develop these projects. However, by the current necessity to collaborate with the private sector to implement some initiatives, the political backing is evident. In implemented initiatives, once the uncertainty of the first stage of the development has been overcome, a total political backing is given when it obtains signs of support from the citizens.

#### 4.5 Public Interest Observance

Public Interest observance has to be visualised and be exposed to public debate at all possible opportunities. Understandably at the initial stage of the introduction of PPPs as a mean of public policy, projects should be chosen that show clear benefits of the Public Interest, not only on the results level, but also impact oriented. The general regional context will decide if an Ex-ante (as in Sweden) or Ex-post approach (as in Lithuania) or a certain mix is most suitable.

- **(Greece):** It is imperative that the public sector acts as the coordinator that ensures the social benefits of PPP projects. Social goals have to be met at all times. In relation to the former success factors, the Observance of Public Interest has to be visualised and be exposed to public debate at all possible opportunities. Understandably at the initial stage of the introduction of PPPs as a mean of public policy, projects should be chosen that show clear benefits of the Public Interest, not only on the results level, but also impact oriented.
- **(Austria):** PPP project should be developed in such a way that it will be possible to observe the results regularly to prove that public interest is fulfilled as contracted in the beginning of the partnership.
- **(Sweden):** In the initial phase of the project development a lot of questions were raised by the public and the media about the project and its character. The media followed the project closely and once the upgrading of buildings as well as a higher level of service to the tenants had become visible, the response from the general public was very positive. When noticing that cost savings could generate better conditions for the tenants without raising costs or taxes, a win-win situation had occurred for more or less all parties involved.
- **(Lithuania):** There is limited observance of public interest under Lithuanian PPP-like projects. The design of PPP projects is often not conducive to such observance (with the exception of a few cases). A high level of transparency in the public and private sector and the effective exercise of accountability and control from the public is required in Lithuania. An increasing role of the State Control (the Supreme Audit Institution of Lithuania) and the audit committee of the Lithuanian parliament is a positive step in this respect. Based on previous or ongoing PPP-like projects in Lithuania, these institutions made a number of appropriate conclusions and recommendations.
- **(Spain):** PPPs are currently awakening an outstanding interest among the population and companies of the region. The citizens show a high degree of interest in the programmes aimed to reinforce the innovation implemented jointly by the public and private sectors because they can provide benefits for the region.

#### 4.6 Focusing on MIRR and not on IRR (Private Actor)

The introduction of the MIRR element clearly signals the departure from a “traditional” contract-fulfillment approach to the point where the private partner is actively engaged in the success of the PPP. In general when expectations are met the demand for MIRR is possible, however, when unexpected failures are encountered, the Public partner is expected to offer solutions. Some partners considered the IRR approach to be more suitable when starting with PPPs. In any case the MIRR concept underlines the importance of the long-term commitment and the clear definition of the standard of services to be provided.

- **(Greece):** In accordance to the above-mentioned issues, the long-term reinvestment of the private sector must be motivated and facilitated. This element has a strong capacity building element in it. The partners should be able to renegotiate and extend their partnerships focusing on the objectives of the PPP and deviating from the “traditional” contract-fulfillment approach.
- **(Austria):** The welfare of the PPP project should have first priority. As long as the PPP project is developing in the foreseen way in case of rates of return, the focus on MIRR is possible. But in case of problems the internal rate of return has first priority.
- **(Sweden):** These issues had not been discussed in detail with the contractor. But since this project was considered as a bridgehead into the municipal sector to create confidence for the business model, is lightly the contractor internally used the IRR model, and not the somewhat lower return rate that normally become the result of when using the MIRR model. However, MIRR model calculations are rare.
- **(Lithuania):** No information is available whether the private actors focus on MIRR rather than on IRR. Usually IRR is applied during the project design stage. However, the nature of PPP-like projects implemented in Lithuania underlines the long-term commitment and the

clear definition of the standard of services to be provided (more prominent in VCHS, less in the Vilnius parking system). Thus the focus on MIRR has been part of the contract, although not explicitly stated. In future projects this element should be more prominent.

- **(Spain):** No comments.

#### 4.7 Profit Assurance for the Private Sector

A profit assurance for the private sector could prove to be contra productive. The level of profit for the private sector cannot be contractually guaranteed, but determined by a combination of competition during the tendering stage and operational efficiency of the private partner during the implementation stage. As an example the maturity of the concept and the comparability with other projects can be regarded as a profitability indicator.

