



PPP in the Czech Republic

Tallinn

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Ministry of Finance
Czech Republic



PPP in the Czech Republic

1. Use
2. Objectives
3. Experience and challenges
4. Self-assessment of the PPP governance framework



1. The use of PPP

Two basic groups of PPP

- Prepared in compliance with the Concession Law or Public Procurement Law (or earlier combination of CL and PPL)
 - Pilot projects
 - Regional and Municipal concession projects
- Other PPPs
 - Initiated before the Concession Law came in force
 - In compliance with other legislation



1. The use of PPP Projects at the state level

- **I. stage of the PPP pilot projects – January 2005**
 - Central Military Hospital Prague
 - „AIRCON“ – Airport connection between the Ruzyne Airport and the centre of Prague
- **II. stage of the PPP pilot projects – August 2005**
 - D3 Highway
 - Court of Justice and Prosecutor Grounds in Usti nad Labem
 - Guarded Prison in Rapotice
- **Other big projects at the state level**
 - Hospital Na Homolce in Prague
 - University Campus Jana Evangelisty Purkyne in Usti nad Labem
 - Administrative building for Ministry of Industry



1.The use of PPP - AirCon NO

- Ministry of Transport
- Complete upgrade of current railway Prague - Kladno (30 km) with a new connection line to Prague's airport (5 km)
- Existing technical documentation review and upgrade OBC
- At present the project is stopped



1.The use of PPP

Central Military Hospital, Prague NO

- Ministry of Defence and Central Military Hospital
- Construction, maintenance and operation of a accommodation for staff of the contracting authority, hotel-type lodging, information center, the entrance building, parking, swimming pool and offer additional services currently missing in the Central Military Hospital
- OBC - winter 2007, competitive dialogue, 2 final bids – 11/2009, concession contract was signed - 5/2010, 8/2011 – canceled



1.The use of PPP D3 / R3 YES

- Ministry of Transport
- Green-field highway D3 in southern part of CR (42 km of operation and maintenance, 114 km of construction, operation and maintenance); OBC redefinitions
- New complex Strategy for transport PPPs is beeing prepared now
- At present the project is updated
- State budget 2012 CZK 9 mil. preparatory costs



1.The use of PPP Guarded Prison, Rapotice NO

- Ministry of Justice
- Green-field prison for 500 prisoners (security provided by public authority)
- Payments - availability payment
- Government approval of OBC in May 2008
- Expected VfM 12,6%
- The project was canceled (June 2011)



1.The use of PPP

Court of Justice, Usti nad Labem YES

- Ministry of Justice
- Construction, maintenance and operation of court house in Usti nad Labem – infrastructure and support services focus only
- Government approval of OBC in May 2008
- Expected VfM 8,4%
- Reassessment x Supreme Audit Office



1. The use of PPP

Administrative building of MoIT

NOT YET

- Ministry of Industry and Trade
- The main goal of the project is to locate and ensure suitable land, design, building and operation of the new administrative building for 9 public institutions of MoIT and to sell the 13 current buildings. The institutions will be moved from the current 13 buildings to the new one
- OBC proved the PPP efficiency
- The project was postponed before Governmental approval



1. The use of PPP

Types of municipal PPP contracts

- 82 MoF statements (9. 5. 2012)
- Water and waste (57 contracts; share of total volume of concession contracts - approx. 86%);
- Central heating (6 contacts; share of total volume of concession contracts - approx. 6%)
- Social and healthcare services (2 contracts; share of total volume of concession contracts - approx. 2%)
- Public lightening
- Freetime facilities
- Public transport
- Parking houses
- ...



1.The use of PPP

Examples of city projects

- Multi-purpose sport centre in City of Tachov
- Bus shelters in Usti nad Labem
- City lightening in Prague
- Senior home in Vysoke Myto City and Litomerice
- Parking house in Plzen and Hradec Kralove
- School catering in Ricany
- Water management in Ostrava, Pisek, Plzen...



1. The use of PPP

Value of concession contracts i.e. PPPs within the framework of Concession Act

Subject of the Contract	Estimated value of the Contract (CZK)	Share on the total value of all contracts closed at this level (%)	Number of approvals
Water sector	44 713 683 515	86	57
Energy	2 941 404 000	6	6
Social services	999 831 000	2	2
Other	3 402 714 618	6	17
TOTAL	52 057 633 133	100	82



1. The use of PPP Value of Public Procurement Contracts

- Untill April 2012 CZK 40 bn.
- The last amendment of Public Procurement Law approved by the Parliament (in force since April 2012) abolished the obligation to disclose all contingent liabilities of PPP projects



2. Objectives of using PPP

- No overall infrastructure plan 's targets
- Competence of ministries as decisionmakers
- Alternative form of financing mostly investment projects
- In compliance with the concept value for money



3. Experience and Challenges with PPPs

- Implementation of municipal projects is more efficient than implementation of projects at the state level
- Missing support from political representation
- Missing strategic conception
- Poor communication with public and media



3. Experience and Challenges with PPPs

- Underestimation of preparation (service specification, underestimation of costs and time for preparation, financing, risk transfer...)
- Financial crisis
- Vaguely divided competence (MoF, MfRD)
- Legislation (different rules for public procurement and PPP, too many changes)



3. Experience and Challenges with PPPs

- Present issues – current situation
 - +
 - Several tens of municipal projects
 - Institutional framework, legislation, methodologies
 - -
 - No „alive“ project at the state level
 - After several failures discrediting of PPP
 - Legislation amendments of Public Procurement Law
 - Position of PPP Centrum



4. PPP governance framework self-assessment based on the PPP Principles

Recommendation I. A.:

„Establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities“

- Key institutional roles and responsibilities are clear, stipulated by the law and MoF methodologies +
- Public sector authorities staff educated in the best-practice +
- PPP Centrum as a PPP knowledge centre does not play its role -



4. PPP governance framework self-assessment based on the PPP Principles

Recommendation I.B.:

Ground the selection of Public-Private Partnerships in Value for Money

- Central Government investment projects are prioritised at senior political level
- Regional and municipal projects are prioritised on relevant level, central government institutions have no right to step in, excepted projects supported by the state budget
- MoF published Value for Money methodology
 - Central state institutions are obliged to use this methodology for preparation of PPP projects
 - VfM methodology is recommended to be used by regional and municipal institutions



4. PPP governance framework self-assessment based on the PPP Principles

Recommendation I.C.:

Use the budgetary process transparently to minimise fiscal risks and ensure the integrity of the procurement process

- The last amendment of Public Procurement Law approved by the Parliament (in force since April 2012) abolished the obligation to disclose all contingent liabilities of PPP projects => challenge for the MoF to amend budget legislation (the aim: to ensure budget transparency of PPPs)
- Integrity of the tender process is ensured by the Public Procurement Law



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Thank you for your attention

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