Fiskālās disciplīnas padome

ANNOTATION

Public-private partnership (PPP) projects to improve public infrastructure over the last 20 years have been used in several countries. The Latvian government is also interested in implementing such projects. Generally speaking, PPP projects implemented in the world have been both positive and negative, which make them prudent in terms of risk and utility evaluations. As PPP projects involve large investments and a long period of time, relying only on luck is reckless. PPP projects are associated with increased risk, are legally complex, with a long run, they are exposed to many different factors that need to be counted and taken into account when making a choice in favor of PPP investment. Taking into account the trends in the world and the available information in Latvia, demand for PPP as a solution for financing of significant public sector investments is expected to increase, hence the essential issue is the adequacy of risk assessment, quantification and transparency.

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Introduction

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As PPP projects involve large investments and a long period of time, relying only on luck is reckless. PPP projects are associated with increased risk, are legally complex, with a long run, they are exposed to many different factors that need to be counted and taken into account when making a choice in favor of PPP investment.

A private partner's goal will always be profit-making, not the provision of public-benefit or government-related functions, which is particularly faced with obstacles and difficulties during the implementation of the project. The private partner will not be interested or the needs of all social groups will be met if this leads to a loss of profit, while one of the main tasks of the government is to ensure the access of all social groups to public services. Consequently, one project must be able to combine the desire of a private partner to earn and the government's need to provide high-quality public services at an affordable price to all citizens. It does not always succeed.

In the public space, there is a wealth of evidence available on PPP projects that have failed and costly to both the government, in addition to investing heavily, and paying the public a high cost for the service. In general, it is in any case the taxpayer's money. Consequently, the public has the right to be informed about PPP projects, their usefulness and potential risks.

Most countries have worked to streamline PPP strategy, inventory, risk management, and more. based on the negative experience of failures with significant fiscal impact. Latvia has the opportunity to learn from other mistakes, not only to get bitter experiences from their own. For PPP projects, most risks are predictable and measurable.

Taking into account the trends in the world and the available information in Latvia, demand for PPP as a solution for financing of significant public sector investments is expected to increase, hence the essential issue is the adequacy of risk assessment, quantification and transparency.

1. Public-private partnership in Latvia

Public-Private Partnership (PPP) projects are a relatively new mechanism for the development, provision and improvement of investment public infrastructure in Latvia. Consequently, a lack of understanding of experience and possible consequences can have a significant impact on long-term government finance.

In order to fully understand both the government and the public about the extent of potential risks, it is necessary to start work on quantifying the risks and ensuring transparency. The government must understand the possible consequences of the decisions that are taken, not only today, but also for future generations, and the public has the right to be informed about the effectiveness of the funds used by taxpayers. The public has a negative attitude towards PPP projects, as evidenced by the CFLA (Central Finance and Contracting Agency - PPP Supervisory Authority) and the Association of Public and Private Partnerships, as society is cultivating the premise that the Photo Frame project and the Southern Bridge were PPP projects, although it's not true. Consequently, it can be concluded that the disorderly situation and the lack of transparency create disinformation in society.

Currently in the public space there is information about the concluded PPP project "Construction and management of pre-school educational institutions[1]", Riga Map[2]. In general, the Enterprise Register[3] as of January 2018, it was indicated that there are a total of 4 PPP projects. Information on the fact that in total there are three PPP projects and 62 concessions registered in Latvia is also available in an international study for 2016[4], where information about Latvia has been provided by Klavins Ellex (one of the leading law firms in Latvia).

For planned PPP projects, information is available on the Kekava Bypass[5] and Acoustic Concert Hall[6] (published in the Journal of the Republic of Latvia). Unclear mines are expressed about waste management in Riga[7] and Agenskalns market development[8]. According to the LIAA study for 2011, a number of projects are identified, and given that PPP projects are relatively long and financially voluminous, it is not clear from publicly available information whether these projects have financial implications.

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[1] Fiskālo risku deklarācija http://titania.saeima.lv/LIVS12/saeimalivs12.nsf/0/093ae1cbb0ce07acc22581b60035134d/$FILE/FMinfo_10102017_FRDekl.pdf

[2] Rīgas Karte https://www.rigassatiksme.lv/lv/par-mums/rigas-karte/

[3] Koncesijas, publiskās un privātās partnerības līgumi sadalījumā pa veidiem. Uzņēmumu reģistrs. http://www.ur.gov.lv/?a=1110, skatīts: 11.01.2018.

[4] Global Public-Private partnership guide http://www.cakmak.av.tr/books/Global%20Public-Private%20Partnership%20(PPP)%20Guide%202016.pdf

[5] PPP projekts "Ķekavas apvedceļš" www.sam.gov.lv/images/modules/items/.../item_6208_Kekava_PPP_SM_VA_07.ppt https://lvceli.lv/projekti/#kekavas-apavedcela-ppp-projekts

[6] https://www.vestnesis.lv/op/2016/224.2

[7] Rīgas pašvaldība vērtē iespēju sadzīves atkritumu apsaimniekošanā izmantot PPP modeli http://abc.lv/raksts/rigas-pasvaldiba-verte-iespeju-sadzives-atkritumu-apsaimniekosana-izmantot-ppp-modeli un http://www.pilsetvide.lv/lv/jaunumi/jurgis-ugors-komente-ppp-modela-ieviesanu-atkritumu-apsaimniekosana-riga

[8] Rīgas domei jāizvērtē publiskās privātās partnerības pieeja Āgenskalna tirgus attīstībā http://www.pppa.lv/statuti/jaunumi/jaunumi-latvija/agenskalna-tirgus-riga-ppp-2018

Publicly available information shows that not enough information is gathered, thus, the public is not provided with transparency, there is no common management approach and clarity in PPP projects in Latvia.

The Fiscal Discipline Council anticipates that demand for PPP as a solution to finance significant public sector investments will increase:

- Available funds from EU funds for the road sector from EU funds 2014-2020. the funds will be used by the end of 2019;
- As seen in 2016-2017. year periods also 2022-2024. in the years to come, there will be a drop in total EU-funded investments;
- The total amount of EU funding available to Latvia for the next financing period (after 2014-2020), which is due both to the forthcoming withdrawal of Britain from the EU and to the increase of the overall level of economic development in Latvia, is foreseen.

Gulbis, representative of the Council of the Latvian Chamber of Commerce and Industry, states: "The possibilities of the public sector budget are severely restricted, including the possibility of co-financing from the European Union after 2020, hence the key issue is the attraction of other financial resources for the implementation of investment projects. It is necessary to create the preconditions for making PPP a widely used instrument and such projects would be sufficient for the development of the economy[9]."

In accordance with the Letter from the Public and Private Partnership Association [10] The Saeima of the Republic of Latvia identifies 60 potential PPP projects by 2012. Consequently, it can be concluded in general that only a few successful PPP projects are needed to make this financing mechanism more widely applied with all its consequences. A clear mechanism for PPP implementation, risk assessment and transparency should be developed before such a financing mechanism is used more widely. Necessary requirements by strengthening the regulatory enactments.

It is not clear whether and how the fiscal risk matrix or other risk analysis databases:

- PPP project obligations are listed, incl. both validated and development projects;
- The overall commitments of PPP projects are evaluated, both for all years together and separately for years and projects;
- all four PPP projects and 54 concession contracts presented in the Register of Enterprises are included;
- The relevance of PPP projects and the need for the current situation are assessed.

[9] Publiskās un privātās partnerības konsultatīvās padomes 2017. gada 2. februāra sēdes protokols. http://www.fm.gov.lv/files/publiskaprivatapartneriba/170202_Protokols_VI%20sede%20(WEB).pdf, skatīts: 11.01.2018.

[10] Par PPP mehānisma iestrādāšanu NAP http://titania.saeima.lv/livs/saeimasnotikumi.nsf/0/e186962748eeff4ac2257ab50035d9dc/$FILE/PPP%20priekslikumi%203_2982-11_12.pdf

2. Public-private partnership risk

2.1. Effectiveness of public investment

Several industries can be transferred to the private sector by regulating it with a certain legislative framework. If used effectively[11], PPP can generate significant savings for the provision of national goods and services.
A typical PPP is when a company provides an advance payment, develops a project, builds, maintains an asset (property, plant) in exchange for an operating fee or government payment during the life of the contract:

- PPPs can bring significant benefits to traditional purchases by mobilizing private finance and expertise, promoting efficient use of public funds and improving the quality of services;
- The PPP benefits from the ability of the state to distribute risks between a public and private participant;
- The benefits and quality of the service must be predictable and measurable during the project;
- At the same time, PPPs need to be monitored to ensure that the private partner achieves the results;
- Research is divided on whether PPPs can be more effective than traditional public investment.

For example, in Australia, a railway rolling stock investment project was created as a PPP, which provided a 30% savings. Five PPP water projects in Singapore led to lower than expected prices due to innovative designs and advanced technologies.

At the same time, in a number of countries, PPPs have been set up not for efficiency but to circumvent budget constraints and postpone fiscal costs for providing infrastructure services. It has led several governments to low-quality and fiscally expensive projects. In some cases, PPP has led to high fiscal costs due to bad projects, overly optimistic assumptions about the revenue from the use fee, and minimum income guarantees from the state.

For example, during the 2008 crisis, Portugal had to reconsider road PPP when the demand for minimum income threatened the country's fiscal positions. In Scotland, the Sky Bridge PPP experienced a significant drop in demand due to the lack of coordination with other road connections, which led the government to redeem the whole project from a private partner.

Most countries would benefit from better monitoring and monitoring of PPP projects and closer integration between strategic plans and capital budgets. The selection of PPP projects should be based on a cost-benefit basis, a PPP responsible for the PPP, and clear criteria for choosing between PPPs and traditional funding. PPP obligations should be systematically monitored with aggregate PPP commitments accumulated to minimize related fiscal risk.

[11] Making Public Investment More Efficient http://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Making-Public-Investment-More-Efficient-PP4959

2.2. Fiscal risks

PPPs are relatively small and rare sources of fiscal risk[12]. The average cost is 1% of GDP (in the extreme case 2% of GDP). But it must be borne in mind that the use of PPP projects has only just begun and has tended to increase substantially in recent years and may lead to higher fiscal risks in the future.

These projects can improve the efficiency of the infrastructure, but they are also a major source of risk.

PPPs can generate debt-like liabilities to a government where the government pledges to pay for a service contract period and can link the government with a series of random commitments. Very precarious guarantees are not included in government fiscal indicators. Managing these risks includes:

- to ensure that there is central control over PPP approval, there is a quantitative ceiling on total fiscal costs, incl. Direct service charges and contingent liabilities (Brazil, Peru, Hungary and El Salvador). It should also be ensured that there is adequate management by the FM party to assess risks and fiscal sustainability.
- systematic review of projects, their evaluation and effectiveness (value for money, or costs are worthwhile). Carrying out an independent assessment of the project (Korea) and collecting risk-related fees. (e.g., Chile).
- ensure that risks are passed on to the parties that are best placed to control it and that the upper limit for payments is demand-driven.
- ensure that all project lifecycle costs and potential fiscal costs are transparently identified and budgeted during the decision-making process.

PPP management[13]

PPPs include private-sector supply of infrastructure assets and services that have traditionally been provided by the government. PPP projects can be used in several areas of social and economic infrastructure (construction and maintenance) - hospitals, schools, prisons, roads, bridges, tunnels, railways, air control systems, water and utilities. The use of private equity and management can ease fiscal constraints on infrastructure investments and increase efficiency. The use of private capital by the government promotes investment without increasing infrastructure immediately deficītu and debt. At the same time, the private sector is more innovative in management, thus increasing efficiency. PPP is therefore used worldwide. A number of countries have a well-designed program for the use of PPPs, including Chile, Ireland, Mexico and the United Kingdom. PPP projects have also been launched in Portugal, Finland, Greece, Germany, Italy, the Netherlands, the Czech Republic, Poland, Hungary, the United States. Mostly predominant projects in road infrastructure.

However, PPP itself does not yet ensure health is more effective than government services. The concern is that PPPs can be used to avoid spending controls and to shift investment costs off-budget and debt-poor government balances. But the government nevertheless assumes most of the risks and may be faced with high fiscal costs.

[12] Analyzing and managing fiscal risks – best practice https://www.imf.org/external/np/pp/eng/2016/050416.pdf
[13] Public-Private Partnerships https://www.imf.org/external/np/fad/2004/pifp/eng/031204.pdf

Eliminating adequate risk to the private sector is a prerequisite for achieving high quality and cost-effective services for the consumer and government by PPPs. But this is just one of several prerequisites for success. The quality of services should be set in such a way that payments to providers are linked to their evolution and the need for costly re-negotiation of contract terms is minimized. Appropriate regulation is needed to ensure efficiency. An appropriate institutional framework with certain government commitments, good governance and clear legislation on types of support is also needed.

Risk-sharing assessment is very difficult due to the large number of different risks that PPPs are exposed to and due to the complexity of PPP contracts.

Institutional framework for PPP projects

A successful PPP provides a high quality service to the consumer for significantly lower costs to the government compared to public investment. Effective PPPs can cover higher borrowing costs (government can borrow at a lower cost). This can be ensured if there is a certain quality of service, it is an appropriate transfer of risk to the private sector and is a regulatory framework that is geared towards competitiveness. As a good example, PPP policy is based in Victoria (Australia). Good political conditions and governance are needed to succeed. Political uncertainty / variability poses a risk that is incompatible with long-term business decisions. There is a clear division of responsibility. Corruption at the government level is a serious obstacle to a successful PPP project. An appropriate legislative framework is also a guarantee for a private partner that will receive the benefits of the contract. In some cases, it may also be necessary to change the legislation. The PPP legislative framework should include clear, reliable and effective dispute resolution mechanisms. It is important that PPPs are faced with non-discriminatory taxation and regulatory treatment.

In order to properly manage PPP, there is a need for appropriate knowledge in the government. Often government co-ordination takes much longer than the private sector. For example, the UK has established a special government agency to provide advice and support for legislative, financial and technical issues during the negotiation and procurement phase. In Italy, UTPF, both a project finance unit and an advisory and counselor role. Particular attention should be paid to developing the skills of municipal/government sub-sectors, as part of the PPP is being implemented at this level of government.

The government needs to assess whether PPPs are better than traditional investments, since PPPs need not be realized simply because they are involved in private equity. For example, in Chile, several ministries and government agencies, including the Ministry of Finance, are involved in the development of the project, which ensures that the future fiscal impact of PPPs is appropriate / linked to the medium-term debt sustainability.

PPP risk analysis

In general, there are five main PPP risks:

- Construction risk related to design problems, construction cost overruns and delays in execution;
- Financial risk associated with interest rate volatility, exchange rate and other factors affecting the cost;
- Execution risk associated with availability of assets, quality of service provision and continuity;
- The risk of demand arising from the continuous need for the service;
- The residual value risk associated with the asset's future price.

The transfer of risks from government to the private sector should not affect project costs. Project capital costs depend only on the characteristics of the project risk, but not on the project financing (Modigliani-Miller theorem). Although the source of funding can affect the risk. Since the government can distribute risk to taxpayers, this is the main argument that the government has an advantage in risk management compared to the private sector. But the private sector can divide the risk into the financial market and manage it better. In general, the project risk is lower in the private sector. When deciding in favor of PPPs, the government has to compare a public investment and government service assessment with PPP provided service costs. Since the transfer of risk to the private sector is an essential prerequisite for the effectiveness of PPP, the government is trying to exempt itself from indicating that the private sector can better manage it. It is important to distinguish project specific risks and market risks. Specific risks reflect the potential deviations in the individual project results. For example, in the road project, the specific risks would be from discontinued supplies of building materials, labor problems, and obstacles to nature conservation organizations. These risks should not be borne by the government. Market risk is linked to the development of the economy, which affects all projects and is not diversified, so it must be properly valued.

The government and the private sector have different approaches to assess market risks. If a decision is taken in favor of a PPP project rather than a public investment, the private sector can apply methods that are less effective only in order to mitigate the risk. A private partner can also reduce the quality of construction and offered services to reduce risk. At the same time, there may be a situation where the government has overestimated the risk and over-compensated it to the private sector that has taken these risks, hence PPP project costs are higher than the public investment model. It is also possible that the government seeks to offset the risk of giving too much guarantees, which can cost the government a long time to pay.

The main advantage of PPP is considered to be efficiency. Competition is an essential factor in ensuring efficiency in both the private and public sectors. At the same time PPP is being implemented in areas where competition is limited. Social infrastructure is inadequate novērtēta un prasa lielas investīcijas. Konkurence ir svarīga, lai noteiktu atlīdzību būvniecībai un pakalpojumiem līgumos, kas ir kritisiki pie PPP, kur privātais sektors riskē ar savu kapitālu.
It is essential to ensure adequate regulatory framework. So that the lead partner can sell in the area of products / services where there is little competition and most of the government wants to regulate prices. It is difficult to regulate this situation, because the

government wants to lower prices, where there is a monopoly position, but a private partner to earn.

Risk transfer

The transfer of risk to the private sector has a very significant impact or PPP will be cost effective compared to traditional investments. It is also important to evaluate where PPPs really are needed to provide services. It is also important to understand how PPP will be booked (shown in accordance with accounting standards).

The private operator is typically the legal owner of the PPP asset for the duration of the contract. However, if the government assumes the risk (and receives remuneration), which is in line with ownership, then the government is the owner of the economic asset. Then in this situation PPP does not differ from traditional investments.

Where PPP contracts do not provide the basis for the elimination of ownership and operational risks, risk can be assessed as a general risk factor for a PPP project.

It is a difficult task to set up a risk transfer, but it is very important. As PPPs are large, legally complex contracts, it is difficult to overcome, which complicates the risk transfer assessment even when focusing on some of the major risks. The political pressure to save big projects (which is too big to fail) and important service providers means that the government as a whole takes greater risks than contracted.