- **(Greece):** Commercial goals have to be met at all times. The private sector can additionally provide some useful concepts such as minimal turnover guarantee etc. However, these approaches might be a political liability and offer ground for debates beyond the scope of the PPP project. The profit assurance can be only reached through thorough preparations in the drafting stage.
- **(Austria):** In many PPP projects it is not possible to assure profits in long term. Therefore it is necessary to discuss and clarify between public and private partners before the start of the PPP project what to do in the case of less or no profit or even in the case of loss of capital. Usually the risk is shared among the partners depending on the shares of investment and expected profit of the PPP project.
- **(Sweden):** Since being an EPC (Energy Performance Contracting) project the contractor did not have any guaranteed profit assured in the contract. But with a thorough and good analysis, the risk for the contractor was in reality limited. The third party financier had however its revenues and profits assured due to separated EPC and financial contracts.
- **(Lithuania):** Since all contractual provisions are not fully available, it is difficult to determine any profit assurance for the private sector. However, such provisions are unlikely to be found under most PPP-like projects in Lithuania. Nevertheless, there is an example when one private partner required the public partner a certain level of profit during the implementation of a PPP-like project, when certain initial assumptions failed to materialise. According to the Lithuanian experience, the level of profit for the private sector should not be guaranteed, but determined by a combination of competition during the tendering stage and operational efficiency of the private partner during the implementation stage. However, in view of protecting the public interest the European Commission argues in favour of “acceptable” levels of profit to the private sector under PPP projects co-financed from the EU budget.
- **(Spain):** The agreement between public and private organizations is established to cooperate in the rendering of a service, to distribute risks and responsibilities fairly, to contribute joint resources (time, financing, knowledge) and to achieve mutual benefits. While the private sector pursues financial profitability, the public sector wishes for social success. However, it is not possible in the initial phase of the project to ensure that the private sector will finally obtain benefits by putting the PPP in practice. The public private partnership can usually offer positive results but they are not a general solution because in certain cases they are not advisable. It is necessary to analyse carefully in what circumstances the PPPs are appropriate. A key element at the time of forming a PPP, due to the initial uncertainty of these projects, is the transfer of risks to the private sector. The distribution of risks, together with the way to cover them, should be defined and decided during the first stages.

#### 4.8 Management Transfer from Public to Private Sector

There is no general rule defining to which extent the management of the PPP will be transferred to the private sector. However, the management unit should be public initiative, e.g. setting up “private” units

within public administrations. In any case the public sector should seek to acquire managerial know-how from the private partner and incorporate it in its structures.

- **(Greece):** One of the main reasons for PPP is the management transfer to the private sector. Even if the management remains in the public sector, it is beneficial to the project to set up “private” units. This model has been reproduced several times in Greece and has been proved to be successful in most cases and through different scales.
- **(Austria):** In most cases the management of PPP projects is done by the private sector. In some cases of smaller PPP projects there are positive experiences with a “privatised” management which means that the management is installed by the public partner but with a private contract, that is the management is not part of the public body.
- **(Sweden):** The management transfer from the public to the private sector was not a key issue for success in this case, as the municipality clearly stated their intention to keep the Energy Management and O&M staff within their own organisation. However, the substantial training efforts and close co-operation between the municipality’s personnel and the contractor’s Key Account Managers boosted the management competence, and strongly supported the success of the project.
- **(Lithuania):** The transfer of management occurred under both the Vilnius city heating supply and city car parking projects. The relative success of the Vilnius city heating supply project is associated with strong performance of the experienced private operator, including good strategic and operational management of district heating services. After canceling the Vilnius city heating supply project, the Vilnius city authority needed to re-establish the public company for the provision of car parking services. It is interesting to note that this public company showed more efficient operation (collecting 2,6 times more revenue than the private partner) possibly because of alleged shirking of the private company to generate more unaccounted profit.
- **(Spain):** The partnership benefits from the experience that the private sector has in management techniques. The PPP takes advantage of the strong points of the private sector in order to improve the efficiency and to achieve savings through the economic management. At the same time, to maximize the welfare state of the society, the task of obtaining the balance between the social and economic interest is assigned to the state.

#### 4.9 Public Initiative

All PPPs are based on a public initiative. However the public initiative should focus on the goals to be met and not the implementation methodology which should be the task of the private sector.

