

PPP projects like possible alternative in the crisis period?



Author: SF / Juraj Pokorný | Published: 07.04.2009

Quality of the PPP project ought to prove the so-called feasibility study the part of which is confirmation of its economic expedience by the PSC method too (comparator of public sector), including quantification of influence to the public administration budget. Other key criterions of the offer assignment are for example results of potential risks analysis and market survey and the model of financial folder, innovativeness and aesthetic quality of the work or affectivity of the concession agreement in the time ordinate. Because of the PPP projects represent long-term partnership, determined more that by one voting period, already at the beginning it is necessary in order both parties would join together regular dialogue.

Apprehensions replaced optimisms

According to agencies' sources in September 2008 yet it was thought of financing the strategy important bypass of Bratislava D4 by the form of public-private project partnership (PPP), what had to delay the start of the building-up before year 2011 yet beginning with release of about 1.99 bills € (60 billions SKK) from the state budget compared with the original plan. However, this optimism has volatized not more than till one week. During longwinded preparation of the motorway PPP projects for D1 and R1 the general director of Žilina Research Institute of Transport, Ľubomír Palčák, saw the apprehension of big economic loss for Slovakia. „If they will not be started-up, after that we will not speak about years 2012 or 2013, but maybe about 2020 or more, “he warned.

In November 2008 4 subjects submitted the offer for realization of the second package of PPP, involving R1 Nitra - Tekovské Nemce (47 km at the price of 553.2 millions €) and northern bypass of Banská Bystrica (5.7 km) in the frame of the tender. The Slovak Business and Regional Chamber at Žilina also brought the requirement for the stage Hričovské Podhradie - Dubná Skala urgent building-up with the tunnel Višňové. Not to build-up the infrastructure in the direction to Martin and Ružomberok would have negative impact to the Turec and Orava regions investment development, by his opinion.

Numeral statistic looks not so much black. According to the December report on the fulfilling the program on the preparation and building-up of the motorways and fast highway it was spent 175.33 mills € (5.82 billions SKK) at the end of October 2008 for this purpose. The average length of stages putting in to service represented 25.7 km of motorways and 15.2 km of fast highways yearly. At the end of previous year

successes were cropped indeed. The mentioned tender for the building-up and operating the R1 fast highway and the northern bypass of Banská Bystrica won the France-Holland consortium Vinci Concessions and ABN Amro Highway B.V. in the end. Dopravoprojekt, a.s. Bratislava Company contributed in the project preparation of chosen stages D1 and R1 by 80 percentages!

Combination as a spare solution

However, the easily started-up motor of preparation and realization of the PPP projects started stammering ominously in February 2009. The guilty party was clear immediately - the crisis of financial institutions. „Shortage of liquidity on the side of banks has much higher impact on their decision-making about participation in these projects than quality of projects or credit and rating of SR, “informed the Department of Transport, which started thinking of transfer the focal point of financing to the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) in consequence of the new situation.



In consequence of deepening the economic crisis impact in the engineering building - whether in the form of working orders shortage or decrease of the building production volume - the sources for keeping its performance started be being looked for. And by this way the idea was born to combine the PPP projects with the money of Euro funds allocated in the Operational Program Transport, what can ensure work for several years reputedly. The sentence „The growth is not our concern, but sustainability“ from mouth of Ján Majerský, the president of the Union of Building Entrepreneurs of Slovakia, documented seriousness of the whole situation.

In January 2009 therefore the Department of Transport suggested to the Department of Finance to work out the alternative plan for financing the building-up of the D1 motorway and the R1 fast highway in case of public-private partnership collapse due to unwillingness of banks to participate in this type of projects, i.e. directly from the state budget. The means in the amount of about 232.36 mills € (2009) and 829.85 mills € (2010) are spoken about, which would go above the frame of the approved budget chapter.

Another constant, which entered the public calculations, became the element of saving. Marek Maďarič, the ministry of culture, suggested to build-up the common stall for STV, SRO and TA SR by 147 878 909 € on the growing ward Eurovea in Pribinova Street. He recognizes reconciliation of three statutory institutions into one medial complex be not only the effective measure in the period of crisis, but also the opportunity to utilize the principle of public-private partnership.

Some proposals direct further indeed: to revitalize brown-fields or post-industrial zones by application of the combination of PPP projects and financial backing from the state side and EU. The projects of multifunctional sports hall in Bratislava, the national sports centre at Žilina or the “government town“ like the common seat of Departments.

Identification and allocation risks

Public infrastructure contains inside it several potential risks: fiscal, legislative, project (breaching technical parameters), building (technical troubles), demand (the motorway is not utilized by estimated number of cars), accessibility and many others - financial, strategy, political. Although the effective allocation risk between both partners is life-important aspect for final social and economic expedience of

the work, either importance of strengthening partner bonds on regional and communal level as well is needed not to be under-evaluated.

So how actual state, near perspective and farer future of PPP projects in Slovakia look like from the development of motorway infrastructure, regional projects or brown-field point of view? How the financial crisis reflexes to actual possibilities to obtain financial backing for their preparation, realization and operation? What is the optimal allocation risk between both actors of the public-private partnership? Which attributes the project has to meet so as it could be specified like PPP, and by which it differs from „classical order?“

**The executive director of the PPP Association, Irma Chmelová, Roman Čmelík from WOOD & Company or Ľubomír Palčák from the Research Institute of Transport at Žilina will try to answer these questions sound and comprehensive during next - the third in the order working breakfast of the Internet magazine Stavebné fórum.sk, which is held on April 07, 2009 in the Bratislava HOTEL MARROL'S in Tobrucká Street 4 upon the title PPP projects - the alternative in the time of crisis? **

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