Contractual relationship

In several PPP projects, the government has contractual obligations to buy / purchase a service from a private operator. These payments have a medium and long-term fiscal impact that should be reported / disclosed. As a minimum, the prospect of future payment under contract must be included in the report. This is done in the United Kingdom to identify volumes that affect future fiscal flexibility. However, there is a question whether future payments should be accounted for as a liability in accordance with the contract, because it depends on the volume of services that can change during the project contract, because it depends on the need and demand for the service, changes in technology, etc. The argument is that contractual obligations more than limit future fiscal flexibility. Debt sustainability assessment is affected in the same way if the government had caused debt to finance public investment and itself provide a service.

Government guarantees issued in connection with PPP projects are a major source of fiscal risk. The risk arising from the private sector may be limited by explicit government guarantees. Most often, with PPP, the risk of financing is reduced through loan guarantees. The demand risk is reduced through the provision of guaranteed minimum income for services provided to the public. The residual value risk is reduced through the government guaranteeing the price at which it will repurchase at the end of the asset contract.

As the provision of a guarantee is often required, the IMF Fiscal Transparency Code of Good Practice and the Fiscal Transparency Manual require a report as part of the budget documentation that explains the nature and significance of potential liabilities. Good practice in providing guarantees is the publication of detailed information. It should

cover the purpose of public policy for each specific guarantee or guarantee program, the total guarantees broken down by sector and length of time, the intended beneficiaries and the probability that the guarantees will be claimed. It is also necessary to provide information about the guarantees already requested. It is good practice to publish a quantitative assessment of the possible fiscal impact of the guarantees that are likely to be demanded in the light of historical experience. Possible warranty payments should be included in any discussion on the medium-term budgetary assessment and taken into account when assessing debt sustainability. In order to reduce the fiscal risk associated with guarantees, the government should take certain steps to mitigate these risks, such as thorough examination of warrants claims, limits on individual and aggregate amounts, and charging risk-based charges.

2.3. PPP fiscal risk assessment model (P-FRAM)

There is a strong consensus on the need to improve the evaluation of PPP project evaluation techniques to ensure that only the right projects are available. Usually, budget availability and project financing are analyzed by different processes, creating a gap stretch project and a public finance assessment technique. The government can eventually buy a project that can not be funded within the existing budget or leads public finances to significant fiscal risks.

P-FRAM collects PPP project data, determines short- and long-term effects on government deficit and debt, both in terms of cash flow and accruals. And it sensitizes potential PPP fiscal risks. (In 2016, a pilot project between several countries involving all G20 countries). In practice, the evaluation of PPP projects involves both the collection of specific project information and the creation of judgments about the role of government in the main stages of the project cycle.

The tool provides a structured process for collecting PPP project information in a simple, user-friendly, excel-based platform following the four-step decision tree:

- Who is the initiator of the project. The impact of the main fiscal indicators (deficit and debt) varies depending on which institution ultimately is responsible - central government, municipal or state capital companies;
- Who controls assets. It helps the user to draw a conclusion on the government's ability to control PPP-related assets - either through proprietary rights, income rights, or other means. If the government is seen as an asset controller, this typically affects fiscal indicators;
- Who ultimately pays for assets. The structure of the project financing is that which determines the consequences for the main fiscal aggregates. P-FRAM allows three alternative financing options: the government pays for assets using public funds; the government allows the private sector to receive payment directly from the asset users (i.e., fees); or a combination of both;
- Does the government provide additional support to a private partner? The government may not directly fund PPP, but may also support a private partner in a variety of ways. This can be - to provide guarantees (debt and minimum income), purchase of capital shares, tax deductions, etc.

3. Transparency of public-private partnership projects

3.1. International Monetary Fund Recommendations for Transparency

The IMF indicates:

- PPP contract must be open;
- Operating contracts, concessions and operating leases, financial leases and government PPP asset transfers must be booked in fiscal accounts in accordance with Eurostat metadata;
- Future payment flows to existing PPP contracts must be reported / reported;
- Government guarantees must be open / open to ensure fiscal transparency;
- If the PPP program is fiscally significant, the PPP report should be part of the budget documentation.

3.2. World Bank Recommendations for Transparency

In order to achieve efficiency in PPP projects, significant disclosure of information is required[14], since:

- PPP projects are long-term and the contract on which it is based can be quite complicated;
- Experience shows that they are subject to repeated negotiations, so the initial framework conditions can be significantly changed during the project period;
- They are often linked to public-interest services and may involve substantial fiscal transfers or commitments;
- In a number of countries, PPPs are sometimes, or even often, allocated on a single application basis and are not selected on a competitive basis.

There are good reasons to believe that providing significant transparency can help PPP pro rata achieve higher value for money and better results. Openly disclosed PPP proxies can improve fiscal cost management, promote more stable design and understanding of the service that will ultimately be provided.

The disclosed information must ensure that the company is fully informed about the range of services covered, the agreed and achieved levels of performance; significant contractual terms; and government grants, guarantees and other fiscal support, including the risk involved.

Key elements for transparency:

- Existing contract disclosure - identifying any changes made to the original / original contract, as well as the opening of additional contracts, in turn, government guarantees;
- Future cash flows and government liabilities in accordance with the contract;
- Publication of a summary prepared in plain language with the essential elements of the contract and the project and the main information on the grounds for and choice of the project selection;
- Regular publication of information on the progress of the project.

[14] Disclosure of Project and Contract Information in Public-Private Partnerships http://documents.worldbank.org/curated/en/190901468159906133/pdf/762780WP0Box370osure0of0Project0PPP.pdf

Summary of information required for transparency.

Documents and Reports	
Contract and related agreements	Existing contract and amendments, including annexes and timetable with minimal restrictions on business secrecy.
Summary of contract and project	A short and plain text document providing relevant summary information about the project.
Report on implementation	Implementation report from the contracting authority. Audit report from the Supreme Audit Institution.
Information about the project, including justification and procurement informati	
Project description	Name, location, sector and appropriate institution. Project value and technical description of the physical infrastructure that the project will offer. High-level description of services to be provided and approximate demand.
Justification for the project and the choice of PPP	Project justification regarding cost-benefit balance. The reasons for choosing PPP type directly and the reasons why others are rejected.
Description of the competition process and other optional processes	Entry process deadlines: Call for Proposals (RFQs); prior qualification; supply request (RFP); information about candidates; approved winner. Evaluation criteria: A brief description of each evaluation criterion and its "weight" / importance in decision making. Applicant assessment process (minus confidential information) as well as brief information on the composition of the evaluation committee. If there was no competition, then explain why and present the approval process.
The "frontier points" of the treaty	Date of signing the contract; the closing date of the financial phase; date of launch / development of construction; construction completion date; date for commissioning; contract expiration date Important changes made dates.
Project structure and contractors	Information on the structure of the project and the main parties, the structure of the project company, the main financiers (shareholders, lenders) and subcontractors.
Information on project execution	
Expected and current execution level	Key Performance Indicators (KPIs), together with each expected execution level and time frame to be reached. Current information on performance indicators, key areas where implementation has not been achieved and responsive sanctions / cancellation.
Tariffs and prices	Fee for users, pricing methodology for pricing, options for review.
Information on financial transfers and risk sharing	
Payments between the government and the private partner	Transaction concluded and current in the contract, including capital subsidies, operating grants, service charges and transfers, or part of the project revenue between the government and the project company.
Other capital transfers	Land leased or other government grants.
Guarantees and other arrangements	A detailed description of the guarantees provided - minimum income guarantees; exchange rate guarantees; debt repayment warranties and other guarantees, including minimum return rate guarantees.

affecting financing / costs	Disclaimer of Non-Competition. Conditions for a drop in revenue; an agreement on the benefits of dividing refinancing between partitles.
Risk breakdown matrix	List of risks and information on who takes every risk.
Default and expiration dates	Describe the main events of default that may occur on both sides - both the concessionaire and the government. Description of the terms of the contract to terminate payments.

In order to prevent conflicts between ensuring transparency and fair treatment of the partner, a number of clear conditions for disclosure of information should be set out in the law and in the procurement documentation, setting clear conditions for the private party to provide disclosure information.
Overall, the paper analyzes countries such as Australia (New South Wales; Victoria), Brazil, Canada (British Columbia), Chile, India, Peru, South Africa, United Kingdom. Let's take a closer look at Australia, Victoria, British Columbia Canada, Chile and the UK.

Australia: Victoria

The policy of the Victorian government regarding the presentation of information on PPP projects is set out in several legislative acts - the Law on Freedom of Information; National PPP Guidance, Policy Declaration on Delivering Openness and Integrity in Victorian Government Contracts.

Documents and Reports	
Contract and related agreements	70 major contracts since 1992 recommended by the Audit Authority are published on the Government Agreements website (www.contracts.vic.gov.au or www.partnerships.vic.gov.au) with very few exceptions. The central contract registry gives users access to new contracts worth over 10 million. dollars. Some older contracts are not included, but for new ones, where government is available / open to one of the parties, for example, an independent auditor's agreement, a securities agreement, a construction license, a maintenance license. The Nov policy is specific to the publication of the changes, but the practice shows that the major changes have been published along with the original document. It is stated that only trade secrets are genuinely confidential information.
Summary of contract and project	The summary of the project, approved by the Treasury and the responsible ministry, has been published for all contracts since 2007. Information is also updated if there are any significant changes.
Report on implementation	The PPP Implementer Report has not been published on an ongoing basis but is available on request. Project annual financial payments are available in the annual reports of the responsible authority, which are published. All performance audit reports are available (www.audit.vic.au). Internal audit reports are available on demand according to the FOI (freedom of information) act.
Information about the project, including justification and procurement information	

Project description	Information is provided in the Australian Infrastructure Database. Also included in the project summary.
Justification for the project and the choice of PPP	The project summary describes the metadata used to calculate the PSC (public sector comparator) and its components. The PSC is expressed in terms of current (current) value and cost of capital, cost of replacing assets over a period of time, transfired risks, neutrality of the competition neutrality. Discount rates are also displayed.
Description of the competition process and other optional processes	The project summary includes information on the selection criteria and the winner of the competition.
The "frontier points" of the treaty	The information is available in the project summary of the main dates of the project and the contract. Contract revision dates are given, if any.
Project structure and contracting parties	The main contractors are indicated in the summary, including the competent state institutions. Includes all information about debt and equity investors and their contribution. Debt transfer is open. Debt conditions are sometimes presented.
Information on project execution	
Expected and current execution level	Key performance indicators, non-performance, other failed activities are published periodically. However, thresholds are not included.
Tariffs and prices	The toll rates are presented along with the indexation metadata for the road contracts covered, but not for rail projects.
Information on financial transfers and risk sharing	
Payments between the government and the private partner	It is indicated when the payments begin, the periodicity of payments in the summary and the contract. Indicates the conditions under which payments may vary. Other information is not provided. Project annual financial payments are available in the annual report of the responsible authority, which is published.
Other capital transfers	The project summary contains information on leases, government buildings / assets assigned to a private partner. This information is also included in the published contract documents.
Guarantees and other arrangements affecting financing / costs	The information is included in the summary of the project. Details are provided on the future refinancing earnings / losses of a part of a country. The details of the distribution of risks from the increase in interest rates are presented together with the government's liquidity provision. An agreement on the distribution of income is presented.
Risk breakdown matrix	A high-level risk-sharing statement is available in the project summary. Everything is detailed in a detailed breakdown of risks by identifying each individual risk - site risk, legislative / policy / tax changes risk, operational risk, planning risk, unpredictable power risk, industrial risk, cost risk, time risk, aging risk, insurance risk, financial risk , utility risk, risk of damage during the contract.
Default and expiration dates	Default failures and delinquent payments are indicated in the project summary. Delay conditions and calculation methods are presented for each scenario. It is also available in published contract documents.

Canada: British Columbia

The Freedom of Invention and Privacy Act (FOIPPA) in British Columbia is a comprehensive legislative act that provides the basis for disclosure of government documents. The Budget Transparency and Accountability Act sets out the conditions for the unpacking of important information for all projects, in particular the procurement method.

Documents and Reports	
Contract and related agreements	Signed contracts are published in accordance with FOI (freedom of information) standards within 60 days after the conclusion of a financial agreement. Some related agreements are open to direct investors. The execution schedule is open, except for confidential information. The law protects information that may be harmful to the business interests of a third party. Information is provided on the financial model, equity capital and the internal rate of return of the IRR. Typically, pricing, basic interest rates, indexing conditions, coefficients applied in the formulas, discount rate used, as well as force majeure conditions are presented. Some of the contracts analyzed do not show penalty rates. Insurance is not provided.
A summary of the law and project	A report on the project and a case study, including a summary, is published on the relevant website (www.partnershipsbc.ca).
Report on implementation	Information disclosure is ensured by the responsible project institution. Several assessments and reports are available on the institution's homepage. PPP audit reports are published on the main auditor's homepage. A report on the progress of the project is published on the project's website with a link to the corresponding partenrnities homepage.
Information about the project, including justification and procurement information	
Project description	Included in the project report.
Justification for the project and the choice of PPP	VfM (value for money) analysis has been published as part of a project report - including an analysis of the various project criteria. Including presentation of the final version of the VfM contract as compared to the initial rating. It also includes a cost, benefit, and risk analysis. Metadata for VfM calculation is defined in each report.
Description of the competition process and other optional processes	A brief description is published on the website and in the project report. Updates are published for a project that includes announcement, closure, list of candidates, winner, start date of construction and completion date.
The "frontier points" of the treaty	Included in the project report and contract. The website of the responsible authority shall include information on progress with regard to putting into service.
Project structure and contracting parties	Included in the project report.
Information on project execution	
Expected and current execution level	Listed in the contract document published on the partnership website.
Tariffs and prices	Listed in the contract document published on the partnership website.

Information on financial transfers and risk sharing	
Payments between the government and the private partner	The amount of government financial investment is set in dollars and is presented in the project report, along with the budget initiatives on which it is based.
Other capital transfers	Legislation sets out the requirements for disclosure of information regarding liabilities for finance, land, buildings, rights or other benefits.
Guarantees and other arrangements affecting financing / costs	The law stipulates to provide a guarantee within one month. The information is published on the contract documents on the website of the partnerships.
Risk breakdown matrix	Project risks are publicly available through project agreement, and include a detailed breakdown of risks throughout the project. The project report contains a brief overview of the main risk sharing.
Default and expiration dates	The information is included in the contract document and is available.

Chile

In 2009, the Law "Access to Public Information" came into force, which regulates the issues of transparency, the right of all persons to receive information on public entities and exceptions to the disclosure of information. The law determines which information should be available on the website, establishes procedures for obtaining information and establishes the Transparency Council, which is an autonomous body responsible for overseeing the government's disclosure of information to legislation.

Documents and Reports	
Contract and related agreements	The Chilean Office of Concessions (www.concesiones.cl) publishes the whole contract. In accordance with the law, amendments to the contract, legal decisions on changes to the contract, tariffs and service characteristics are disclosed / available to all projects.
A summary of the law and project	The project description typically includes information on the initial value of the investment, the terms of the contract and the dates of the application process.
Report on implementation	For each project, the Concessionary Office publishes an actual / final evaluation report.
Information about the project, including justification and procurement information	
Project description	The Chilean Office of Accountants oversees a large PPP portfolio. The website shows each project and the latest project evaluation (there is data on demand / usage and other performance indicators, as well as complaints and accidents). The project description typically includes information on the value of the initial investment, contract terms, and the dates of the attack process.
Justification for the project and the choice of PPP	Not published.
Description of the competition process	The winner is determined only by tender. The selection criteria are open. Information about the purchase process is not presented.

and other optional processes	
The "frontier points" of the treaty	Some deadlines are presented for the project presentation.
Project structure and contracting parties	The project report contains the most important contractual terms.
Information on project execution	
Expected and current execution level	Expected level of performance is stated in the contract, current performance indicators are presented in the periodic report of execution. Technical supervision reports are prepared monthly from the contract manager for performance evaluation. Includes information about services, accidents, user reviews, and more. Financial information is periodically provided by a private operator (www.svs.cl). Audit reports are considered confidential.
Tariffs and prices	User fees and information about their report are included in the performance report. The basic conditions for the disclosure of information are set out in the contract.
Information on financial transfers and risk sharing	
Payments between the government and the private partner	Information on asset transfers is indicated in the fiscal report (Informe de Finanzas Publicas) and is annexed to the Annual Budget Law.
Other capital transfers	Presented in a fiscal report.
Guarantees and other arrangements affecting financing / costs	Guarantees are presented, their type and amount is calculated in the appropriate PPP section. In addition to everything, the Ministry of Finance plays an important role in the process of evaluating the potential fiscal impact of publishing information on long-term fiscal obligations. A periodic assessment of possible commitments is also available through the institutional website.
Risk breakdown matrix	Not shown.
Default and expiration date No specific information is provided.	Default and expiration date No specific information is provided.

United Kingdom

At present, the pulsiki have access to the guests with documents, except for undisclosed information, in accordance with the Law on Freedom of Information (2010). The Treasury publishes data 2 times a year, which is an unaudited information on signed projects and projects that are in the procurement stage. A Public Sector Transparency Council has been established to support government data reporting obligations. Within the framework of monitoring, departaments are required to report to the Council by the fifth day of each month.

Documents and Reports

Contract and related agreements	Contracts that have been in place since 2011 are available in accordance with the established transparency policy. Old contracts are available on demand.
A summary of the law and project	A summary of the project may be required from the public.
Report on implementation	Performance report from an PPP Operator, Contract Manager or Third Party Evaluation, User Surveys are available upon request in accordance with Legislative Standards. Execution data for each individual project is available on the websites of some departamnet. All audit reports are accessed (www.nao.org.uk/recommendation).
Information about the project, including justification and procurement information	
Project description	Not "actively" presented for each individual project.
Justification for the project and the choice of PPP	Not "actively" presented for each individual project.
Description of the competition process and other optional processes	Not "actively" presented for each individual project.
The "frontier points" of the treaty	The basic information is presented.
Project structure and contracting parties	The basic information is presented.
Information on project execution	
Expected and current execution level	A significant amount of performance data is currently being presented, but not uniform.
Tariffs and prices	New contracts are presented, but not for the elderly.
Information on financial transfers and risk sharing	
Payments between the government and the private partner	A single payment under PFI contracts is presented on the Treasury's website. Other asset transfers are published in accordance with the new terms. The old contract information is available on request.
Other capital transfers	No specific presentation mode is specified.
Guarantees and other arrangements affecting financing / costs	Shown as part of a contract document, available for new contracts signed from 2011.
Risk breakdown matrix	Not shown.
Default and expiration dates	Represented in the contract for new contracts.