- **(Greece):** There are a few cases, where initiative came from the private sector. However, the need for political support and the social character of PPPs, it is beneficial to present any PPP as a product of Public Initiative.
- **(Austria):** Experiences show that most of the PPP projects came out from a public initiative - in many cases because of lack of capital, lack of management know how or lack of personal capacities. Therefore, public bodies are recommended to screen PPP possibilities that reside within their tasks.
- **(Sweden):** There was no main public initiative behind the success of the project and its PPP business model. Nevertheless there was a public initiative initiating the project, as the municipality had to reduce the costs for energy and O&M by 10%, which in turn triggered the civil servants to seek creative solutions due to the lack of financing.
- **(Lithuania):** Main PPP-like projects are launched at the initiative of public sector institutions (primarily larger municipalities rather than the government). International financial institutions supported the preparation of the Vilnius city heating supply project. However, often potential private partners are standing behind public PPP initiatives, attempting to generate more PPP supply or create more favourable conditions for their later

activities. Proposals of the EU institutions to use the form of PPP in Lithuania remain so far not addressed by the Lithuanian government. Nevertheless, there are plans to combine the application of PPP in the management of the EU structural funds.

- **(Spain):** The main promoter of these cooperation formulas is the public administration, due to the gradually growing necessity to cooperate with the private sector in order to develop projects with social profitability, to render services and to provide public infrastructure in the most efficient way. The private initiative states that the main disadvantage to participate in a PPP is the deficit in the financial profitability that most of the projects have, and the uncertainty generated by the risks associated. However, as in other cases of PPP, the Digital Park of La Rioja - Spain was promoted by the private sector.

#### 4.10 Knowledge Transfer

As in §4.8, the public sector should be able to adopt some of the business models from the private sector, nevertheless the objective should not be the development of private sector skills. The public sector should focus on the know-how necessary to train the municipal staff during the project life cycle and not in entirely replacing the private partner.

- **(Greece):** A common argument in favor of PPPs is the envisaged know-how transfer from the private to the public sector. However, this element has certain limits. While the public sector should be able to adopt some of the business models from the private sector, the objective should not be the development of private sector skills. Since the general tendency in public administration is the formation of slim public organizations, the main focus should be in the creation of competent and efficient units mainly in the fields of contracting and in the formulation of usable terms of references for the complicated domain of PPPs.
- **(Austria):** Organized knowledge transfer from private to public partners makes sense only if the public partner is willing and able to overtake at least parts of the private partner. If this is not the case knowledge transfer is making less sense. The same is true the other way round. But of course a minimum mutual understanding and therefore know how transfer is necessary in order to run the PPP project successfully.
- **(Sweden):** As described in ‘Management transfer from public to private sector’ the capacity to manage both complex technical systems as well as organisational processes developed further in both the municipality and in the energy service company. By clearly pointing out the intention to keep and train the municipal staff during the project life cycle, a solid platform for own specialised know-how was achieved and hence also limited vulnerability once the energy service company has left the organisation.
- **(Lithuania):** The transfer of knowledge among public sector partners, private sector partners or between them is limited. Private sector partners are competing in the PPP market, which is dominated by one group of companies. There is some learning by doing during the PPP process in several public sector institutions. There is no dissemination of knowledge on PPP, which could be promoted by the central government. It is important to make the transfer of knowledge more extensive and intensive in Lithuania..
- **(Spain):** A moderate level of knowledge transfer is necessary from the private to the public sector in order to establish an atmosphere of mutual agreement, to reach the best potential of the initiative and to have good relations between the agents of the partnership. PPPs have a learning curve because the knowledge is acquired throughout their implementation. At the beginning of the projects the investments can be very high but they are gradually reduced when the partnership gather experience.

#### 4.11 Public Guarantees for Loans

Here a departure from the role of the state in “traditional” contracts is necessary. The role of the public could be either as a lever for competitive interest rates, either on the banking market or through special funds. The new regulation on the Structural Funds mentions new financial engineering approaches which could be

employed. Finally the Public Sector can “guarantee” the demand for the produced services, by choosing the PPP tool wisely.

