

PPP: A ship that hasn't set sail



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However, words were not converted into action and the primary enthusiasm was cooling down. The recent seminar organized by Stavební fórum “Public Procurement and PPP Projects in the Shadows of a Low Budget” showed, thanks to the efforts of the organizers and participants to give a realistic view, what the actual situation in the PPP project arena in the Czech Republic looks like. And it's bad. The scorecard of what has been achieved in this field in our country is poor, to say the least. The number of postponed or cancelled plans significantly prevails over the number of projects that have been actually implemented or at least are set for implementation. Yet we have more fingers on one hand than the number of such projects. The failures include for example the following plans: construction of a justice complex in Karlovy Vary or a university complex in Ústí nad Labem and completion of the Pardubice hospital. On the other hand, there is still some hope for the private-public implementation of the D3 motorway. These are all projects run from the centre. If there is still a face, we could say that the regions are trying to save theirs. For example a project of a sports complex has been successfully completed in Tachov, and a similar event in Ostrava - Svinov looks promising. However, this changes nothing about the fact that PPP projects in the Czech Republic have more or less gone to wreck, or even better: the ship carrying them has not even set sail.

There has been enough education and promotion; after a time of failed plans and projections, it is time to contemplate the causes of the failure. They were accurately described at the seminar mentioned above. “There is no political will,” Jiří Došlý, of the PPP Association, defined the crucial stumbling block. This short sentence says a lot. First of all it points at the lack of political continuity - each political representation is aware of its time-limited mandate. A four-year tenure is too little for complex projects and we cannot expect that project preparations will continue after the next election. Political parties regularly alternate in the government after each election and the little constructive and expressly fight-oriented character of our top politics is determined by the scenario, according to which one government approves something, and the next government repeals and cancels it. And this is especially true of projects worth millions of crowns. For many politicians, PPP projects may constitute vainly spent energy, lost in advance. (That is also why PPP projects have a better position in the regions, where politics respond better to the specific needs of the town or the region, observed from the right and from the left. It seems that quasi-PPP projects are created at the municipal level outside the legislative framework - e.g. they are hidden under the sale of a building at a low price, but with the burden of a public service.)

So far, the state machinery does not seem ready for PPP projects. “The clerks aren't mentally ready for PPP projects. They do not understand the principle of partnership at all and are mostly used to an

authoritarian approach.” - this was also voiced during the discussion on state “partners”. The former director of Metrostav was even more specific in the discussion, thanks to his rich experience: “Lack of trust and slowness, that’s what dominates everywhere in this country.”

Of course this does not refer only to the character, feelings and moods of clerks and politicians. Know-how is equally important. Contracts on larger PPP projects are very complicated and comprehensive, their economic and legal issues are extremely complex. “Larger projects are usually prepared for a long time, with huge teams participating. That is why the costs reach millions of crowns at this stage already,” explains Adéla Vránová, of the law office Havel & Holásek.

And, just like almost always, there are legislative problems, which do not involve only laws relating directly to PPP, i.e. the Public Procedure Act and the Licensing Act. “Projects are also hampered by some provisions of the State Property Act. In our opinion they could be overcome, if approached reasonably. However, the Ministry of Finance is doing the opposite, insisting on its slavish interpretation,” says Vránová.

Even though this is not a complete list of obstacles to PPP projects in the Czech Republic, it is sufficient to formulate the following question. Why would any private entity undergo negotiations that are so long, so complicated, with such costs, such an uncertain outcome and with such an unreliable partner?

Perhaps the only positive in the overly unfavourable domestic PPP landscape is the interest of banks, which sounds almost miraculous today. “Yes, bank representatives have often undergone very tedious and challenging negotiations together with us,” says Vránová. “We are interested in PPP projects,” confirms Jan Šnajdr, of Česká spořitelna - of course, banks like the PPP concept also because project funding is provided by the state, which is a minimum risk for the credit institutions.

In many countries, the recession has led to the revival of interest in PPP, as an alternative for refreshing the economy through the state, but with a low pressure on its expenditures. For example Italy has renewed a finished, but suspended project of a fixed connection between Sicily and the mainland, worth hundreds of billions. And many interesting things are going on in Slovakia and Poland, in the US and in other countries - somewhere projects are directly implemented, somewhere they are made easier through legislative modifications. And we are not lagging behind. If everything goes well, we will have a new act of public license orders from the beginning of next year. The act will supersede the imperfect and still valid Licensing Act and will complement the far-from-perfect Public Procurement Act. The submitter - the Ministry for Regional Development - is convinced that the new regulation will speed up and facilitate processes related to PPP. “I’m not thinking about it,” Pavel Pravda, of the law office bnt - pravda & partner, which deals with PPP issues for a long time, commented. He may be wrong and we could see some licenses next decade. But this will be about two years after the recession, even according to the greatest pessimists.

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