4. Public-private partnerships in other countries

4.1. Australia

PPP is a proven method[15] for providing infrastructure that can, under appropriate conditions, create the best use of resources for both public and private partners. A key

[15] National Public Private Partnership https://infrastructure.gov.au/infrastructure/ngpd/files/National-PPP-Policy-Framework-Oct-2015.pdf

factor for successful procurement is the use of an integrated approach to strategic infrastructure planning and a robust framework for investment decisions in infrastructure, including the use of metadata of valuation of a project as a rigorous (rigid) cost-benefit analysis.

The objective of PPP is to provide improved services and better value for money, primarily through appropriate risk transfer, fostering innovation, better utilization, and pool management based on private funding.

The choice of PPP is based primarily on the assessment of the value for money. It needs to be proven that the private sector will be able to deliver greater value. This must be demonstrated throughout the project period. Long-term PPP management also requires a long-term cooperative approach between the two sectors throughout the daylight.

For all projects, the government evaluates the potential impact on issues of public interest such as privacy, responsibility, wisdom and security, consumer rights, public access and justice.

The objectives of the PPP framework are:

- Promote private equity investments in the public sector;
- Promote innovation;
- Ensure thorough management in the selection of PPP projects and competition in remuneration;
- To promote a consistent and even approach to PPP procurement;
- To be flexible in adapting to strategic priorities, project specific requirements and market conditions;
- Clearly define and provide responsibility for risk and result.

Key PPP Principles:

1. Benefit from investment - the key issue in project evaluation. This is a combination of the private sector result, coupled with the degree of risk transfer and financial involvement from the government. The quantifiable factors are tested by comparing the expected benefits and costs from PPP proposals to a neutral threshold called the "Public Sector Comparator", which is adjusted for risk (where these risks can be quantified reliably).
2. The public interest shall be to ensure that the contract is not contrary to the public interest. It must be ensured that the project, when signed throughout the period, is in the public interest.
3. Optimal risk allocation - the risk is passed on to the one who is best placed to manage it, taking into account the public interest.
4. Transparency - Transparency and openness are an important factor for all government procurement. PPPs should not reduce the availability of information to government, tax collectors and stakeholders.
5. Liability - agencies are responsible for providing their information. Agencies can not delegate their responsibilities to the private sector. Governance from the public sector must always be such as to make sure the integrity of the cooperative model and the way it is implemented is maintained at all times.
6. Market engagement.
7. Modified funding - Modified funding can be tailored to meet market requirements and optimize the return on investment. When deciding on moderated funding, it is

essential to maintain the provision of services and continue discipline with the private partner in managing risk. Modified strategies require detailed consideration of project risk, PPP market dynamics and benefits from a given PPP project.

8. Sustainable long-term contract - effective contract supervision is needed throughout the project to meet the objectives of the project, to ensure responsibility for the quality of assets and services, while maintaining the risk distribution and providing long-term investment benefits.
9. Policy and project management. In each part of Australia, PPP policies and guidelines are the responsibility of the Minister. Each PPP project is the responsibility of each relevant industry minister.

Identification and assessment of risks[16]

Risks are an integral part of all projects. In order to assess the benefits to the invested value and reasonable choice in favor of a project, the analysis should include (in Australia, the PSC - public sector comparator) a comprehensive and realistic calculation of all quantifiable and material risks. This assessment must be as precise and qualitatively defined and calculated as would be expected from the private sector.

The risk assessment process is divided into several parts:

1. Identify all material risks;
2. Quantifies the effects of the risk;
3. Assess the probability of risk;
4. Calculate the value of all risks;
5. Identifies the desired distribution of risks;
6. Calculation of transferable risk;
7. Calculation of the remaining risks.

Risk assessment methods

When all tangible risks are identified, they can be divided into two parts - transferable risks and remaining risks. This concept and, in particular, the separation principle are explained in the "Practitioners' guide" and "Risk allocation and Standard Commercial Principles".

There are many different conceptual and statistical methods that can be used to assess risk. PSC risk assessment can be included in one of the following ways:

1. Including the costs of project specific risks in the cash flow section;
2. Adjusting the discounted rate (capital value) to reflect the level of specific risk for each project.

This material reflects option 1, but the discount rate option is reflected in another metric "Discount rate guidance".

To identify the risk can be divided into 4 steps:

1. Identification of project risk - a. identifies all risks for the project; b. identify which risks are material.
2. The quantification of each consequence of risk - a. Identifies the result for each risk assessment; b. evaluates the time issue; c. presents the assumptions made.

[16] National Public Private Partnership Guidelines. Volume 4: Public Sector Comparator Guidance https://infrastructure.gov.au/infrastructure/ngpd/files/Volume-4-PSC-Guidance-Dec-2008-FA.pdf

3. Evaluate the probability for each risk -a. Evaluates the probability of each risk assessment; b. presents the assumptions made.
4. Calculate the value of the risk - the value of all risks = consequences * probability + contingency / accident factor.

The assessment method and the resources used to assess the risks should be made with a reasonable approach (commonsense approach). Where appropriate, experienced risk assessment professionals need to be involved in order to reliably and reliably assess the value of risk in terms of cost and time efficiently. It can be done by professionals within the government or attracted to outside.

Project Risk Identification

Project risk identification and quantification can be a complex and labor-intensive process. Experience has shown that a good way is to create a workhorse. The team is usually run by an experienced practitioner. During the Drag Group, potential risks are identified and initially defined as intangible, but it is important that all risks are identified. It is not important to quantify all risks in the identification phase as the initial identification of them is already a sufficiently complex event.

Quantification is the next step. To do this you need to evaluate:

- Possibility of risk of infection;
- The consequences and effects of the drive if it occurs

When all risks are identified and listed (spelled out), the likelihood of occurrence and the consequences of the occurrence of risk should be grouped and mapped into a simple matrix. Y axis - consequences that may be insignificant, small, medium / moderate, significant and catastrophic; X axis - probability, which may be rare, unlikely, probable, believable, almost certainly will occur.

A description of the main risks that may appear in PPP projects.

Risk	Description
Location risk	This implies that the project land will be inaccessible or will not be able to start it in the required time or form and will not pay as initially expected. Or there will be unforeseen obligations for this site.
Design, construction and commissioning risk	This risk is when the design, construction or commissioning of an object (or any element of the process) is realized in a way that results in adverse consequences for the cost or the commissioning of the service.
Sponsor Risk	When establishing a project consortium (any arrangement whereby at least two companies work together and jointly take on the risk of behavior), the sponsor typically establishes a private team with a special purpose vehicle SPV that concludes a contract with the government. SPV is simply a unit designed to legally act as a legal entity in a project consortium. This risk is a government risk if the SPV or its subcontractor fails to fulfill the contractual obligations / obligations.
Financial risk	This is the risk that private financing will not be available, the project will not be financially uniform or changes in financial parameters will change the original agreed / offered price before the end of the final tranche.

Risk of maintenance of the site and payment mechanism	This includes the risks that payments made for services during the service life will be reduced due to enforcement incidents and are typically reflected both in the contract terms and in the payment mechanism.
Market risk	This includes the risks that the service demand will differ in reality from the originally planned one, or that the service price will differ from the originally disbursed, resulting in total revenue expected from the project to differ from the initially forecasted.
The risk of networks and their interconnections	This occurs when the contracted services or their delivery methods are linked, based on or otherwise related to certain infrastructure, raw materials or services to provide contract services. The risk of reciprocity arises when the contract services will not be compatible with basic services (Core Services).
Production relationship risk	This is when the industrial activity affects the performance of the contractual obligations.
Risk of Legislative and Government Policy	This is a risk that the government will take actions that will negatively affect or interfere with the project activity.
The risk of force majeure	It is a risk that disaster events will occur on one of the partner parties to fulfill their obligations under the contract.
Active ownership risk	This is the risk that the asset will be maintained in line with standards (including the risk that maintenance costs may increase over time) as well as the risk of premature aggression or the emergence of competing institutions / services.
Tax risk	It is a risk that changes in tax laws may affect project financial assumptions.
Interest rate risk	This is the risk that interest rates will change in a disadvantaged direction.

The collection of information must be thorough / complete and accurate in order to reflect the significance of the cost (or revenue) and make it quantified. In order to identify and quantify the risks, every effort should be made. If any risk is not quantified, then this unit should be indicated at project risks.

Identification of all material risks and quantification of risk effects

Once all tangible risks have been identified, the procurement team has to assess and quantify the potential risks of a catarm risk, including time issues. This requires a thorough understanding of all aspects of the project. There must be attempts to quantify all material risks, even if it seems impossible at first. Different approaches can be applied to catarrh at individual risk. At first, the most significant risks should be addressed. Where there is insufficient data to estimate the risk, common sense approximation can be applied. If the risk can not be calculated, it should be indicated and justified. The project team must also assess the relationship between risks. Risks that are not independent should be indicated as correlating risks. The project team also has a stake that will remain in the public sector and will be transferred or distributed. Katarm material risk must be identifiable in the risk-adjusted cost calculation model of financing. It is important to estimate the time for each risk cash flow. The inflation framework should be taken into account. It should also be taken into account that Katarm has its own cost / time profile during the project. For example, the financial impact of construction risks is limited to the pre-completion period and the initial years of the project; demand, maintenance, operational risk is inherent in later years, after the

construction phase; the remaining risk is inherent in the final phase of the project or at the time of project termination.

Direct and indirect effects of the risks

Direct effects include time and cost overruns in relation to the initial base. Indirect effects result from a correlation between risks, where the appearance of one risk affects other project directions. When assessing the consequences of each particular risk, it is also necessary to assess the possible interconnection.

For example, when building construction risks are assessed, the indirect consequences can be:

- Government costs from maintenance of existing infrastructure or service;
- Increase in operating and management costs;
- Increased maintenance costs during the project, when the main raw material is unexpectedly rising during the project (focusing on the entire project time, not just on the run-time phase). In sum, all of these costs should be included in the related risk. Attention is also drawn to the risk of not counting double. If these risks are included in the contract price, they should not be included in the risks specified in the project.

The direct consequence of the risk:

Risk category	The direct consequences
Risk of putting into service	In addition to cost increases, increases in existing infrastructure maintenance costs or provision of short-term solutions to meet possible delays in provision of services.
Construction risk	Additional material or labor costs or provision of short-term solutions to meet possible delays in providing services.
Demand risk	Reduced revenue due to lower utilization.
Design risk	Cost of modification, redesign costs.
Environmental risk	Additional costs incurred by the adverse environmental effects of the project, costs incurred from construction and operation or natural pollution.
Financial risk	Additional financing costs due to increased margins or unexpected refinancing costs.
The risk of force majeure	Additional adjustment / repair costs
Production relationship risk	Growth in employee costs, loss of revenue or extra costs, delays in construction or provision of services.
Risk of latent defects	New equipment costs or equipment changes for existing infrastructure.
Operating risk	Increase in operating costs or decrease in revenue during the project.
Execution risk	Costs if performance does not meet performance standards.
Risk of legislative change	Costs to comply with the new regulations.
Risk of residual value	Lower asset realization value at the end of the project.
The risk of technology aging	Technology replacement costs.

Risk of improvement needs	Additional capital costs that arise from the requirement to maintain a specified supraction above the value included in the specified PSC.
Risk of maintenance	Costs for repair work over initially planned.

The consequences associated with the particular risk may also change over time. For example, the effects of technology risks are increasing over time, due to the aging of the machine, while at the same time also affecting the cyclical replacement of equipment / equipment. The cost of changing equipment also tends to increase over time.

A good tool for identifying the effects and the financial impact of rickets is the risk matrix. The enveloping ridge matrix will be a good indicator, or each individual risk should be transmitted, abandoned or distributed. It also helps identify the effects, financial implications and potential risk mitigation strategies.

It is useful to divide the various causes and effects of each risk for two reasons:

- Various consequences may have a different likelihood of admission / occurrence;
- It may be optimal to distinguish between different causes for the same risk between the parties, based on their ability to manage at the least cost.

This process must be carried out at each risk in order to create a risk matrix. The whole process must be carefully documented to ensure an adequate and reliable process.

Determination of risk probability

Once the material risks and possible consequences have been identified, the probability of the possible consequences should be evaluated. The Procurement Task Force should also assess where the likelihood may change over time. For example, the probability of cost overruns may change during the project due to the difficulty of making accurate forecasts for such a long period of time. There are several risk assessment methods that can be used to determine probability. There are methods for determining simple probability and advanced probability detection methods. Details of the description and examples of material are available if CFLs need to refine their assessment and calculations in the future.

Sensory annealing

Sensitization should be performed for the following reasons:

- Comparison applications to identify potential changes to the underlying assumptions that may result from different ratings for decision making;
- Establish a relatively smooth evaluation of requests.

The original material contains information that may be useful for further work on metadata development:

- Transferable Risk Calculation;
- Preserved (retained) risk calculation;
- Risk identification, placement and assessment - metadata, risk assessment and sensitivity analysis;

- Examples.

4.2. United Kingdom - England

The United Kingdom[17] (UK) has historically been one of the largest PPP project markets in the world. PPPs are used in a variety of ways and in intensity. The first projects started in the 1990s. The UK by area (England, Scotland, Northern Ireland) has a different approach to PPP projects. In the UK there is a pronounced decentralization to the level of local governments, so the municipal PPP promises to play a big role.

PFI - Private Financing Initiatives. The most commonly occurring PPP in the UK since the early 1990s. These are long-term contracts (typically 25-30 years), where the private sector develops a project asset (for example, a building) and invests in the necessary funding.

Income expenditures (resources) and capital expenditure - Government spending in the UK is generally divided into revenue and capital as a tool for accounting and budgeting. Income expenses related to things consumed in the public service provision process, i.e. remittances, while capital expenditure refers to equity expenditure, capital grants and the purchase of certain financial assets.

Historical development of PPP in England:

- In 1989, the government began to actively promote the inflow of private capital in the provision of public services;
- 1990 the first PPP project reaches the financial end;
- 1992 - MFI starts and the first toll road concession reaches the financial end;
- 1993 - creation of private finance panel to promote MFI growth, promote new ideas, identify new areas for private capital involvement, search for solutions to the factors / problems hindering development;
- 1995 - a list was created with priority areas for the development of projects;
- 1997 - The PFI was revised to improve efficiency. A special working group was created for the SA, later transformed into a separate unit - the PUK (Partnership for the UK). This increased the use of PFIs, as well as a number of documentaries were issued that increased the amount of information, strategy certainty and promoted the development of PFIs;
- In 2009, after the credit crisis, the Infrastructure Financing Unit (IUC) was created by the State Audit Office;
- In 2011, the government announced its intention to reform the PFI.
- By 2012, over 550 MFI projects totaled 56 billion euros in England and successfully implemented projects in various fields.

Data on significant MFI projects and existing start up projects are readily available and the SAO annually updates this information.

Between 1990 and 2007, MFI growth has been significant. By 2012, the existing management begins to slow down the development of these projects.

[17] United Kingdom - England
http://www.eib.org/attachments/epec/epec_uk_england_ppp_unit_and_related_institutional_framework_en.pdf

The main areas where PFI projects are being implemented are health, protection, education, transport. Projects are also being implemented for street lighting, waste management, prisons, libraries and fire stations.

The IUC established in 2009 is the main institution responsible for government policy issues regarding PPP. In general, there are several institutions responsible for PPP projects - IUK; Ministry of Justice, sectoral ministries; municipalities and also private financing units. Each is responsible for your area.

Shadow side of PPP in United Kingdom[18]

The main problems and risks that the UK has encountered with the widespread use of PPPs:

- Government costs are higher than if the government had financed the public infrastructure by borrowing itself;
- Giving private companies involved in unexpected incomes on public spending;
- Possibility to avoid tax through offshore;
- Bring to the reduction of service standards and drafts;
- Reduced state capacity to design, build, finance and operate infrastructure;
- Reduced democratic accountability;

PPPs are relatively popular in the UK among the population, 68% believe that they should be banned. The number of projects and funding involved has been decreasing since 2008.

The financial impact of PPP projects

PPP costs the government more expensive and creates a hidden public debt. The hidden costs to the public sector are that interest rates payable on PPPs in the UK are double the UK government borrowing. This means that it has paid taxpayers more than if the government would have paused itself and implemented the project. In addition to higher interest rates, there are also higher transit fees by paying accounting and legal companies to arrange transactions and large revenues for private companies.

The IMF's indication that the government is taking on more riks, which can lead to high fiscal costs, is also a case in the UK. Since 1992, PPP has been returned to a public asset valued at $ 71 billion. The UK government pays five times more to PPP than the government would have done it on its own. In some cases, like the Edinbugh Royal Infirmaly Hospital, the government will never be active because PPP is a lease agreement.

The average borrowing rate for private PPP project vendors is 8%, while the government can borrow for 30 years at a rate of 3.5%. In 2011, the UK Treasury Committee discovered that the MFI would raise the cost of public finance investment relative to what would be available if the government borrowed. The National Audit Office of the UK (an independent public institution responsible for verifying government accounts) revealed that investing through the PFI hehe has more than doubled the cost of the project for the public sector.

[18] The UK's PPPs Disaster - Lessons on private finance for the rest of the world http://jubileedebt.org.uk/wp-content/uploads/2017/02/The-UKs-PPPs-disaster_Final-version_02.17.pdf

While studying the PFI, there was no visible evidence of PFI research in the UK UK Special Committee in 2011 that savings and efficiency from PFI would exceed the relatively higher funding costs. The committee pointed out that MFI infrastructure financing, such as schools and hospitals, does not provide good value for money to taxpayers and more stringent criteria need to be introduced to manage their use.