- **(Greece):** Public bodies should use their creditability for achieving competitive interest rates and not for the provision of guarantees. Otherwise the balance between public and private will be seriously distorted. A public guarantee will remove certain risks from the private sector. Should this not be reflected in the ownership and exclusivity relations of the PPP, a market and competition distortion will occur which, apart from any ethical reservations, could encounter the objections of the government and the EU.
- **(Austria):** More and more public bodies avoid taking guarantees for projects, even for PPP projects. For guarantees more and more funds are responsible. If the public body gives guarantees the influence and the ownership should be divided in favour of the public body. But the risk exists that the private partner is taking less care of the PPP project if there is no risk for him in the project. In this case the private partner turns from a partner into a contractor.
- **(Sweden):** No comments.
- **(Lithuania):** There are no public guarantees for loans linked with PPP projects. The public sector (through the INVEGA) provides guarantees for SME loans under certain conditions. The willingness of the financial sector to lend the private partners, which are engaged in PPP projects, depends on a particular situation. The private partner should be in a strong financial situation to borrow from the financial sector for financing the implementation of PPP projects. For instance, one request for a loan was only approved after making the decision of the Vilnius city municipality to procure additional services from the private operator.
- **(Spain):** In certain PPPs the public administration may put a group of measures like the following ones in practice, but it is always necessary that the potential investors commit firmly to develop the project. It is essential that a firm and real agreement exists among the potential agents. Subsidies to the investment for job creation. Repayable loans: they are similar to the subsidies with the difference that they must be reimbursed at some time. Endorsements, insurances of change and guarantees on loans. Structurally subordinate loans, the amortization of which can be postponed until a certain amount of commercial debt has been reimbursed

#### 4.12 Quality & Product Standards Definition

One of the first steps in each PPP is to define as accurate as possible the objective and outcome, not the procedure to achieve it. In this context quality standards are essential. However not all services and sectors might possess such standards (or they might be indefinable), hence it should be considered if such a service or sector is PPP-suitable. Where possible existing standards should be used from international and industrial/private experience, taking in account existing norms and systems, even if they are not legal binding in the respective countries of the PPP implementation.

- **(Greece):** Where possible, existing standards should be used from international and industrial/private experience, taking in account existing norms and systems, even if they are not legal binding in the respective countries of the PPP implementation. This factor should be considered early in the PPP design, since it can help avoid disputes at a later stage and help concentrate resources on more delicate aspects of the PPP.
- **(Austria):** Quality & product standards definition is important and should be done at the very beginning of the project to avoid misunderstandings and to ensure the outputs of the projects in that quality and standard as it is contracted. If there is no contract and quality standard agreed between the partners problems and discussion will raise at the operating time at latest.
- **(Sweden):** No comments.
- **(Lithuania):** In general, there is a weak orientation towards performance during the PPP

process in Lithuania. Quality and product standards are underdeveloped in Lithuania, although this is one of the main PPP characteristics. The capacity of the private company to deliver services of good standards contributed to the relative success of the Vilnius city heating supply project. It is important to ensure higher emphasis on performance during the PPP projects (both for the infrastructure and service-based projects).

- **(Spain):** At the beginning of the initiative it is necessary to prepare an effective plan in order to appoint the appropriate people to represent the public and private sectors, to establish the roles, responsibilities and the aims to reach, to be aware of risks, to clarify the necessary measures and the parameters of the quality of the service. A framework of strategic policy and a set of common principles will facilitate the task of planning. In order to avoid misunderstandings in later phases, the PPP must have a simple structure and clear responsibilities. During the drafting phase it is necessary to predict the risks and benefits of the project. Mainly it is essential to identify the potential financial, administrative and staff management risks

#### 4.13 Delimitation of Competence Fields (for both Sectors)

Based on sound project design principles, tasks, roles and responsibilities should be clearly designed and assigned to the partners involved. Delimitation of competence fields is important among partners and especially in presenting the project to the public.

- **(Greece):** Delimitation of competence fields is important before and during the operation. Based on sound project design principles, tasks, roles and responsibilities should be clearly designed and assigned to the partners involved. Nevertheless, it should be ensured that the description of tasks and roles can be modified during the project operation, according to the needs and requests from the project. Disputes can mainly arise in questions in the higher management level, arising from possible disagreements between the way operational and strategic objectives are conceived by the private and public sector respectively.
- **(Austria):** Delimitation of competence fields is important to clarify between the partner to ensure for all partner for which parts of the tasks they are in charge of especially to avoid problems by operating the project and in representing the project to the public. But it may be possible that fields of competence may change between the partners during the operating time. For this case possibilities of changes should be foreseen in the contract.
- **(Sweden):** The delimitation of competences and responsibilities has been a key success factor for the project out of two perspectives. Primarily a clear delimitation of roles and responsibilities is essential in order to create a basis for savings guarantees like the ones applied in EPC's. In a wider perspective the delimitation of competence is the very core of this PPP approach. Since a municipality by no means can have the variety of competences and follow up resources necessary to successfully carry out this type of project, the municipality has its main field of competence and focus in the societal service to its inhabitants.
- **(Lithuania):** Frequently there is no clear delimitation of competence fields for the public and private sectors in Lithuania. The Vilnius city car parking project is an example, where vaguely defined liabilities and responsibilities of the partners in the contract contributed to its failure. As it was mentioned, there is a credibility problem on the local PPP market: a few private partners failed to meet their commitments under the previous or ingoing PPP-like contracts. Therefore, the public partners are often called to undertake more responsibilities during the project implementation.
- **(Spain):** In the joint-ventures, the role to carry out by the public and the private sector must be clearly defined from the beginning of the process. The tasks will be distributed optimally between the agents with the aim that each organization fulfils those responsibilities. The responsibility to develop each task will be assigned to the organization that is better prepared