PPP projects have relatively high transaction costs (legal and advisory fees), larger and more complicated projects that require longer and more procurement processes. The size and complexity of projects in developing countries give rise to corruption opportunities. The UK PPP project at St Bartholomew's Hospital, costing $ 1.4 billion, will cost US $ 9.1 billion to UK taxpayers.

The financial risk remains for the government

Higher financial costs for PPPs are based on the fact that the risk has been transferred from the public sector to the private sector. To date, the private sector has pushed for higher government guarantees that ensure that all risks are covered by the company. In 2015, the UK Finance Minister and Prime Minister Gordon Brown, who has seen many PPP programs, aspire: "The private sector is trying to transfer all risks from PPP projects back to the public sector, as we have discovered by analyzing UK costs under the PFI scheme."

Equity investors have come up with unexpected benefits

UK PPP projects are funded from banks and private equity, which requires a "risk premium" in the construction phase - for example, a construction firm will go bankrupt and the asset will not be built. When the construction is completed and the risk is lost, the PPP consortium will refinance the project with lower interest, the transfer of ownership to pension funds and long-term investors with stable low risk returns. Refinancing for 12 projects from 1999 to 2005 resulted in a profit of 178.25 million dollars in private companies, while the public sector gained 34.1 million dollars. The public sector pays high interest rates while private companies get lower interest rates after refinancing. The refinancing of PPP in Norfolk and Norwich Hospitals gave additional benefits to private companies in the amount of $ 145 million.

PPPs make it possible to avoid taxes through offshore ownership of a public asset

As the European Services Strategy Unit has discovered, PPP refinancing means infrastructure funds and other investors, often located offshore tax havens, can own, control, and sell virtual infrastructure without UK tax.

One of the arguments in favor of PFI was that taxpayers would benefit from the fact that the participating companies would pay the UI, but the profits would go to offshore and shareholders.

In 2011, the Vast Audit Committee warned that investors made great gains in purchasing contracts for the construction of schools and hospitals through the PPP financing model, receiving income from offshore. The committee criticized the UK Treasury for PPP contractors paying taxes, although many are based on offshore tax havens. One of the

largest representatives of the PFI investment fund is that 72% of shareholders are registered in offshore companies.

Former Tax Inspector Richard Brooks, who quit his job after signing a PPP deal with the Bermuda-based investment company Mapeley Steps, said: "By 2012, 200 PFI companies are partly offshore, more than 70 of them carry out hospital projects. According to my estimation, 168 public schools, which are designed as separate PFI prosecutors, are partly owned by offshore".

Other negative impacts from UK PPP projects

The PPP financial pressure contributes to a reduction in the standards of standards and staffing levels. As a result of PPP, staffing levels and service standards have been reduced to ensure debt-related inflation. Allyson Pollock, a scientist focused on the UK National Health Service (NHS), has investigated that there is no evidence that PFI has upgraded the quality / level of overall services. On the contrary, their use of the NHS has two main effects. First of all, it has moved the debt a burden from the central government to the NHS, with the responsibility to manage expenditure control and planning services, thus hampering the related national strategy. Secondly, the cost of a large PFI scheme has created a "affordability gap" for the NHS. It is covered by external subsidies, diverting funds from the clinic's budget, selling assets, calling for donations, and critical, a 30% reduction in bed capacity and a 20% reduction in staffing in hospitals funded through MFIs. PPP is characterized by the fact that if the contract is concluded then switching it and finding out the cost is very difficult.

PPP reduces the state's capacity to design, build, finance and operate / maintain infrastructure. Over the last 15 years, PPPs have shifted government capacity to create public infrastructure. Dexter Whitfield of the European Services Strategy Unit has investigated that a long-term framework for PPP community and staff in the public sector in the UK includes:

- Reduction in public sector employment;
- Reduced delivery of in-house public services, as it has been transferred to the private sector;
- Reduced capacity for the public sector due to reduction of knowledge transfer;
- Greater role for the private sector in public sector asset recovery and management.

Breaking Democratic Responsibility. As a result of PPP, democratic accountability for the supply of public sector is eliminated, with growing restrictions on community organizations and staff / trade union advices and engagement in planning, business development and procurement. Complexity and technical nature PPP creates a professional barrier to participation, i.e. not available to all interested parties. PPP leads to the fact that consultants and advisers have a very influential role, with little transparency and public involvement. Commercial secrecy also makes access to PPP contracts and comparisons between the private and the public partner virtually impossible.

PPP contracts are inflexible. In a number of cases, PPP buildings are empty due to a decrease in public services. PPP contract terms mean that the government still has to spend decades until repossessable for buildings that can not be converted to other needs due to strict contractual terms. For example, the Weymouth East Police Station in Dersot, which, while empty, pays $ 2.63 million a year to local government police forces and

fees that would be enough to hire 60 policemen. The Belfast PPP School, which was closed after seven years, will cost the contractor $ 462,500 per year over the next 16 years as a blank, empty space.
More about projects that are not described in the section "PPP shadow parties and failed PPP projects".

Changes to the UK approach

The UK has made two moves to improve the PFI after much criticism. NPD model in Scotland since 2007 and PF2 in England and Wales since 2012. However, none of the models are paying attention to expensive private financing and expensive, rigid private sector regulations.

Conclusions:

Total PPP investments were not free. Management has to pay much more than using the infrastructure than if it had borrowed money itself. In addition, some low-quality PPP promotions go together. Through PPP projects, public sector assets are controlled through offshore tax havens.
Several UK authorities point out that PPPs have failed to provide better value for money, have produced positive results for private companies, and have created too optimistic models and assumptions that are far from reality.
Despite negative experiences, the UK continues to play a major role in promoting the use of PPPs in developing countries, presenting its experience as a success story. For example, the government finances a private infrastructure development group (PIDG) that exists to facilitate PPP infrastructure financing in developing countries. From 2002 to 2013, the UK has contributed $ 663 million in international financial assistance to the UK, which is 2/3 of all donors. The reason why the UK continues to promote PPP development despite the catastrophic domestic experience is because the UK's private companies want to benefit. After two decades of work in the UK, PPP, British advisers, banks and law firms, as well as various PPP users, see the opportunity to win contracts on the global market. Before listening to the UK Government and Advice on PPP Benefits, decision makers need to carefully analyze and take into account the failure of the PPP in the UK.

4.3. Portugal

In the 1990s and beyond, the Portuguese[19] public authorities launched and widely used the PPP model to provide the state with advanced infrastructure and services. PPP contracts were mainly developed in the road infrastructure sector, as well as in the health sector, with the innovative features of deploying National Health Service hospitals under private management with an aggressive distribution of risks to the private sector. Such PPP activities have been widely used since the financial crisis of 2008 with the aim of fostering poor performance of the Portuguese economy.

As a consequence of the sovereign debt crisis in 2011 and with the help of the EU and the IMF, the Portuguese government had to implement the austerity program. As a result, public investment in infrastructure was significantly reduced and the government sought

[19] The Public-Private Partnership Law Review - Edition 3 https://www.thelawreviews.co.uk/edition/the-public-private-partnership-law-review-edition-3/1141276/portugal

to reduce the significant payments that the Portuguese government would have to make on PPP contracts.

With this thought, the government launched a negotiation process with PPP concessionaires in 2013. Negotiations were successful in several PPP projects and agreements were concluded.

In the development of PPP projects, there was a silent period without significant changes in 2016. Mostly PPP activities were focused on the existing road PPP already in place in the previous rounds of negotiations, in order to achieve the conditions set out in the EU-IMF support program.

Amendments to concession contracts generally show significant changes in the distribution of initial risks between the state and road company companies. Some development projects were reduced to an extent, saving not only the cost of construction work, but also the operation and maintenance of the future.

For projects that were already completed, the renegotiation process covered reductions in service requirements and availability payments, and in some PPP projects in the road, a possible extension of the concession contract was reduced to three years. In one specific case, the parties agreed to replace the availability payment with a traffic-based regime, along with providing a minimum income from the public partner. Recurring talks also include a range of mechanisms for the benefit of concessionaires from toll revenue.

The Portuguese government also appointed a negotiating commission to review city rail PPP contracts and port terminal concession contracts. Greenfield PPP projects were almost completely suspended to reduce public spending.

Portugal is still one of the European countries with the highest costs allocated to PPP projects (mainly roads), despite the fall in PPP projects in recent years. According to statistical information from the European Commission, Portugal's highest PPP ratio for gross fixed capital formation between 2000 and 2014, indicating the proportion / importance of PPP projects in the Portuguese economy.

Both institutional and contractual PPP projects are available in Portugal. Mostly contractual PPPs are used. Most PPP projects are to build - operate - transfer and design - build - finance - operate. Traditionally, in Portugal, concession agreements are typical. Payments. The remuneration mechanism varies according to the activity sector and different PPP projects. In the road sector, various solutions have been introduced for the concessionaire's payment mechanism. The real toll system and the "shadow" toll system existed for a variety of projects. The shadow toll system was replaced by a road charging system and a real toll system. The Upside-sharing mechanism was introduced to encourage concessionaires to promote traffic in their area.

Payments for PPP health projects are tied to health services provided in line with the list of medical activities and complexity, as well as the availability of hospital premises. Both parties may be liable if the contractual requirements are not fully met and additional revenue may be obtained through hospital activities and other related activities.

Water supply concessions are mostly paid by the consumer. With regard to water consumption, the applicable tariff is determined according to the concession contract.

State guarantees. The law defines the types of national guarantees that may be granted by the Portuguese government to ensure payments from the state and related institutions, such as the State capital company and government departments. The maximum amount of guarantees that can be issued each year must be approved and indicated in the corresponding state budget. Although PPP projects in Portugal generally do not include any guarantees to secure payments from government or other public authorities.

Risk breakdown. In accordance with Decree-Law 111/2012 (May 23, 2012), the risks of the project must be shared between the private and the public partner, according to the parties' ability to manage the risk. In addition, PPP projects should identify an effective and significant risk communication frontier with a private partner. Concession contracts allocate the appropriate project risks between the contracting public partner and the project company. The risk that remains for a public authority is usually covered by the "financial rebalancing mechanism", which is the main concept in all concession-based transactions in Portugal.

Most PPP projects are funded according to the financial structure of the project. Project bonds were not until now. This instrument is considered as an alternative or complementary financial tool for traditional project finance.

The financial package usually includes a commercial bank loan agreement (including a loan agreement between the European Investment Bank (EIB) and an agreement between the creditors, wherever the EIB also contributes to financing), a settlement agreement, a forecast agreement, a guarantee document and direct agreements between the lender and the contracting authority or the main project parties, all in line with international market standards. Two types of guarantee are permitted under the Portuguese law - mortgage and collateral. The mortgage gives the right to the beneficiary in the event of bankruptcy, to receive proceeds from the sale of real estate, while in the case of a pledge from movable property.

Project documents are mainly made up of direct agreements between the lender and the contracting authority, and the lender and key business people. All contracts include the possibility for a lender to reconsider a situation that can be applied in certain cases - the concessionaire's bankruptcy to the contract or financial documents. Shareholders are required to provide demand-based guarantees from the bank to guarantee equity contributions and other funding commitments. Capital commitments to finance investments, operating overheads or loss of revenue are often also based on demand-driven bank guarantees.
In the health sector, PPP equity holders are required to provide guarantees to the lender according to the proportion of shares in each project company and up to a certain amount of financing shortfalls of the project and breach of obligations from the project company.

Statistical information[20]

Portugal is very active in the use of PPP projects. 44 PPP projects have been completed in the period 1995-2011. After 2011, only one project has been completed.

Completed PPP projects from 1995 to 2013

	Road Sector	Water, Waste, Energy	Health	Other	Total
Complete PPP projects	26	9	6	4	45
Total equity investments (in millions of euros)	19,158	0,742	0,626	0,338	20,864

Legislative changes in Portugal to streamline the relevance and transparency of PPP projects

The 2001 Budget Law 91/2001 was the first part of the law on PPPs and laid down the principles that PPPs should reflect the value of money in public procurement law. This law also ensured annual budgeting and activity, set budget account principles, budget planning and audit requirements for specific appropriations for PPP projects.

PPP Decree Law 86/2003 (amendment 141/2006), set out the main guidelines for PPP projects and established a specific regulation for this sector.

As a consequence of the fiscal reform, the 2003/06 Decree Law and the provisions of the PPP Health Law 185/2002 were replaced by Decree Law 111/2012 (referred to as PPP Law 2012). This law expanded the scope and application of the PPP framework to include a wider group of public parterres, thus eliminating any uncertainty / uncertainty about the risks posed by these authorities. The PPP Law also provides for stronger monitoring and additional requirements for the assessment of fiscal impact, budget availability, risk analysis and breakdown and cost-benefit analysis for new projects or project revisions. PPP law increases transparency for PPP projects, asks for mandatory publication of PPP documents.
Currently, certain form information is required to be published:

- Quarterly report on financial commitments and updated projects;
- Comprehension of teams and committees and composition of experts;
- Evaluation report on PPP proposals;
- Executed PPP projects and all amendment documents (except for information that is prohibited to be published by law).

http://www.utap.pt/ information available only in Portuguese.

[20] PPP Units and Related Institutional framework http://www.eib.org

4.4. Chile

Chile[21] has a long experience with PPP and a well-developed framework for its management. The law requires the Ministry of Public Works to obtain approval from FM at various stages of the project preparation, including the issuance of binding documents and the tender process. FM requests that all project-related risks are identified and all economic and social benefits of the project have been evaluated. The FM must also approve the PPP through a joint decision by the Ministry of Public Works, and this decision / judgment must be approved by the controller and the Upper Auditor and the President.

Many project risks are transferred to third parties through insurance. If the government provides guarantees, then it will charge a fee to cover the risk.

Access to PPP in fiscal risk management is based on a quantified analysis.

The PPP should be evaluated by a cost-benefit analysis and, overall, there should be an annual socal rate of return above the established limit. FM uses a "spredsheet" model to evaluate possible warranty costs, set up guarantee fees, and generate cost and warranty information.

The budget includes an annual appropriation to cover pecuniary losses from potential liabilities from the PPP portfolio, so that it is a part of the budget. The government has proposed a long-term planning system for the PPP portfolio, including all PPP commitments, commitment estimates, views on future project developments, discussions on budget relevance for new projects, providing a long-term vision of sustainability.

All PPP projects have been published. The government also includes financial information on PPPs in different annual reports, including also present values for potential payments, warranties for valuation together with risk estimates for VAR, as well as information on the probable distribution of payments.

4.5. France

French[22] law sets out different public infrastructure contracts that are in line with the definition of PPP.

History - Public Squadron (PSD)

The commercial risk of a PSD contract regarding the provision of public services is essentially transfired by a private partner, who also derives income from the service - certain tariffs for the users of the infrastructure or building. The most popular PSD form is a concession. In addition to the concession, there is also a lease with public investment

[21] Analyzing and managing fiscal risks – best practice https://www.imf.org/external/np/pp/eng/2016/050416.pdf

[22] Public Private Partnerships in France http://www.gpmfirst.com/books/principles-project-finance/public-private-partnerships-france

and a "regie interessee" - a bonus given to the administrator on the basis of income from public property.

However, from 1990 to 2000, the concession regime has evolved and introduced much more modern practices with more sophisticated risk transfer transfers and financial commitments in the public sector (such as construction subsidies) and the application of project financing methods. Thanks to these improvements, the concession scheme has been used for a wide range of infrastructure projects, especially in the transprote sector in recent years (eg A28, A19, A41, A65, A88 motorway concessions).

Despite the development, the concessions still face significant limits. These limits are not compatible with a number of projects and therefore require a new mechanism to recognize / allow the private partner to not always be responsible for the nature of the public service (eg financing and maintenance of hospital construction but not providing health care) and allow the public sector to make deferred payments (prohibited by the French administrative court in accordance with the "government obtains the price it has paid" principle).

Partnership Agreements

The new mechanism has been introduced with the introduction of parental contracts in France in 2004. these contracts are administrative contracts with which a public entity guarantees a private entity the task of introducing: a. financing for construction required for public works, b. project or re-planning for this construction, c. maintenance and management of this structure / structure. The length of the partnership agreements is determined by the amortization of the investment or financing.

Partnership agreements are subject to an evaluation procedure to assess the need for PPPs, their complexity and value for money. This is done through benchmarking the benefits of partnership agreements with public procurement and concession contracts.
The new partnership agreement differs from the concession with:

- No delegation from the public service aspect of the project;
- Not full transfer of commercial risk to a private partner, but rather a mix between commercial and performance / availability risk;
- Part of the funding can be guaranteed by public payments.

The new type of PPP projects can also be implemented in other ways, mainly as a lease. Risk sharing is the same as for partnership projects.

PPP market in France

The PPP market has grown substantially in recent years with a number of start up projects in a wide range of sectors. It is unlikely that these trends will continue to increase as the need for investment projects in France is estimated at 60 bn euros. The most common are concessions and parental contracts. Partnership agreements are increasingly being used by governments and local authorities as an effective and innovative tool to meet infrastructure needs. Concessions are also popular. Some of the major transprot projects were implemented as a concession (eg, the Tours-Bordeaux high-speed line and the A63 motorway).

The main PPP projects are implemented in the construction of motorways, railways, airports. Large projects have also been implemented in the building of government buildings, prisons, universities, hospitals and sports arenas. In 2010, the French government developed an ambitious program for the construction of 40 prisons, as PPP, as well as an ambitious plan for renovating university campuses. In addition to traditional transport and building construction projects, various other projects have also been implemented, such as the introduction of the Ecotax system, EUR 1 billion (toll collection from trucks for use of national roads), EUR 250 million. It is worth the establishment of an army and air force communication system. PPP can also be used for the purchase of defense equipment, such as helicopters, satellite, military vessels.

Major major projects are being implemented through the state, but the municipality market for PPP has also been very active. 75% of all partnership contracts are made through municipalities. It is forecasted that the PPP market will also grow in municipalities, due to the growing interest in providing infrastructure needs, especially for the provision of utilities, such as heating systems, lighting systems, bicycle exchange points.

Beside the development of completely new projects, projects related to the renewal / improvement of existing infrastructure also develop. The hydropower sector in France has a good background. Most (80%) of the French hydroelectric power plant are managed from the former national electricity supplier EDF, which was privatized in 2004. As it is planned to restore 25 hydro-electric power stations from 2011 to 2020, in order to comply with EU requirements, there are ease requirements for new players to enter the market for concessions. As another option in France, wind power production is considered as a PPP market.

In 2005, a government unit MAPPP was created, which is involved and responsible for PPP projects. The primary role is to evaluate PPP projects before they receive approval from the Ministry of Budget. MAPPP provides metadata for evaluating partnership projects and conducting probabilistic analyzes to be submitted to the government for approval. From the moment when the project is submitted as a PPP project, MAPPP is responsible for monitoring and initial assessment of the project, ensuring that it is prepared in a sound, legal, financial and qualitative aspect.

5. Obstacles to public-private partnership investment

Political commitment to launch PPP projects[23]

PPP is a fundamentally different way of building public services and assets, and this requires a new approach. As long-term contractual relationships, these projects do not fit standard management and implementation. Consequently, it is common ground that governments tend to underestimate the political composition and resources needed to implement and implement a successful PPP project. Political commitment must be firm and robust if both sides want to launch a sustainable project with high investment from both sides. There are a lot of projects in the European Union with a short life expectancy, poor or with changed political commitments that detriment to intersees from a private partner and hamper the development of a safe and sustainable PPP project. There are

[23] Hurdles to PPP investments
http://www.eib.org/attachments/thematic/epec_hurdles_to_ppp_investments_en.pdf

also examples of unrealistic projects (in terms of capacity and availability), which reduces the credibility of the PPP program.

PPPs may also be the cause of an uninformed and misguided political decision. For example, there are several cases of political pressures to carry out the project as soon as possible (without assessing the time and resources needed to prepare and procure an adequate PPP project) or by choosing a PPP where such an investment project is not justified. There are also instances in the EU where the political pressure manager wants to review the terms of a closed project and change the regulatory framework and even terminate the contract before maturity.

Legislative, regulatory and institutional framework, policy formulation[24]

It is widely acknowledged that for guests of large-size projects, the success of a large-scale project is that PPP requires a credible legislative, regulatory and institutional framework and process. Difficulties in this matter are:

- Legislative / regulatory framework. PPP projects require an effective legal framework specifically governing the use of the PPP scheme, the procurement process and the main contractual provisions. A distinct PPP law is particularly important in countries with a civil code system. But often PPP laws are not based on reasonable experience and can create obstacles to the successful development of PPPs. For example, the EU has several laws that try to set the level of compensation for the initial phase of PPP because of the involvement of a private partner, thus excluding consultation with shareholders about value for money or bank accessibility issues.
- PPP approval process. Clearly defined powers and processes in the public sector are a prerequisite for appropriate choices and subsequent effective management in different phases of PPP development. There are several cases where an inadequate / unpublished project is being developed in a competitive phase or signed without effective monitoring from a responsible PPP review team, including without proper public expenditure control (no Ministry of Finance involved in the main stages of the project development). Such a project usually fails and does not reach the financial level or is experiencing significant problems during the execution.
- Communication and public support for PPP projects. The complicated technical nature of PPP projects can create confusion about their potential benefits and the need to use them. For example, PPPs are sometimes considered as an intermediary for privatization or outsourcing public services. As a result, PPPs can be linked to the profitability of private companies from providing public services. Although PPP is a successful provider of high-quality public services in time and budget, and offers advanced services, progress is poorly reflected, so understanding and support for PPPs may not exist. There may also be cases where there is insufficient management by shareholders, which may lead to opposition or protests (to the project itself or to its provision as a PPP). The involvement of a private partner can create additional objections.

Responsible institutions (PPP development and management) capacity[25]

[24] Hurdles to PPP investments
http://www.eib.org/attachments/thematic/epec_hurdles_to_ppp_investments_en.pdf
[25] Hurdles to PPP investments
http://www.eib.org/attachments/thematic/epec_hurdles_to_ppp_investments_en.pdf

PPP involves complexity at all stages (preparation, procurement, financing, contract management) and requires a wide range of skills, some of which may be new to the public sector or difficult to attract and maintain in the public sector. In particular, PPP requires a preliminary analysis of the preparation before commencement (it is necessary to analyze whether the investment is money-worthy, the risks must be assessed, the ability to attract banks, etc.). Public authorities responsible for the creation / development of PPPs are often not well-versed in the skills and resources that are not available to meet such a challenge. Consequently, some will buy one or two projects. It is also observed that they do not want to attract consultants in an effort to save money. The weakness of the responsible institution in project preparation may have a significant impact on the delivery potential of the project. Major difficulties:

- Responsible institutions sometimes recommend poor investment projects like PPPs, with the hope that the private sector will be able to offer a solution to what is essentially a project issue. In other words, PPP is chosen not because it is the most appropriate solution, but rather to solve issues that are not in a traditional way. For instance:

✓ Transport projects on a voluntary basis, based on weak demand-side anals or over-estimated demand levels;
✓ Projects for which the government is unable to identify or identify sufficient financial resources (user payments, capital investments from the public sector, budget allocations to support "availability payments") to cover costs;
✓ Projects with weak shareholders.

- There are several cases where project applications that are prepared by the responsible PPP business case do not indicate appropriate / acceptable key issues. For instance:

✓ PPP selection made for quick on weak analysis;
✓ Low availability analysis for the public sector over a long period of time;
✓ Weaknesses in risk aversion when weighing up the private sector's ability to take risks in an effective way;
✓ No in-depth market analysis is conducted in the project's development phase to assess the feasibility and conditions under which non-standard risks could be diverted to the private sector;
✓ Use of a PPP scheme where this is not appropriate, for example, in projects with high technological content, high risk of aging or unclear requests for service over a long period of time.

- Number of jurisdictions. PPP contracts tend to be inadequate or unclearly developed (unclear risk sharing, inadequate early completion conditions).

Poorly prepared PPPs will often be unsuccessful projects, will not be before signing or financial closing. If, however, they will be closed, then there will be poor results from the money invested, often due to poor competition.

Capacity and private sector purchasing [26]

In the EU's most recent markets there are limited domestic markets where technical and financial capacity for builders, service providers, investors, lenders and advisers / consultants for the establishment / upgrading of PPP is not sufficiently developed. As a

[26] Hurdles to PPP investments
http://www.eib.org/attachments/thematic/epec_hurdles_to_ppp_investments_en.pdf

result, PPPs do not always provide the necessary competition or quality of applications. (i.e., there is a limit to the interest to apply or there is only one application), which is very likely to lead to poor results for the public sector. Market capacity also affects the effectiveness of key PPP incentives - the ability of a public institution to replace private partnerships if it goes bankrupt during the project.

In a number of countries, the lack of a donor or contractor who could finance PPPs in the long run may be a limiting factor. For example, commercial banks have not experienced to participate in such projects.

The size of the project is a challenge to PPP. PPP projects generally have to be of a minimum size to justify transaction costs and attract interested parties and related funding. At the same time, projects that are too large impose restrictions on funding that might be available.

Purchase

PPP is a complex procurement process. Buying PPPs should benefit from the money invested. Effective competition reduces costs and fosters innovation from the private sector. In several countries and in several projects PPP has not achieved results. This is especially true when over-cautious bid requirements are identified and unsuitable procurement procedures are used. Limited procedures are not suitable for PPP projects. There are several examples in the EU where restricted procedures have been applied and have been limited by the recommendations of private sector applicants (for example, weak comminution and hence public sector inquiry, too little time to prepare the offer, no significant obligations on the lender, no opportunity to propose changes to the original PPP plan to make it more accessible to applicants).

Statistical (Eurostat) inventory and modem for PPP fiscal risks

It is often argued that statistical accounting rules for PPP projects (often highlighted as "Eurostat laws") are an obstacle to PPP projects, since they create difficulties in classifying them outside the government balance according to the Maastricht criteria. Excessive focus on off-balance-sheet accounting may adversely affect the completion of a sound project and may encourage procurement authorities to build PPPs where this is not needed.
The PPP creates an "illusion of availability" (due to a delay in public sector payments during the period), which exacerbates / exacerbates it by being out of balance. When a project is off-balance sheet, there is a risk that the resulting fiscal adjustments are not properly managed. For example, identifying / tracking government liabilities.

Financing

All PPP projects must be repaid at a certain time, regardless of how they are funded. Funding is mainly made up of two parts, taxpayers whose taxes are managed by the government, for example, to make capital injections or access to PPPs, and users who, for example, will pay tolls for road use. In order to get financing, you can borrow, which should later be repaid. After the financial crisis, the ability to implement PPPs appears on EU markets. Funding PPP projects is one of the most difficult issues. What

government and competent authorities tend to forget is that the issue of finishes will depend independently on whether it is listed on the government's balance sheet or outside it. EU funds where available and possibly also a source of funding.

Build now, pay "hard" later [27]

One of the main misconceptions about public private affairs is that they somehow mobilize additional extra financial resources for a project that would otherwise have been waiting for several years to be implemented. This irresponsible argument encourages policy-makers to implement projects that may not be available, which is usually several years before somebody has understood its consequences.

The possible risks are that the expenses are out of balance, have long been "wiped under the carpet". However, when the financial and economic crisis broke out, these threats became real countries such as Protugal, Hungary and the United Kingdom. Portugal and Hungary announced a ban on launching new PPP projects and had to review existing projects, but in the UK, the construction of their PPP schools for the future program was reviewed and PPP policy was reviewed.

The report released by the European Bank for Reconstruction and Development is well-presented. "The special timetable for investments and payments for PPP contracts - with payments that tipitski only begin after the creation of the infrastructure, which is several years after the conclusion of the contract - means that these contracts are a powerful tool for not counting public expenditure, do not evaluate them, take a biased decision a PPP scheme that accelerates investment and delays payments from a public partner's private partner. This creates the possibility of taking ineffective projects or effective projects that are a big burden for future generations to pay for generations that are not included in the decision-making process. "

The paradox of PPP is that they are very complex, the purpose of several PPP lawyers is to gain experience through the increase in the flow of transactions from PPP projects. The theory that the "quantity of milk" quality is in contradiction with the need to reduce the accumulated impact of PPPs on the public budget and contradict to ensuring that only those projects that benefit are used.

An example is Hungary

Hungary, with around 100 PPP projects, is a typical example of a country that has invested countless PPPs, due to the large amount of PPP's attractive promise - now it pays after it. Already in 2005, economists / analysts warned of the burden of road PPP: "As in other countries, PPPs appear to be motivated by fiscal constraints, although they should only be realized if they claim that investments are value-for-money. .. without proper assessment, project prioritization and analysis of solutions to the entire road network, Hungary has probably embarked on an over-ambitious road-sector development program, thus putting pressure on future government budgets with great potential. "

[27] Build now, pay heavily later https://bankwatch.org/public-private-partnerships/background-on-ppps/build-now-pay-heavily-later

When the economic and financial crisis came, the Hungarian government finally understood and acknowledged the problem, announced a ban on new PPP projects and began to review existing ones.

An example is Portugal

The situation in Portugal is similar to Hungary. Starting in mid-1990, the Portuguese government signed dozens of PPP contracts by 2010 (precisely how difficult it is to add/cover).

However, as part of the impracticability to cut spending to receive EU-IMF assistance, at the beginning of 2011, the government imposed a ban on new PPP projects and conducted a review of existing projects. By the end of the year, it revised 36 contracts, promised to process a number of issues and published all information on the website of the Ministry of Finance (confidential information removed).

An example is the United Kingdom

The situation in the UK was less dramatic but criticized, including the House of Commons Public Accounts commitee, along with several others, has long warned that PPP models of private financing initiatives (PFIs), totaling about 700 projects signed in the period since 1992, do not condemn, that investments are money (value for money) and that leaky contracts accumulate problems for the future.

The change of government in 2010 triggered a significant decline in the enthusiasm of PFI and in the summer of 2011, "split" PPP school building projects into the future program, and began a major review of the PFI program.

Significant difficulties have also been shown by the health sector with capital cost commitments. The money received by the UK Hospital from the state included "the element that capital costs are based on 5.8% of credit income. However, as a result, the capital cost of the MFI scheme was 8.3%, therefore, the share was not covered. Problems with loans were even higher for large tailor-made projects. The capital costs for projects above GBP 50 million averaged 10.2% - an increase of 4.4%. This underfunding has caused significant financial problems that can only be solved by reducing future services."

The UK *Commons Public Accounts Committe* says: "Contracts for so many years at fixed rates can put pressure on public authorities / representatives at a time when financing cuts are needed. In the case of the MFI model, payments for each year are already set in advance, with the exception of the effects of inflation, which should be adjusted annually. The National Health Service (NHS) has difficulties in covering the liabilities of the PFI scheme outside of existing resources. An example of this is the Queen Alexadra PFI Hospital, a budgetary distressed person, managing the cost of missing out-of-hospital costs of 40 million. pounds, had to cut 700 jobs and close 100 beds."

Various methods were proposed to carefully track long-term government commitments. But in the future the question remains:

- How much is the future commitment?

- Is it reasonable to make other people pay significant sums in the last 30 years for something they may not even consider as a priority?

Although funding for projects always leads to certain commitments, the PPP time period is considerably longer than that of traditionally procured government projects, and accordingly there is a greater potential to create a lasting burden for today's decision-makers.

An additional aspect emerged after the credit crunch in the last few years, when it became very difficult to raise PPP funding from private banks.

In the UK, this led to a strange solution, to create GBP 2 billion of infrastructure funds for PFI projects. This meant that the public sector financed the private sector, which borrowed significantly more, thereby increasing the cost of the project - thus, doing the work that the public sector considered not to be able to afford (which in general had reasons to justify private sector attraction).

6. Public and private partnership shadows and failed projects

6.1 The shadow sides of the PPP project

International experience helps identify the most typical reasons for failing PPP projects[28]. Most PPP failures are related to non-existent feasibility studies, including unrealistic traffic load forecasts and uncertain public investment funds. As well as the typical reasons are:

- Lack of legal framework and enforcement;
- Inadequate capacity of institutions and PPP strategy;
- Unrealistic and unreasonable revenue and expenditure estimates;
- Lack of careful financial and economic analysis;
- Inappropriate risk allocation;
- Lack of competitive procurement;
- An unmeasured public willingness to pay.

To eliminate PPP loopholes:

1. Reasonable and thorough analysis of revenue and costs. Revalued earnings can lead to a bankruptcy concession. An example of this is the Hungarian toll motorway project (M1 / M15). Traffic volume was lower than planned. As a result, the concessionaire was not able to cover its debt and, as a result, the government was forced to take the concession at a very high price.
2. The desire to "pay" an assessment and the establishment of a communication plan. The public sector opposition may prematurely terminate the concession. The absence of a "pay" assessment can lead to dissatisfaction and even protests. An example of this is the Cochabamba water system in Bolivia. In 1999, the Bolivian government privatized the water system in Cochabamba, guaranteeing a 40-year concession to the international association of companies Agus del Tunari. The price structure was immediately changed. This led to a rise in prices, which cost $ 20 per family per month, although a large proportion of families' monthly income was only $ 100 a month. In October 1998, dissatisfied groups merged and led to an outbreak of clashes

[28] Successes and failures of PPP projects http://www.siteresources.worldbank.org

/ violence. The Bolivian army killed 9 people, hundreds were injured and several local authorities arrested. The international company resigned from the project.

3. Enforcement of contractual agreements. Financial profitability and sustainability are heavily dependent on the government's attitude / respect for the agreed agreement. An example of this is Thai toll road Don Muang. In 1989, the company received a 25-year concession from the Department of Roads to build a $ 207-million highway. The company faced a number of problems due to government pre-construction defaults, which failed to move the local competing route. As a result, the traffic load on a pay-as-you-go and hence the revenue were smaller than planned and after October 1996 the company was no longer able to pay its debts. The government did not have a variant and had to raise fees and take over several company debts.
4. Appropriate legislative framework. This is necessary to establish "rules of the game" for the private sector and reduce the risks of the project thereby increasing the chance of success of the PPP proyekt. As an example, the Polish A1 toll highway project is mentioned. In August 1997, the Gdańsk Transport Company obtained a concession to finance, construct and operate the highway A1 from Gdansk to Tourn. However, the concession contract could not be concluded because of the lack of glowing PPP legislative pieces. Countless rounds of repeat conversations and frequent changes in legislation were made. The concession contract was signed in 2004, 7 years after the start of the negotiations. The project specification has been substantially changed and construction has been split into two projects.
5. Defined, firm institutional arrangements / system. The institutional framework must provide coordination and technical support and, as an example, Portugal's weak management in PPP programs is an example. Portugal made its first PPP prose in the middle of the 90's to make infrastructure more efficient. The government PPP unit lacked experience with PPP projects and employees were not experienced. As a result, the initial PPP projects were delayed regularly and costs exceed planned. Until 2003, the government's PPP commitments accounted for 10% of GDP. Poor public sector capacity has led to an inadequate transfer of risk to the private sector and has led to delayed government approvals of significant land environmental aspects.
6. Competitive purchasing value. An uncompetitive excuse brings tighter private-sector positions and can lead to long delays and excessive government costs. An example of this is the Bulgarian Traffic Highway project. The Government of Bulgaria granted concessions to uncompetitive financing, restoration, construction, toll collection and operation in the motorway A1 phase in 2004. the opposition parties criticized the project for its opacity and high government investment and construction costs. The concessionaire demanded to increase the cost of construction due to legal obstacles, which caused a significant delay and did not want to take the risk below the planned traffic load. As a result, negotiations with the concessionaire stopped in 2006, and in 2008 the pro-joke was suspended and refinanced with EU funds.
7. Reducing macroeconomic risks and maintaining flexibility. Externally macroeconomic shocks can create unexpected situations for the government, and after some time it is not able to fulfill contractual obligations in the PPP project. An example is the Argentine water system. As part of a major privatization program, a high-profile concession was concluded in 1993. After the economic crisis of 2001, a number of dealers were re-negotiated. Some were discontinued and responsibility for providing services was left to the public sector, including the water system in Buenos Aires. when the government abolished the concession in 2006, it was pointed out that the company was not able to meet its commitments regarding enlargement

and quality. The company, on the other hand, pointed to the fall in the value of the Peso in 2001 and the substantial reduction in tariff revenues in real terms, thus making it difficult to achieve its original objectives.