for putting it in practice. In the initial phase, the identification, analysis, quantification and distribution of tasks will be carried out. At the beginning of the project it is essential that all the agents agree to and approve of the measures decreed

#### 4.14 Maturity of Technology / Project Concept

In order to safeguard the public interest and to attract private funds it is advisable to choose “easy” and mature projects. Should this not be possible or desirable exit strategies should be defined.

- **(Greece):** Especially at the introduction of the PPP concept in the administrative context, It would be essential to choose “easy projects”. At the beginning the PPP will face suspicion and rejection especially from the public sector, lacking capacity and in some cases reluctant public opinion. There is no point in adding technical uncertainties in that constellation.
- **(Austria):** Depending on how new the PPP project is it may be useful to start the project before the technology or the concept has its full maturity. In this case the risk for both partners has to be considered carefully and well defined milestones for taking financial risks have to be worked out in order to ensure that the risk is calculated and to give possibilities to stop or to change the project.
- **(Sweden):** The maturity of the technology and the project concept was not a success factor during the planning and implementation of this project, as the business model was relatively unfamiliar to the municipality. So even though the municipality knew what they wanted, the lack of internal experience led to the fact that a lot of routines and practices had to be developed successively as the project emerged.
- **(Lithuania):** The maturity of the technology and the project concept was somewhat related to the relative success or failure of the Vilnius city heating supply and city car parking projects. This factor should be acknowledged during the PPP process.
- **(Spain):** In the case of the Digital Pak of La Rioja, the project to implement is absolutely innovative both on regional and national level. For this reason it is understood that the risks to assume are remarkable and the benefit to reach is uncertain. However, studies carried out during the drafting phase of the project predict that the digital park will be a successful initiative

#### 4.15 Guaranty of Meritocracy and Performance Evaluation During the Contracting Procedures

All Member States legal systems will guarantee the mentioned requirements. The PPP novel approach will however cause suspicion in many cases. Thus, tools ensuring evaluation and transparency are recommended, such as: neutral advisory board, performance evaluation measures, performance indicators, quality standards.

- **(Greece):** The legal framework guarantees the meritocracy. The proper project design, the definition of roles and the delimitation of competences should assist in this direction. Considering the definition of evaluation criteria and indicators and the subsequent performance evaluation procedures a clear definition and delimitation of strategic and operational objectives is essential.
- **(Austria):** In this case all the laws have to be observed. In addition, a neutral advisory board should be installed to ensure that the guaranty of meritocracy and the performance evaluation is done in a correct way.
- **(Sweden):** Performance evaluation must be considered as a key success factor in this particular project. This issue was first addressed in the pre-qualification phase when the municipality put a lot of effort in scanning the different companies’ references and performance before moving on into real contract discussions. The existence of firm and reliable saving guarantees was hence a main success factor when anchoring the project with the initially hesitant politicians. In addition to this pure cost saving perspective, it was essential to firmly integrate the project in the municipality’s organisational/administrative as well as technical/operational structures. By evaluating the company’s organisational and

human development approach, together with e.g. its compatibility strategies for the control systems the most successful company was appointed. Moreover, the selected company's experience and know-how in PPP-financing structures and their compliance with public accounting rules was important success factors. The main success factors in the negotiation process were the mutual ambition to reach a win-win agreement, together with the ability to adapting and finding constructive solutions to contractual or practical problems.