8. In order for a project to be successful in the light of historical experience it is necessary:

- Careful planning of PPP project;
- Serious revenue and cost estimates;
- Users' desire to pay and communication plan;
- Extensive analysis with the use of PPP experts;
- Compliance with the terms of the contract;
- Appropriate framework for placement and regulatory enactments;
- Strong institutions with adequate resources;
- Competitive and transparent procurement;
- Macroeconomic risk mitigation and flexibility.

6.2 Advantages for public investment

The material was prepared by David Hall, who has been director of the Public Service Intelligence Unit (PSIUR) at Greenwich University and has published several research papers on economics, politics, privatization[29].

At present, privatization and the so-called public-private partnership are coming back to fashion. Several governments are turning to PPPs in the hope that the private sector will finance public infrastructure and public services that have suffered as a result of the financial crisis. PPPs are encouraged through the World Bank, the OECD and the G20, and are considered a goal of sustainable development.

In the context of the crisis, governments need to find quick solutions for maintaining public services and financing infrastructure, forgetting about the risks - greed, deregulation and excessive struggle from private parties. PPP is a mystery that lies behind confidential conversations and business secrets. There are no public sector advisers, there are many false promises, very complex contracts designed to conceal the company's profits.

PPPs are used to hide government borrowings while providing long-term government guarantees for the profits of private companies. Private companies are trying to maximize their profits, which is not in line with efforts to protect the environment and provide a comprehensive approach to public services.

The threat of the future is a recent effort by the World Bank, the G20, the OECD and others to promote PPPs to reach the trillions of dollars worth of pension funds, insurance companies and other institutional investors.

Powerful PPP problems.

In general, PPP private partners borrow money from banks, pension funds and other investors. PPP does not open a "special" new financial resource. PPP can split building costs for several years as any form of borrowing. But this does not reduce the total cost,

[29] WHY PUBLIC-PRIVATE PARTNERSHIPS DON'T WORK http://www.world-psi.org/sites/default/files/rapport_eng_56pages_a4_lr.pdf

but only decompose in the future. In reality, during the project period, PPPs always involve higher public spending than traditional projects, due to higher capital costs and in practice no efficiency gains. And private operators charge higher fees from the public.

Higher-rate water supply PPP in France. The PPP result is negative if a monopoly of concessions is allowed. A comprehensive analysis of PPP water supply in France shows that ¾ of the water supply is provided from the private sector through PPP, and the study concluded that water prices are 16.6% higher than that provided by municipalities.

Risk transfer is an important argument to justify PPP. But the risk transfer is not for nothing.

The IMF warns the government that they can overestimate the risk of being transferred to private companies and thus overpaying for it. Recently, this has happened in the UK, where most of the hospitals cost more than they would if they were realized as traditional investments. No one is involved in the monitoring of risk transfers and does not calculate how much that has been. Of the 622 contracts concluded before 2007, only three have been evaluated or have benefited from a risk transfer.

Long-term income 25-30 years for private joint ventures is a good opportunity. Paul Krugman, a Nobel Prize winner economist in the United States, says: "The more government fines are being privatized, the state becomes a pay paradise, where political investments and treaties for friends and relatives are benefiting from government business."

In the energy sector, several projects are related to corruption - Enron's investments in Nigeria and India, and others in Tanzania and Pakistan. In the water sector, the French court has sentenced a number of government representatives to accept bribes from Suez and Veolia in the cities of Grenoble and Angouleme and on the island of Reunion. In 2002, Executive Directors of Vivendi (Italy) were sentenced to bribe the city's politicians in Milan to win the procurement for sewage collection. He was accused of bribery, illegal political investment, illegal layoffs, price regulation, cartels and fraudulent transactions.

Corruption is seen in a wide range of PPP projects. As a scandal, the Danish Farum case where the Mayor of the Mayor of Farum (a small village in Denmark) closed PPP contracts without announcing calls for tender (in 2001), in agreement with a company that paid a 2.3% increase in local government tax to residents in order to adjust municipal finances.

Private companies systematically underestimate the investment costs and exaggerate the demand for the service. The water plan will be confirmed with a greater probability if the population's growing need for water is proven, the projects for toll roads will be approved with greater uncertainty if they plan to increase traffic volumes. There is plenty of evidence that this happens on a regular basis.

In 90% of cases, the real costs of road and rail projects are significantly higher than planned, while real demand is lower. As it is systematically seen, it may be more of an error than forecasting but of deliberate deception.

Road-loadedness is being overestimated in PPP projects around the world. Since 2005, in Australia, as well as in Central and ReitEurope, forecasts have been overestimated in almost all projects. In the 2013 proposal for the Oregano Bridge as a PPP, a load of 160 thousand was projected. a car on a daily basis, so that the costs could be covered by fees, although they only predicted themselves to be 78'400, so it would have required regular state subsidies.

For PPP, there is always a loss of transparency, as private companies can and do without the specific disclosure of privacy behind the scenes of business secrecy.

6.3 Unsuccessful PPP projects in the area of traffic infrastructure

In spite of several factors that prove to be beneficial in implementing PPP projects[30], previous experience with traffic PPP projects shows many unpleasant cases that have caused losses to both parties, both public and private. Even developed economies like the United States, the United Kingdom and Kandaha have experienced bitter experiences with PPP projects that have failed. The World Bank database (survey conducted in 2013) shows that since 1993, the total value of unsuccessful PPP projects was $ 93,740 million. These data do not even include failed projects in developed countries and projects that have been completed but have not brought any benefits / applications.

The table summarizes unsuccessful PPP projects in both developed and developing countries

Number	Name of the project	Country	Type of failure
1	Highway Blegrade Novisad	Czech Republic	Suspended concession
2	Highway D47	Czech Republic	Suspended concession
3	The road to Horgos-Poza	Serbia	Suspended concession
4	Motorway M9	Pakistan	Suspended concession
5	toll road program	Mexico	Suspended concession
6	Mumbas Container Terminal	Kenya	Suspended concession
7	Trakai Road Project	Bulgaria	Suspended concession
8	Transgender	Gabon	Suspended concession
9	Jakarta Outer Ring Road	Indonesia	Discontinued concession + project nationalization
10	Bangkok improved road and rail system	Thailand	Suspended concession
11	D5 automagnet	Czech Republic	Interrupted concession contest

[30] Failure Links between Public and Private Sector Partners in Transportation Public Private Partnerships Failures http://www.jtle.net/uploadfile/2013/0903/20130903023454274.pdf

12	M3 / M30 toll road	Hungary	Interrupted concession contest
13	M7 toll road	Hungary	Interrupted concession contest
14	M9 Danube toll bridge in Szczeczard	Hungary	Interrupted concession contest
15	Pitesti-Bucharest-Lehliu (140 km) the first part	Romania	Interrupted concession contest
16	Paid road program (first grade)	Argentina	Concession suspension
17	Beiras Litoral / Alta Shadow	Portugal	Project suspended
18	91 Express Lanes California	United States	Nationalization of the project
19	Camino Colombia toll road	United States	Nationalization of the project
20	London Metro - Metronet	United Kingdom	Nationalization of the project
21	London Underground - Tubelines	United Kingdom	Nationalization of the project
22	M1 / M15 toll road	Hungary	Nationalization of the project
23	Railway line	United Kingdom	Nationalization of the project
24	Siza Railroad	Congo	Nationalization of the project
25	Skye Bridge	United Kingdom	Nationalization of the project
26	Ngone bridge project	Laos	Nationalization of the project
27	Zagreb - Gorican highway	Croatia	Nationalization of the project
28	Channel tunnel	United Kingdom	Not reached in VFM *
29	Channel Tunnel Line (CTRL)	United Kingdom	Not reached in VFM *
30	Confederation Bridge	Canada	Not reached in VFM *
31	Highway 407	Canada	Not reached in VFM *
32	Railway Transit Distribution	United Kingdom	Not reached in VFM *
33	Rolling stock leasing companies	United Kingdom	Not reached in VFM *
34	Royal Dockyards (at Davenport and Rosyth)	United Kingdom	Not reached in VFM *
35	Wijkertunnel Randstad	The Netherlands	Not reached in VFM *

**VFM value for money* – whether the project's goal is worth the money spent.

The project can stop / fail at any stage of the project mainly due to either a private or public partner. PPP is a transaction where the benefits and losses are shared between the public and private partners, with the failure factor being mutual responsibility.

Causes of failures during the traffic PPP sales cycle.

Study / Likelihood Cycle:

- Insufficient technical feasibility assessment;
- Weak economic and financial opportunity / situation assessment;
- Unrealistic / unreasonable calculation of demand during project development

Procurement & Tender Cycle:

- False public-sector comparative assessment;
- Inaccurate cost estimation;
- A careful examination of the concessionaire in the selection procedure;
- Inappropriate choice of dealership;
- Financial difficulties with the concessionaire in the initial phase of the project;
- Post-competition communication;
- Inappropriate distribution of risks among partners;
- Increased demand for subsidies / guarantors from the initial phase of the concession project;
- Incomplete contract documents;
- Excessive concessionaire privileges / rights;
- Transfer of price control to the concessionaire.

Projekta būvniecības cikls:

- Delayed land acquisition;
- Slow and disturbed development of the project construction;
- Insufficient project monitoring;
- Delayed approvals and activities by public sector representatives;
- Excess cost;
- Low quality of the concessionaire's work;
- Lack of coordination with parallel projects during construction of the project;
- Weak management of the project company;

Project life cycle:

- Traffic load lower than planned;
- Falling consumer / market confidence;
- Failure of the project to compete in the market;
- Ineffective business strategy;
- Negative attitude of public sector representatives in solving problems;
- Disagreements between public and private partners;
- Unjustified / inappropriate payment / pricing strategy;
- Litigation due to a conflict of partners.

6.4 Other unsuccessful projects

Transantiago - Chile[31]

The Transnational hub of the Metropolitan Metropolitan Area of Chile is a good example of a PPP project that has failed. There have been significant changes to the project.

The Transantiago system was basically planned for the project - to improve and improve bus transport, develop a metro system and integrate both systems.

Though the plan initially seemed perfect, reality did not meet reality. The main problems encountered were:

- Lack of interagency coordination. Such a major reorganization of the system required the involvement of several government institutions.
- Agency interference. For example, metro representatives were interested in clearing the metro and setting tariffs, won discussions in the committee and gained more funds for expanding the metro.
- Traditional Transport Industry Opposition. They were not interested in the planned changes. They created a blockade to put pressure on the government. No priority was given to them, however, some concessions permitted the use of existing buses, which resulted in performance issues later.
- A major reorganization of public transport in the glacier city. There were technical problems for the reorganization of the route. This required a lot of work in planning to achieve the best results and timing of planning was delayed and delayed in the process.

It was expected that good results would be obtained by connecting the network and connecting with the metro. However, various system components such as infrastructure, financial administration, control measures were poorly equipped to face the challenges associated with the simultaneous launch of the system. The system was faced with problems such as inappropriate traffic routes and stopping places leading to an increase in walking distance, low traffic frequency, lack of coordination in transmissions and poor support infrastructure at transprotocol exchanges.

Mistakes were also observed in over-optimistic forecasts of bus speeds. The disordered additional infrastructure drove speed and delays (there were no lanes for buses, lack of stations, where to buy tickets before the trip).

The whole process was delayed by the need for countless permits from several government agencies. Consequently, various elements, such as bus stops, signs, signals were not completed in time. The infrastructure created to support traffic integration was insufficient.

The ticket purchase and validation system was not completed and tested in a timely manner and several buses were not properly equipped to purchase tickets and could travel freely.

[31] Transantiago, Chile: Attempts to fix a beleaguered system
https://www.globalmasstransit.net/templates/print_preview.html

Some operators did not deliver the service as initially set up, but there was no one to monitor and to comply with the contract.

Although the government conducted a major campaign to train the population of the new Transantiago system, the information did not reach many users, since the information was not adapted to the needs of the season card, so the season card owners were not satisfied with the first days of the launch.

Later, the system began to show an improvement, but depended on a large monthly subsidy of 30 million. Dollars in value. As well as in 2009, it was planned to provide $ 1.1 billion for the Transantiago system from 2009-2014. The government had to take many additional measures to solve the problems. Also, in 2010 and 2011, the government carried out various activities and invested funds to correct errors and improve the system.

Zagreb wastewater PPP[32]

The Zagreb public-private partnership plan, funded by the European Bank for Reconstruction and Development (EBRD), has been highlighted for years as a damaging project that allowed the private sector to gain huge profits at the expense of Zagreb city and society.

In 2016, the Croatian public prosecutor opened an investigation. The anti-corruption agency USKOK arrested and launched an investigation into six people and one company suspected of having criminal activities related to this project. Those involved are accused of bribery for operating contracts and payments for work that was never done.
The arrest is a positive step forward, revealing what is behind the opaque transactions in confrontation with sewage plants. In general, the dealership gained huge profits at the expense of the company.

The concessionaire, Zagrebacke Otpadne Vode (ZOV), designed and operated the equipment and received tolls from the city for the performance of these works. According to the State Auditor, between April 2004 and the end of 2006, the city of Zagreb has already paid 75.5% of the fixed fixed costs for the construction of equipment. This raises the question that PPP was needed at all if the city had enough money to build structures so quickly. It is also worth noting that the concessionaire receives huge profits from the project, and monthly payments from the city will continue until 2018.

PPP is not a "silver bullet" for public infrastructure. There are many hidden costs. The total costs of this project also increased from EUR 276 million to EUR 326.7 million. In euro, without any compelling reason and equipment, 1.5 mln. of the population, although Zagreb is estimated at 800,000. The panel of experts offering a cheap solution was dismissed despite their objections.

In spite of the obvious shortcomings of the project, in 2001 the EBRD approved a loan of EUR 55 million for the project with a future loan of EUR 115 million from the German Kreditanstalt fur Wiederaufbau (KfW).

[32] Zagreb Wastewater Treatment Plant (CUPOVZ), Croatia https://bankwatch.org/public-private-partnerships/case-studies/zagreb-wastewater-treatment-plant-cupovz-croatia

Even with high costs involved, the technical solution used did not stabilize the situation with regard to sewer issues.

D1 motorway, 1st phase, Slovakia[33]

Disputes over the D1 motorway came from two sides: firstly, PPP critics said it was too expensive, and second, the developer chose not to follow the recommended route, which was assessed in the Environmental Impact Assessment process, instead of choosing a route that could affect the Nature 2000 sites. The project was funded by both the EBRD and the EIB, but, at the request of the public, the European Commission examined the project and was not able to ascertain whether the EIB could continue to fund the project. The financial closure was delayed and in the summer of 2010, the new Slovakian government, which criticized the project, decided not to allocate funds for further development of the project. PPP collapsed.

French water concessions[34]

Private water concessions in France have been increasingly criticized as a result of the fact that water supplies in a number of cities have taken over public authority, including in Paris. France, the home of the world's largest water companies - Veolia and Suez - is known as the central location for private water concessions controlled by a large proportion of water supplies since the 19th century.

However, in recent years, criticism grew from the corruption scandal in Grenoble, which led to the takeover of water by the municipality in 2001. This was followed by a further takeover by the municipality in several cities, including Paris (the municipality resumed water management in January 2010). Contracts were not extended.

This trend was a promising start - water tariffs fell by 8%.

This situation has been researched by several researchers and institutions.

Sofia Water Concessions, Bulgaria[35]

In 2000, for 25 years, a water concession contract was awarded to Sifia to the Bulgarian capital Sifiyska Voda, which at that time was owned by UK United Utilities, SIA International Water from the United States and the Edison SpA of Italy.

In spite of the great rejoinder from the European Bank for Reconstruction and Development (EBRD), with a view to improving governance and raising standards for the project, in 2009 (the fastest time when such information could be found), water losses were still 58% and most of the inhabitants of Sophia said that water is unhealthy.

[33] D1 motorway, Phase 1, Slovakia https://bankwatch.org/public-private-partnerships/case-studies/d1-motorway-phase-1-slovakia
[34] French water concessions https://bankwatch.org/public-private-partnerships/case-studies/french-water-concessions
[35] Sofia Water Concession, Bulgaria https://bankwatch.org/public-private-partnerships/case-studies/sofia-water-concession-bulgaria

In 2010, 77.1% of the shares were purchased by Veolia, a French large water company, while the remaining 22.9% were owned by the sovereigns.

M1 / M15 and M5 highway, Hungary[36]

One of the best-known examples of a failed PPP project. This is one of the few cases where the risk of all the demand was transferred to the private sector concessionaire, but the M1/M15 project ended with being completely taken over by the government, which clearly demonstrated that the public sector at the end takes on all the risks as it can not afford, that the project would be suspended. M1 / M15 was structured as Designed - Uzcel-Finance- Work, but the traffic load turned out to be 50% lower than forecast and the toll system did not provide cost coverage. The project tenants, including the EBRD Bank, refused to finance the final phase of the M15 section. In the end, the project was taken over by the government in 1999.

The M5 agreement connecting Budapest with the Hungarian border of Serbia and partly funded by the EBRD Bank was signed in 1994 as a 35-year concession contract. In 1995, the contract was modified because investors did not believe in the expected traffic load, which led to the granting of state guarantees. In 1997, a few months after the opening of the highway, it was clear that the traffic load was lower than forecast, mainly due to the non-payment path available nearby. Future negotiations led to the fact that dealers did not assume the risk of loading and set the target of 12%. In 2004, a new contract was concluded with 40% of the shares acquired by the State Motorway Company.

This example shows that Central and Western Europe is too hasty to travel on motorways where there is no clear justification for them and to realize that the PPP road project can not be successful without substantial support from the state, undermining the main reason for closing the PPP contract.

The head problems were - a poorly planned project with lower than planned toll revenue; complete inability to transfer rickets to the private sector.

Croatian Motorway Bina Istra and Zagreb-Macelj[37]

These are the only two PPP highway projects in Croatia. Two concession contracts were concluded with a single tenderer, which raised concerns that it would be able to offer the best benefits, which is, of course, difficult to prove, because this aspect was not evaluated, and it is very difficult to determine at the moment.

Atkins Consultant, an advisory firm, points out that the project's poor quality guarantee system for the concessionaire's investment to provide return on investment and benefits to the user.

In both cases, the Croatian government accounted for 49% of the company, and in the case of state aid projects, if traffic volumes fall below a certain level. In addition, the

[36] M1/M15 and M5 motorways, Hungary https://bankwatch.org/public-private-partnerships/case-studies/m1m15-and-m5-motorways-hungary
[37] Croatian motorways: Bina Istra and Zagreb-Macelj https://bankwatch.org/public-private-partnerships/case-studies/croatian-motorways-bina-istra-and-zagreb-macelj

project financial package was substantially based on the support of the Croatian government, which guaranteed debt service to project owners, regardless of how the plan is being implemented. Thus, the very low risk was transferred to the private sector.
Government involvement in the concessionaires company means government borrowing and thus an increase in public debt.
The main drawbacks - lack of competition, lack of risk transfer and missing value or return are value-for-money.

Place of Art Budapest, Hungary[38]

There was no wicked concert hall in Budapest that would meet international standards, and mainly decided to implement this as a PPP project due to lack of state budget resources. No impact analysis (including economic calculations) was carried out before the signing of the contract, which resulted in variable investment information. Place of Art, was built as PPP, where the Ministry of Education and Culture was represented by the state, the beginning was in 2000.
The main disadvantages of the project were poor planning, leading to delays; low return on investment (value for money); absence of penalties for failure to perform tasks; unclear payment structure.

The original contract was not really a PPP but a financial lease. According to the plan, investments were made not only from private parter but also from the Ministry of Culture and Education. The state should reimburse development costs of 125 mln. with a 10-year lease. The operation itself and the professional management of the building were outside the contract and as a national responsibility.

During the implementation of the project, the state initiated changes to the PPP contract. Based on the original agreement, there would be no chance of receiving from the European Union confirmation that these funds are outside bilnaces because neither the demand risk nor the risk of availability was transferred to the private partner. In a modified agreement, the state took 30 years of contract instead of 10 years. This involved buying back services and returning development costs, covering debt servicing and providing income to the investor.

The total value paid by the state at the end was 827 million. euro, although initially it would have disbursed EUR 175 million (first contract) and the net basic value of EUR 215 million. euro (EUR 148 million). Despite significant additional costs and a revised plan, Eurostat considered it to be public investment, which was why the increase in the budget deficit was inevitable.

The State Audit Office says the project as follows: "The project led to a multifunctional cultural object. At the same time, inadequate preparation and changes to the contract as a whole had a negative effect on the effectiveness of the project. Maintenance and operation of the project for a period of 30 years requires a state budget of 1.3 billion euros. In the future investors will continue to earn an increase in the value of their property next to this building. Based on the contract, the building will be operated by the investor for 30 years. At the same time, the fees for the availability of the service in the

[38] The Palace of Arts, Budapest, Hungary https://bankwatch.org/public-private-partnerships/case-studies/palace-arts-budapest-hungary

contract are not specified in detail, unless detailed specific costs and planned quantities are specified, then the justification for the fees can not be verified. Consequently, it is not clear where the state money is spent and there are no penalties in the contract for the inappropriate implementation of the project. "

Arena in Zagreb, Croatia[39]

The Zagreb Arena is the largest free-range hall in Croatia with a total area of 90,500 square meters. It was opened in early 2009, and in June 2009, the company's total debt was 600,000 euros. To cover the initial loan costs, the arena should be filled in for 212 days a year, which was not realistic in the result.

The project was implemented by the Croatian Government, the Municipality of Zagreb and the private party consortium Ingra-TriGranit. The city of Zagreb and the Croatian state, according to the contract, paid Ingra 7.2 million euros a year plus 300 thousand. erio for maintenance, 28 years, totaling 210 mln. euro.

The main drawbacks of the project - unnecessary project; revalued income; poor return on investment (value for money); the burden on the state budget; cost increase.

Ingra invested 89 mln. in the construction of the euro arena and founded a joint-stock company Lanište, responsible for maintenance during the contract period. The funds are paid from the Zagreb Holding (Zagreb City Municipal Company), which only transfers funds received from Zagreb City and the Croatian Government for this purpose.

In 2010, maintenance costs increased 4 times than contracted (1.2 million euros). Ingra complained that the contract would allow for changes in maintenance costs as they depend on the number of visitors to the arena. Consequently, increasing maintenance payments by 20 mln. euro.
At the end of 2010, Ingra demanded a debt of Zagreb Holding of EUR 6.4 million. Therefore, Ingra decided to close the arena from January 1, 2011 and to open the demand for at least 4 mln. euro. Zagreb Holding indicated that it was not able to cover such costs because they had not received sufficient funds from the municipality and the state.

As the construction was funded by Klagenfult Austria from BKS, the agreement gave the bank the right to take over the arena if no three contributions were made.

The city announced it would buy the arena. At the end of January 2011, Zagreb City and Zagreb Holding took over Ingra's debt. However, Slavko Kojic, director of the Zagreb Finance Department, said the arena was too expensive and could have been built up to 1/3 of the total cost.

[39] Arena Zagreb, Croatia https://bankwatch.org/public-private-partnerships/case-studies/arena-zagreb-croatia

Moscow-St Petersburg highway 15-58 km[40]

This project is well-known because of the conflict over the road section through the Khimki forest. This project was widely announced as the first PPP project in Russia.

Surprisingly little is known about the North West Maker Company (NWCC), a privately owned company, to which the Russian government and road users will pay 1.3 bn. the euro for a period of 30 years.

In 2011, Bankwack conducted an investigation and found that the company was involved with offshore, oligarchs and Putin's friend Arkady Rotenberg.

The main problems - suspicion of corruption; offshore; environmental conflict; poor return on investment; lack of competition.

In 2008, the NWCC Company was promoted to a winner in a competition where it was the only one that qualified the terms. This fact is once again a warning signal because market competition is a smart one that increases the return on investment of the public sector from the PPP project. Despite this, the project continued. The strong opposition to the route selection was only led to a temporary break. The route, which leads through the Khimki forest near Moscow, called for protests. In August 2010, following intense protests and violence against protesters, President Medvedev set a temporary break for the project and conducted a public hearing. Negotiations were never published and the government resumed the project as originally planned, which was against any logic, as it was also backwards by an independent appraisers survey published in February 2011, where it was estimated that the route was the least favorable of all alternatives. Galenokar was done in the interests of a private partner. Reasons - the benefit to the airline company; Putin's friend Arkady Rotenberg; interest in the development of property in the Khimk Forest; illegal change of Khimk forest status.

Failed PPP in Australia

Regardless of the well-organized legislation and the calculation of risks, the evaluation, which seems to be perfect even when reading and researching, is still controversial. In the seemingly well-functioning Australia, there are projects in the area of PPP which have an unfavorable fiscal impact on the government.

Health Care[41]

Privately privatized (PPP projects) hospitals also have an Australian history that has not succeeded in projects. Experts have estimated that around 50% have failed (Duckett, Stephen, "*Public-privaten hospital partnerships are risky business" The Conversation*).

[40] Moscow – St. Petersburg motorway section 15-58 km: A deal involving tax havens and poor value for money https://bankwatch.org/public-private-partnerships/case-studies/moscow-st-petersburg-motorway-section-15-58-km-deal-involvi

[41] Public-Private Partnership Facts at aGlance http://www.nswnma.asn.au/wp-content/uploads/2013/09/PPP-Factsheetv3.pdf

The Port Macquairie Base Hospital (New South Wales), the La Trobe Regional Hospital (Victoria), Queensland ST Vincent's Hospital (Robina) redeemed the government for tax havens due to mismanagement with a private operator.

The Fiona Stanley Hospital (western Australia), managed by a private company Secro, suffers from problems paying millions of dollars to taxpayers. The government said it was about to remove Secro from the mainstream medical services and reinstate these jobs back to the health service. The parliamentary committee has released a report that the hospital has already spent $ 330 million over the budget, of which 52.7 million have been for the Secro company.

The Queensland Government has reviewed the possibility of privatizing the entire Sunshine Coast University Hospital, stating that the private sector can not provide public services at an appropriate cost.
The Joondalup Health Campus (Western Australia) is run by the Ramsay Health company, which politicians refer to as a shining example of a successful PPP project hospital run by a private company. The main reason why a company does this is to profit its shareholders outside the public sector. NSWNMA (Nursing and Midwifery Association) believes that profits should be fully available to public health rather than shareholders.
The population of Joondalup is 152,401, while the Northern Beaches hospital will need to care for 427,910 (almost triple) population, which is planned to increase by 15.3 percent by 2025. Can a company understand the health needs of the growing population?

Australia has a world-class public health system:

- When Port Macquarie Base hospitals were managed by a private company, costs were 20% higher than the similar hospital managed by the public sector.
- At the same time, in the same hospital compared to similar public-managed hospitals, the waiting time for planned surgery was twice as high as the national average and was the worst hospital in the country in terms of performance.
- Australian General Health is one of the best in the OECD countries.
- In Australia, total expenditure on health care is 8.9% of GDP, which is lower than the OECD average (9.4%).
- Effective privatization in the health sector will not be effective, but will only raise prices in general.

Road projects[42]

Australia's pathways to PPP projects tend to be too optimistic about the traffic load.
Airport Link Payway in Brisbane (2012). This road maintainer has suspended operations causing speculation about the company's financial future due to lower traffic estimates than originally forecasted. The travel burden is not even 50% of the initial plan. Professor Jones Goldgers wrote a 24-page analysis of the project, and the findings are unfortunate. The company, which oversees $ 4.8 billion worth of projects, faces the inevitable financial baccata. Incorrect traffic forecasts, poor cash flow and unmanageable debt will contribute to bankruptcy. A similar situation was experienced by the River City

[42] Another Australian PPP fails – will we learn from it?
https://www.greaterauckland.org.nz/2012/11/13/another-australian-ppp-fails-will-we-learn-from-it/

Motorway Group, which collapsed with about $ 1.4 billion a year after the Brisbane cross-river Clem7 tunnel was opened in 2010.
Prof. Goldberg, who has worked as a senior researcher at CSIRO for 30 years, believes that the PPP concept in Australia in the road sector should serve as a warning that it is linked to very high-risk investments. Investors have invested more than $ 23 billion since the 1994 toll road, but equity income is small or negative in every case.

Sydney Cross City Tunnel[43] - A 2.1 km double-running tunnel, concluded as a 30-year PPP concession, costing $ 1 billion (in 2005) overpaid in the administration for the second time due to an unpaid tax government. Another company was given the opportunity to take over the project.

Melbourne city link35 ($ 2.2 billion in 2000) - suffered from financial hardship due to over-optimistic forecasts.

Melbourn East link35 ($ 2.5 billion in 2008) - suffered a loss of 93 million in the first six months of operation. $ In 2010, the path was refinanced and forecasts were updated.

Sydney Lane Cove tunnel35 (2007 1.1 Billion $) - In 2010, the tunnel came under management (receivership) and was sold to another company. This project is being tried in court as the consultancy company has made too optimistic forecasts. (the initial forecast was 100 thousand a day, but in reality it was 22 thousand)

United Kingdom (UK)[44]

Education
Eidinburgh School Project. Scotland has more PPP per capita spending than other UK regions. The social and financial costs for the PPP project appeared in Eidinburg in 2016, when the brick decoration from Oxganges primary school collapsed during the storm. Okay, that happened on weekends and no child was hurt. The construction company (Miller Construction), which was a PPP partner for Eidinburgh schools, was allowed to self-certify "self-certify" that the building meets the security standards of the municipality, without the inspection of the construction inspector. Their rampant completion of the project at a minimal cost, the builders forgot about the essential wall links needed for the structural interconnection of the building. Following this, Edinburgh schools were surveyed and, as a result, 17 schools in PPP projects were closed due to defects detected by inspectors. The conclusion is that through the PFI they want to make a profit, but they do not want to think about quality.

The bridge
Isle Skye toll bridge redemption. The pay bridge ties Isle and the continental part of Scotland. This was the first UK PPP proyakt, where the private partner's income was from a bridge-use fee, not through government rebates. The bridge was discovered in 1995 with a capital cost of $ 48.8 million. The very high usage fee of $ 14.25 per kilometer led to major protests from indigent locals, 500 arrests and 130 convicts for refusing to pay a fee. In December 2004, the Scottish government redeemed the bridge

[43] WHY PUBLIC-PRIVATE PARTNERSHIPS DON'T WORK http://www.world-psi.org/sites/default/files/rapport_eng_56pages_a4_lr.pdf
[44] The UK's PPPs Disaster - Lessons on private finance for the rest of the world http://jubileedebt.org.uk/wp-content/uploads/2017/02/The-UKs-PPPs-disaster_Final-version_02.17.pdf

from the American Bank by 33.8 million. The leased contractor received $ 41.6 million while it was in the property, although operating costs were 4.4 million.

United Kingdom (UK) hospitals PPP projects[45]

Between 1997 and 2010, 102 PPP health projects (or PFI - private funding initiatives) were concluded in England in the UK, compared to 35 publicly funded investment projects in the health sector. In addition, 45 more PPP contracts were signed in Ziemelriya, Scotland and Wales during this period.

Projects mainly included the construction of new hospitals or, in rare cases, old renewals, along with the provision of non-medical services such as catering, maintenance and laundry washing.

Availability was already a problem before the crisis. The availability fee payable to the National Health Service (NHS) project company had a significant impact on the NHS, as the payments were underfinanced by the government, which believed that the NHS had to pay a cost difference through efficiency improvements. One of the results was that the capacity of NHS hospitals in England dropped by 73882 beds (by almost a third) over the period from 1992 to 2010.

In 2010, it was reported that in projects where the capital cost is GBP 11.3 billion (EUR 14 billion), the NHS has to repay back to the contractual period £ 65.1 billion (€ 80.7 billion), including maintenance, cleaning and catering . The annual payment totaled GBP 1.25bn (EUR 1.5bn) in 2010 and slowly increased to GBP 2.3bn (EUR 2.85bn) by 2030 with the last payment in 2048. The UK government has set the NHS's target of saving GBP 15-20 billion in 2013-2014 by increasing efficiency. At the same time, PPPs are isolated from saving as they have a legally binding contract, and the NHS is left to seek other ways to "tighten belts." Instead of overpaying contracts, in February 2012, the Department of Health announced that seven NHS hospitals with high PPPs would receive assistance of up to GBP 1.5 billion over 25 years to help meet commitments.

So the main drawbacks are:

- Availability of the state budget;
- Low return on investment (value for money);
- Decrease in the provision of health services;
- Flexible contracts, creating additional work.

Example analysis

Cumberland Hospital, Carlisle. Due to an erroneous and biased assessment, the costs of the new hospital were almost doubled during the procurement process and annual capital costs rose from GBP 3.55 million to GBP 7 million. This is also one of seven hospitals, which is provided with additional assistance from the government to cover PFI commitments.

Walsgrave Hospital, Coventry. Initially, it was planned to renovate the hospital at a cost of around GBP 30 million (EUR 37 million), but in order to make the project more attractive to private investors, it was decided to demolish and lure a new out-of-town center with a final cost of 400 million. GBP (494 EUR). Between 2005 and 2007, at least three divisions were closed and employees dismissed to cover unforeseen costs.

[45] UK hospital PPPs https://bankwatch.org/public-private-partnerships/case-studies/uk-hospital-ppps

North Durham Acute Hospital. The publicly-calculated comparison shows that public investment is more effective than PPP over a period of 30 years, but that PPP would be as beneficial as 60 years of public investment. During the planning period, in order to have a PPP project, the number of beds was reduced from 798 to 454, and in order to reduce the cost of the availability fee, several qualified nurses were replaced by unskilled health assistant assistants.

Royal Edinburgh Hospital. Accommodation for abundance of problems: high costs, biased comparisons of the public sector, 24% less beds than previous hospitals. As if it were not enough, in April 2012, in May, the private property association was criticized severely, halving the permission to reduce energy supply, but continued as a theater, leaving surgeons working with a flashlight in one of the cases.

Royal Liverpool and Broadgreen Hospital. Despite the fact that subjective assessment methods were applied, the evaluator was able to only 0.03% to make PPP cheaper than public investment by buying a project in a traditional way.

Norwich and Norfolk Hospital. Moved out of town, the new hospital was reduced by the number of beds, and there was a scandalous refinancing scheme that ultimately encouraged the UK government to change the rules for refinancing.

Queen Alexandra. In an effort to pay annual operating costs of GBP 40 million, the hospital reduced the number of beds by 100 and reduced 700 jobs.

Carderdale Royal Hospital. It's a hospital built as a PPP project. The initial expected costs were $ 42.5 million, they almost doubled to $ 81 million until the hospital was built. Under the terms of the contract, the Municipal Health Service is required to pay $ 390 million over 30 years to private companies to cover basic debts and interest payments. In contrast, if the government had borrowed money at a rate of 5%, then costs would have been $ 159 million in 30 years, thus overpaying 150%. The large payments led to the health of the municipality's crisis, so it was necessary to close at one of the hospitals - an accident and an emergency point that led to massive demonstrations and human dissatisfaction. The terms of this agreement stipulate that the debt and interest must be paid within 30 years. In general, the public sector in this case will acquire ownership only after 60 years.