- **(Lithuania):** As it was mentioned, there is a weak orientation towards performance during the PPP process in Lithuania. Only larger and international PPP tenders are subject to performance evaluation during the contracting procedures. For instance, private advisory services were used during the procurement of the Vilnius city heating supply project. However, external advice primarily concerns legal compliance during the design or tendering stages rather than performance management during the implementation process. It is important to ensure higher emphasis on performance during the PPP projects (both for the infrastructure and service-based projects).
- **(Spain):** The management team of the project has the responsibility to evaluate the offers of the agents. The team should evaluate the technical and financial capacity that every organization has in order to develop the project according to the original memorandum. The process of negotiation with each agent is usually joint with the aim that the administration explains its conditions directly and that the private organizations express their points of view with respect to the aspects discussed. The fact that the public sector is directly involved in the process is a guarantee due to the regulations it must follow according to the administrative procedure

#### 4.16 Legislative Framework and Empowerment

Existing legal frameworks considering public procurement, concessions etc. provide enough provisions and various interpretation possibilities for implementing PPPs. However there are extensive thresholds to be overcome, thus making only large projects suitable for PPPs. If PPPs are to be adopted at a regional or local level a purpose made national PPP law or even a European legislative framework for PPPs is advisable.

- **(Greece):** The Greek Government has repeatedly expressed its support for PPP. In the past, legislation was developed on an ad-hoc basis, since it addressed large, multi-annual projects in the billion EUR range. The Greek Framework-law for PPP (New Law 3389/2005 for PPPs) has just recently been set into force and it is a valuable effort to provide a coherent construction for the implementation of PPP on a broader basis. Nevertheless, this attempt must be accompanied by a coordinated authorisation for regional and local authorities to enter PPP arrangements and transparently transfer public tasks in these schemes. In this direction, the Local Administration THISEAS programme, the Law on Public Real Estate and other regulations on Spatial Planning can be regarded as complementary.
- **(Austria):** It often depends on the size of the PPP projects which kind of legislative framework or empowerment is more practicable in order to run the project. In addition, the legislative framework differs from state to state. It is recommended to install a European legislative framework for PPPs.
- **(Sweden):** The current Swedish legislative framework has not facilitated the project's implementation, basically since it misses real PPP objectives. The legislative framework and its various interpretation possibilities was in fact a major disadvantage along the lines of project development as well as implementation and follow-up. Due to the fact that there is limited experience in administratively handling PPP's in Sweden, the uncertainty followed by this opens up for many different ways of interpreting the laws and practices on e.g. public procurement, accounting and taxation. However, the relatively large portion of operative empowerment that the senior civil servants had in this case, helped the project moving forward even with an insufficient legal framework.
- **(Lithuania):** Most PPP-like projects are established on the basis of lease contracts.

Although a new concession law was passed by the parliament, it has not been applied in practice yet (it is likely that this law will be applied very soon). However, the concession law is not fully compatible with several sectoral laws as well as the public procurement law, which should be applied during the concession process. Although the existing legal framework is complex and insufficiently “user-friendly”, there is no sufficient information or advice from the central government for potential PPP partners. Failure of the Vilnius city car parking project is partly attributable to insufficient elaboration of the contract. The presence of a well-elaborated legal framework would allow for the better design of PPP projects in a legal sense.

- **(Spain):** The private sector is requesting the administration to create an appropriate legislative frame in order to guarantee the transparency (which allows control) and the quality of the service. Due to the extremely complex procedures of regulation and contracting of these projects, it is necessary to carry out a process of homogenisation, clarification, simplification and setting of concepts. The Law of Public Work Concessions approved on the 23rd of May in 2003 meant the first step to approach the application of principles that govern the authentic PPPs. These principles are: to share out the risk in a balanced way, to add indicators that evaluate the quality of the service and to increase the influence of the private sector in the decision making

#### 4.17 Capacity Development at National and Regional Level

Some Member States have decided to create Central PPP Units. Whereas this solution provides several advantages at the initial level, a decentralisation is essential later on. Capacity at the partner level (e.g. municipal administrations) should be regarded as a mid term goal. In-house expertise must be developed e.g. through “easy” and mature projects.

- **(Greece):** Most countries choose the formation of a Central PPP Unit, usually at the Ministry for Finance (or the respective equivalent body). Whereas this solution provides several advantages at the initial level, a decentralisation is essential. In Greece several programmes have encountered serious delays through the over-centralisation of functions and authorisations at the central level. The complexity and unique character of most PPP makes local management indispensable. Furthermore, the concentration in the Ministry of Finance might cause sectoral distortions; e.g. in Greece the Ministry for Regional Planning, Environment and Public Works plays an important role in this field and should be actively considered in the decision making process. Furthermore, regional and local authorities will be confronted with novel and complex appraisal, procurement and operating conditions. Incomplete transfer of know-how will lead to cumbersome implementation, idleness and in some cases serious damage to the public interest. Thus the Central Unit and its regional departments should assume a facilitator role as a knowledge node, departing from the usual purely administrative model.
- **(Austria):** It is a crucial element for the public partner to ensure the needed capacity by mass as well as by quality to be able to co-operate with the private partner during all the lifetime of the PPP project. Otherwise, the PPP project may suffer from insufficient capacity which -in the worst case- will lead to the failure of the PPP project.
- **(Sweden):** At the time of developing this particular project the general knowledge and experience at national and regional level was limited. The situation is currently improving, but in the development phase of the Nyköping project the lack of knowledge and capacity was a great drawback creating a lot of scepticism and hesitance.
- **(Lithuania):** Potential PPP partners from the public sector have limited knowledge and skills about the PPP. Only one exception is the Vilnius city municipality, where some in-house expertise was developed. This creates pre-conditions for more successful management of PPP in this municipality. There are no “good practice” manuals available, nor training services or the exchange of experience are organized to increase PPP capacity in the public sector. Some ad hoc training and exchange of good practice occurred with the

support of international donors. It would be important to undertake various capacity building measures at all levels and ensure their sustainability. (

- **Spain):** The existence of an institutional unity, that has previously acquired knowledge through the experience of numerous implemented PPPs, as well as the capacity to advise the participating agents that could regulate the process, would facilitate the implementation of a common program that, as a consequence, would increase the number of PPP projects developed

#### 4.18 Compatibility with Structural Funds Regulations and National Co-financing Procedures

Flexible accommodation of PPP in the Regional Operational Programmes is recommended, since most –if not all- PPPs are operating with European or national funds. The goal should be two fold: a) Improved ROP performance at the regional level; b) Observance of the Maastricht criteria at national level. This combination of course will no be an easy one, and should be considered especially during drafting for the 2007-13 period.

- **(Greece):** Socio-economic developments and the evolving EU Structural Framework will demand additional National Co-financing. Private funds will in many cases be indispensable. While the remaining time in the 2000-2006 period is most probably insufficient for a significant PPP generation, it is essential to provide the required provisions in the national legislative framework for the next period. In compliance with the issues mentioned above, the provision for the flexible accommodation of PPP in the Regional Operational Programmes of the Regions should be regarded as essential.
- **(Austria):** Compatibility with Structural Funds Regulation and National Co-financing Procedures has to be ensured in every PPP because most –if not all- PPPs are operating with European or national funds.
- **(Sweden):** In a theoretical perspective compatibility with Structural Funds and national co-financing could be a success factor. This project did however not receive any additional funding from the EU. Furthermore, in an emerging market it would be a bit risky to carry out a PPP-EPC with additional grants etc., since it can give the impression that this type of PPP needs Structural Funds or national co-financing to be feasible. On the other hand already feasible projects can be extended by means of Structural Funds and national co-financing, and thereby give added value to all parties involved as well as to the EU on the whole.
- **(Lithuania):** There is no compatibility of PPP with EU the structural funds and national co-financing Lithuania. Therefore, the structural funds are provided to the public or even private partners on a separate basis, which implement a certain stage or part of the larger PPP project. Also, the majority of the PPP-like projects do not involve payments from the public sector to the private sector. It is important to establish such compatibility in the next programming period of 2007-2013, when a large share of resources will be available from the EU budget.
- **(Spain):** The compliance with the convergence criteria, previously fixed in Maastricht, together with the fact that the public projects have a significant effect on the state deficit, make two steps necessary. First of all to analyse the process that the national accountancy procedures have on the public-private methods of financing and of management of public services, and secondly, to know the economic consequences that the procedures mentioned have with respect to the fulfilment of the principle of budgetary stability. In the Spanish local administrations, unlike in the British programme, uniformity to establish the financing and management of a public service through the private initiative does not exist. This fact confirms the absence of a global program or an institutional unit with the capacity to regulate and foster the public private partnership in accordance with common criteria

#### 4.19 Establishment of an Independent Authority for Conflict Resolution

Along with Central PPP Units, an Independent Authority for Conflict Resolution is advisable, instead of ad-hoc solutions among the partners. As a general rule however, It is better to invest more resources into the drafting phase instead.

- **(Greece):** The new legal framework, the complexity and plethora of PPP arrangements and the implications on the legal agreements between public and private sector require the creation of an Independent Authority for Conflict Resolution on PPP issues, independent of the usual legal procedures. Such an instrument will provide rapid assistance in the different PPP stages (procurement, selection, negotiations, contracting) and will offer the necessary security to the private sector.
- **(Austria):** It is important to clarify at the beginning of the PPP project the rules by which conflicts will be solved. If there are already existing bodies new authorities are not necessary. The establishment of an independent authority should only be done in case of a conflict.
- **(Sweden):** This project did not establish any formally independent conflict resolution body. But a progressive approach was the agreement on an “escalation ladder” where different type of issues and problems were solved on a successively higher management level. By applying this approach, high management meetings solved a few of the issues that representatives on lower levels on both side had difficult to handle, since they were in the middle of the operation.
- **(Lithuania):** In Lithuania there is no independent authority for conflict resolution. Therefore, conflicting parties should use bilateral negotiations during the PPP process or refer to the courts. For instance, the Vilnius city car parking project is under the arbitration process at the moment. It could be useful to establish an independent authority for conflict resolution together with a closer involvement of the central government in the PPP process. Also, procedures for conflict resolution should be described in PPP contracts.
- **(Spain):** The public administration takes the final responsibility on the operations of PPPs. It must always establish control and provide information about the operations when there are assets and funds of public dominion involved. As these are relatively new operations, it is necessary that they have a suitable book-keeping method with the aim to equip the processes with transparency. This method must show the economic reality both of PPPs and their partner agents

#### 4.20 Assistance in the PPP Drafting Phase

As already mentioned a certain “suspicion” among public and private sector must be overcome. Projects showed that the public bodies develop skills in preparing PPPs but the procurement of consulting services is on an ad-hoc basis. A programme approach (e.g. as in the THISEAS programme in Greece) approach as part of capacity building steps is reasonable. The Central PPP Unit and its regional counterparts should promote the PPP concepts maturation through aimed reallocation of funds to the preparation (appraisal, financing generation/guarantees, risk assessment, etc.), rather than implementation.

- **(Greece):** The Novelty And Complexity Of PPP Established Patterns Of Operation And A Potential “Suspicion” Among Public And Private Sector. Thus In The Initial Phases A Considerable Inertia Must Be Overwhelmed. The Central PPP Unit And Its Regional Counterparts Should Promote The Maturation Of PPP Concepts Through Aimed Reallocation Of Funds To The Preparation (Appraisal, Financing Generation And Guarantees, Risk Assessment, Etc.), Rather Than Implementation. The THISEAS Programme On Local Self-Government clearly goes in that direction.
- **(Austria):** Every available assistance for PPP which is useful to create an efficient and successful project should be used. It is better to invest more resources into the drafting phase instead of solving problems and misunderstandings during the project time.
- **(Sweden):** At this point in time there was no possibility for the municipalities to have

independent assistance in drafting the PPP structures. However, one success factor was the municipality's progressive approach in scanning the market, carrying out early pre-qualification and listening to many actors before finalising their final request for tender. Hereby they got certain assistance in defining and describing the project.

- **(Lithuania):** There is no assistance in the PPP drafting phase from the central government. Larger local authorities (in particular the Vilnius city municipality) procure consulting services from the private market (local and sometimes international expertise for larger PPP projects). This contributed to the relative success of the Vilnius city heating supply project. Therefore, it is obvious that more assistance is needed during the PPP drafting stage. However, many smaller municipalities and other public administration institutions lack sufficient funding for the procurement of such services.
- **(Spain):** In order to avoid possible disagreements in the later phases of the project it is essential that the management team of the project is advised by outside professionals with respect to legal, technical, financial areas, etc. during the drafting phase of the project

## 5 CONCLUSIONS

The INTERCO-PPP project partners had the opportunity to describe their experiences and reflect on the commonly defined set of Success factors. While different institutional backgrounds and operating frameworks make each project a comprehensive case study, certain common points could be defined:

- The social character of the PPPs, public acceptance, related political support should be considered,
- Technical / administrative issues should always be separated from the omnipresent political aspects,
- The projects selected should safeguard the interests of all parties, while making clear that success or failure is related to their engagement and risks management,
- PPPs are based on partnerships of equal partners, hence roles, duties, standards and outputs must be clearly defined,
- Legal and institution support at the regional level is essential and last but not least,
- Programme support in the drafting phase could solve numerous problems at later stages.

While the mentioned factors' list is not exhaustive and reflects only the experiences of the INTERCO-PPP project partners, it forms a useful starting point for public debate for PPPs at a regional level

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