Hexham PFI contract redemption. The catastrophic experience in the UK has been that the public sector has had to take over the project to mitigate the negative effects and costs. In 2014, the Northumbria NHS borrowed $ 142.5 million from the municipality to pay a private contractor who built and managed the Hexham General Hospital through PPP. Settled at $ 63.75 million, with a 32-year PPP contract, the repayment price would be $ 311.4 million until the end of the contract in 2033. 142.5 million were reimbursed to a private PPP company and another 4.4 million per year for the next 19 years. Overall, however, this way managed to save money because the government can borrow at lower rates.

London metro PPP[46]

London Metro PPP was criticized at the very beginning because of its high costs and the profits of large private companies. In the end, the PPP was terminated when the consortium was purchased by the London Public Transport Company. In 1998, the UK government proposed to upgrade the London Underground using PPP, and in 2002 and 2003 London Metro Ltd. signed three 30-year contracts with Tube Lines and the Metronet Consortium on line renewal and maintenance.

The agreement was backed by a loan of EUR 1.3 billion from the European Investment Bank. Ltd. London Underground, employed the transport system while the engineering consortium was responsible for upgrading the infrastructure.

Initial concerns were about the complexity of the PPP contract (which included 135 separate negotiating instruments with more than 2800 pages), security implications, high costs and high returns for private low risk companies.

However, in spite of a seemingly mild transaction, Metronet was in difficulty in 2007, and a government-owned London public transprot company took over. In 2009, Tube Lines also got into trouble and claimed additional funds from the government, and in 2010 it was determined that the London Public Transport Company would take over the Tube Lines commitment to effectively complete PPP.

Countless researchers and institutions have evaluated this "unique" project that has failed.

Portuguese SCUT Road Project[47]

Recently, in Portugal, one PPP concession agreement was considered by the arbitration court as a resolution mechanism. In 2016, the Portuguese government ordered to pay a significant amount in accordance with the concessionaire's request in accordance with the financial balancing mechanism. This imbalance in the financial balance led to specific amendments to the laws that directly affected the particular project. There were real fees for the specific SCUT road project that resulted in a drop in revenue. The concessionaire has filed a lawsuit. Changes in legislation can be regarded as a political risk. Only specific legislative changes give the project company compensation. The risks from changes in the main laws apply to the project company. In this case, the concessionaire won.

[46] London Underground PPP https://bankwatch.org/public-private-partnerships/case-studies/london-underground-ppp

[47] The Public-Private Partnership Law Review - Edition 3 https://www.thelawreviews.co.uk/edition/the-public-private-partnership-law-review-edition-3/1141276/portugal

7. Public-private partnership projects in the world and their future development

Global PPP project overview[48]

This review focuses on countries where PPPs are interesting to investors. In total 23 countries are selected, which according to the database www.infrappworld.com can present significant transactions in 2016. At present, Latin America is becoming more attractive to investors (Brazil, Peru, Colombia, Mexico, Chile, Paraguay and Uruguay with stable PPP projects).

Europe

Overall, the European PPP market, according to the European PPP Expert Center, has fallen from € 27bn in 2006 to € 15bn in 2014. InfraPPP believes that there will be two markets in Europe that will offer significant opportunities for developers of supply-side PPP: Germany and Ireland. Other countries, such as the Netherlands, Turkey and Lithuania, also offer PPP projects in abundant but flooded areas.

In May 2015, the German government announced plans to develop 10-way PPP projects. About 600 km of roads will be repaired and extended. Approximate investment amount is planned at 100 billion euros. In January 2016, the government has already received applications for two projects.

Similarly, in April 2015, the National Road Administration (NRA) in Ireland approved a plan to launch a tender for the creation of 8 toll roads, using it as a PPP. Overall, it would include 230 km of roads and an estimated investment of $ 1.53 billion, of which the private partner is expected to invest $ 1.04 billion.

The Netherlands is not surprising as it has developed the most active PPP program globally and several projects are launched every year in the transport, social infrastructure and flood prevention sectors.

Lithuania is also very active with at least 12 PPP projects - airport concession, several prison projects and road projects. It seems that Lithuania has chosen a good time to design, structure, develop and announce these projects, thus attracting "appetites" from foreign investors.
Turkey It is expected that Turkey will continue to develop mega projects. It is planned that major projects such as the Ankara - Nidge Highway PPP project ($ 1.5 billion) will be launched on the market; Ankara - Kirkkale-Delice highway project (825 million dollars); and the West Antalya Airfield Project.

Africa

The lack of well structured / constructed PPP projects is a major constraint to extend PPP usage. While several countries are working to build sound / sustainable PPP project plans and hire consultants to properly structure PPP projects. It is expected that Ghana and Kenya will reach this level. At present, there are social and transport projects in Ghana, projects in cross-sectoral sectors in Kenya, and transport and energy projects in Nigeria.

[48] Global Outlook PPP Projects 2016 http://www.infrapppworld.com/documents/reports/Global-Outlook-PPP-Projects-2016_file_114.pdf

Asia – Pacific Ocean

In December 2014, China officially approved the Government PPP Center. The Ministry of Finance has produced several documents as PPP guidelines, a description of the assessment of fiscal availability for PPP projects and information on 1,000 projects open to both private and foreign investors, a total of $ 317.75 billion. However, foreign investors are expected while they belong to categories that are supported or permitted in accordance with the Catalog of Foreign Investment Guides.

The Indian government has approved plans to provide projects for private companies in the 5000 km road section with a value of $ 3.2 billion this fiscal year. The project will be announced to applicants after the hybrid annual rental model. The government has also approved the development of 400 railway stations according to the Swiss model - a private company proposes to the government of the project.

Thailand The PPP Committee approved a plan to increase / promote five PPP transport projects. Five PPP transport projects include investments worth about $ 9.27 billion (three metro projects and two road projects).

The Philippines has announced a large number of projects in 2015 and 2016. Currently, 15 PPP projects are in the procurement phase and 10 projects will soon be approved. According to the national plan, foreign companies can only own 40% of public transport, roads, water and other projects.

Japan's interest in PPP projects is growing. Japan already has 2 airport concession projects. Next up is the Aici Prefecture, a toll-free road network.

The PPP market in Australia is still stable and in 2016 several large road projects are being sold.

Central and South America

Brazil has announced a concession for 16 toll roads in 2016 as part of the Investment in Logistics program. They will be judged by the lowest price criterion. Brazil also plans five airfield concessions, incl. El Salvador National Airport, Fortaleza, Florianopolis and Porto Alegre. PPP projects in the road sector in the municipality of Sao Paulo are also planned, just yet not known. The current economic crisis can negatively affect the interest of foreign investors in these pro-markets.

Chile will offer significant opportunities for investment in infrastructure concessions in 2016. Investment opportunities will be about $ 1.13 billion.

Peru offers 20 energy and infrastructure projects with a total prototype of $ 5 billion (including announced projects in 2015 and 2016).
Colombia launches a second wave of road concession projects as part of the 4G Concession Program.

The Uruguayan government has announced two road projects in 2015 and plans for 4 other road PPPs and railways PPPs in 2016.

Paraguay has also announced plans for five PPP projects of 800 million. The value of US dollars, which includes two road projects and an airport project.

North america

Mexico launched the pick-up process for three road concessions: the La Raza Indios Verdes Santa Clara motorway; San Blas - Tepic Highway; Las Varas - Puerto Vallarta Motorway. Submission of the projects was scheduled for 2016. In 2015, the plan to develop 7 hospitals as PPP was approved.

US options vary greatly in each state. Virginia and Pennsylvania are two states that offer the most sustainable environment for PPP projects. In general, PPP projects are being made in the United States for roads, student homes, telecommunications, water and social infrastructure.

Canada has excellent PPP projects where it is headed by Ontario. A total of 35 projects are in progress. Several PPP projects are also being implemented in the provinces of Alberta, Nova Scotia and British Columbia.

The progress of PPP projects in the future[49]

CMS is an organization operating in 42 countries. Has developed an infrastructure index to help make an investment friendly environment.

The highest point among the 40 countries studied is the Netherlands. A strong economy, a transparent and efficient procurement process, along with its record for multibillion euros of road projects, water and social infrastructure, has created an attractive, high-competitive environment for investors.

The United Kingdom is fourth in the Netherlands, Canada and Germany. Brexit and political uncertainty have a significant impact.

Transparency and the development of more diverse, politically attractive mega-projects will be the future direction and a major factor for big investments. Wim Blasse of the Dutch Infrastructure Fund's report on the success of the Netherlands says: "The Dutch government has a consistent policy of coming to PPP, all projects that achieve certain criteria are procured as PPPs. It provides consistency / continuity, which respectively generates large projects, which means that companies can build large teams in the country. " In addition, he states: "Governments must stimulate the economy by building more projects where private equity can invest. There is a lot of private capital that is waiting. "

The Czech Republic ranks 13th among Central and Eastern European countries. Political stability, a strong economy and government support for infrastructure create opportunities for private investment. PPPs are gaining popularity among Central and Eastern European countries such as Poland, Slovakia, Hungary, Romania and Bulgaria.

PPP projects (European Investment Opportunities).

[49] Infrastructure Index - Europe Overview. https://cms.law/en/INT/Publication/Infrastructure-Index-Europe-Overview

The Netherlands - The three main road projects are currently in procurement. Blankenburg tunnel PPP project 600 million euros, 1 billion A13 / 16 Rotterdam and Afsluitdijk road project.

Norway. The National Road Authority recently shut down the new highway PPP project (Rv.3 / Rv.25 Motorway Concession).

Slovakia was the focus of the market when it bought a $ 1bn Bratislava Bypass PPP in 2015 and 2016.

Turkey has successfully financed major PPP projects in the field of transport and health in recent years. Turkey - The development of PPP hospitals in cities such as Koney, Kocaeli, Gaziantep, Izmir, Istanbul Ikitelli, all reached the financial end in 2016 and 2017.

After several years of stagnation, economic growth in Europe has accelerated thanks to domestic demand and export growth.

The Dutch entry process is widely praised for its transparency and efficiency. The Ministry of Infrastructure has monitored the development of state infrastructure since 1798 and has established a high degree of trust among investors.

In the Czech Republic, a procurement process for the highway D4 PPP project is underway to reiterate the success of Slovakia in a similar project.

Spain is currently one of the fastest growing GDP in Europe. In June 2017, the Prime Minister announced "Plan Extraordinario en Carreteras", which provides for an availability of 5 billion euros in the PPP program, which includes investments in 2000 km of roads by 2021 with a 30-year concession.

Poland introduced a PPP policy in 2016 with a new law "The Law on concession contracts for concession activities and services. There are good projects in Poland for transport, social infrastructure and waste-to energy, as well as a well-established PPP unit. Nevertheless, projects with private capital are always challenging.

The Russian government has actively contributed to the development and implementation of the PPP model in the field of infrastructure. In March 2017, a successful financial ending in the third phase of the Moscow Bypass, the first PPP project / transaction in Russia, was marked by marking a construction company as a private equity investor.

8. SWOT analysis

Strengths

PPP can bring significant benefits to traditional purchasing by mobilizing private finance and expertise, promoting efficient use of public funds and improving service quality.

The use of private equity and management can ease fiscal constraints on infrastructure investments and increase efficiency.

A successful PPP ensures a high quality service to the consumer at significantly lower cost to the government compared with making public investment. An effective PPP is able to cover higher borrowing costs (most governments can borrow at a lower cost).
An efficient and innovative tool for meeting the infrastructure needs. The PPP gain derives from the ability of the state to distribute risks between a public and private participant.

Effective competition reduces costs and fosters innovation from the private sector.

Weaknesses

Not always succeed

The benefits and quality of the service must be predictable and measurable during a project that is not an easy task.

PPPs should be monitored on a regular basis to ensure that the private partner achieves the results.

Difficulties in making accurate forecasts, hence the project is overvalued or underestimated.

PPPs are implemented in areas where competition is limited.

The government wants to lower prices, where there is a monopoly, but a private partner to earn.

Since PPPs are large, legally complex contracts, it is difficult to overcome, which complicates the risk transfer assessment.

Private company borrowing rates are two times higher than government borrowing.
PPP projects have relatively high transaction costs (legal and advisory fees).

Large and complicated projects require a longer purchasing process.

The size and complexity of projects poses a risk of corruption.

PPP is a characteristic of inertia - if the contract is concluded, then it is very difficult to switch it and find out the cost. Isolated from saving.

PPP reduces the state's capacity to design, build, finance and operate / maintain infrastructure.

Complexity and technical nature PPP creates a professional barrier to participation, i.e. not available to all interested parties.

As long-term contractual relationships, these projects do not fit standard management and implementation. Consequently, it is common ground that governments tend to underestimate the political composition and resources needed to implement and implement a successful PPP project.

Frequently, PPP rules are not based on reasonable experience and can create barriers to the successful development of PPPs.

PPP involves complexity at all stages (preparation, procurement, financing, contract management) and requires a wide range of skills, some of which may be new to the public sector or difficult to attract and maintain in the public sector.

Lack of donor financier or contractor who could finance PPP in the long run. For example, commercial banks have not experienced to participate in such projects.

PPP's private partners borrow money from banks, pension funds and other investors. PPP does not open a "special" new financial resource.

There are many hidden costs.

Profit comes to the shareholders rather than being invested in the further development / improvement of the further object.

Opportunities

Such projects can improve the efficiency of the infrastructure.

PPP projects can be applied in several areas of social and economic infrastructure.

There is an opportunity to improve the infrastructure, thus promoting the economy faster than waiting for the government to have access to financial resources.

The government uses private capital to invest in infrastructure without increasing the deficit and debt.
The private sector is more innovative management, hence the opportunity to increase efficiency.

By exercising robust PPP control and supervision, it is possible to use them for the government's implementation of the initial plans.

Threats

PPPs may not be built for efficiency, but to circumvent budget constraints and postpone fiscal costs. Bring to low quality and fiscally expensive projects.

The use of PPP projects has only recently begun, with a tendency to increase substantially in recent years and may lead to higher fiscal risks in the future.

PPPs can generate debt-like liabilities to a government where the government pledges to pay for a service contract period and can link the government with a series of random commitments. Very precarious guarantees are not included in government fiscal indicators.

Can be used to avoid expense control and transfer investment costs outside the budget and debt outside the government balance sheet. But the government nevertheless assumes most of the risks and may be faced with high fiscal costs.

Can face corruption and selfish interests.

The private sector can use methods that are less effective only in order to reduce the risk.

The government, by compensating for the risk, may give too much guarantee to the private partner, which can cost the government a long time to pay.

Usually, budget availability and project financing are analyzed by different processes, creating a gap stretch project and a public finance assessment technique. The government can eventually buy a project that can not be funded within the existing budget or leads public finances to significant fiscal risks.

Creates a hidden public debt.

Often, the private sector insists on higher government guarantees to cover the entire risk of the company.

PPPs make it possible to avoid taxes through offshore.

The political pressure to carry out the project as quickly as possible could lead to unwise projects, without assessing the time and resources needed to prepare and procure an adequate PPP project.

Generated PPP laws may not be based on reasonable experience and may create obstacles to the successful development of PPPs.

The complicated technical nature of PPP projects can create confusion about their potential benefits and the need to use them.

Insufficient management by shareholders may lead to opposition or protests.
PPP is chosen not because it is the best solution, but rather to solve issues that are not in a traditional way.

Weak market capacity also affects the effectiveness of the key PPP incentives - the ability of a public institution to replace private partnerships if it goes bankrupt during the project.

Excessive focus on off-balance-sheet accounting can adversely affect the preparation of a well-founded project and can encourage procurement authorities to build PPPs where this is not needed.

The possible risks are that the expenses are out of balance, have long been "wiped under the carpet". However, when the financial and economic crisis broke out, these threats became real countries such as Protugal, Hungary and the United Kingdom.

Typically, payments that start only after the creation of an infrastructure that has been in place for several years after the conclusion of the contract means that these contracts are a powerful tool for not counting public expenditure, not underestimate them, make a biased decision on a PPP scheme that accelerates investment and delays payments. from a public partner to a private partner. This creates the possibility of taking inefficient

projects or effective projects, which are a big burden for future generations to pay, for generations that are not included in the decision-making process.

The attractive PPP promise, now paid afterwards, can lead to unreasonable, insignificant economic developments, to take on such a high risk and too expensive projects that can create difficulties in the future.

The threat of the future is a recent effort by the World Bank, the G20, the OECD and others to promote PPPs to reach the trillions of dollars worth of pension funds, insurance companies and other institutional investors.

The PPP result is negative if a monopoly of concessions is allowed.

Timely contracts accumulate problems for the future. It is difficult to assess how much future commitment is, and whether it is legitimate for other people to pay significant sums in the last 30 years for something they may not even consider as a priority.

Conclusions and Proposals

1. If the Government believes that it is able to implement PPP projects that are related to high risk and large contingent liabilities, then the Government should also be able to quantify the risk associated with PPP projects by including it in the Fiscal Risk Declaration and providing transparency.
2. PPP projects are associated with increased risk due to private partnerships, false cash flows, demand calculations, inadequate risk sharing between public and private partners, and lack of institutional knowledge. PPP projects are legally complex, both due to the fact that part of the regulation is on the Government side and because of the nature of the specific contractual arrangements. The long execution period of a contract increases the likelihood that it may be affected by the economic / financial crisis and other unforeseen circumstances.
3. The private partner's goal will always be profit-making, not the provision of public-benefit or government-related functions, which is particularly faced with obstacles and difficulties during the implementation of the project.
4. It should be noted that, in general, governments tend to save large projects, which is why the state budget assumes most of the risks. According to the IMF study, the cost of a project that failed to reach 1% of GDP or, in the extreme case, 2% of GDP.
5. It is essential to assess the benefits of choosing PPP as compared to traditional investments. According to an IMF study, PPPs have been created in a number of countries not because of their effectiveness, but to circumvent the budget constraints and postpone the fiscal costs of providing infrastructure services to the present, which has led governments in a number of countries to focus on low-quality and fiscally expensive projects.
6. PPP projects can cost more than initially planned and less transparent compared to traditional investments.
7. In general, governments have a tendency to save large projects, thus the state budget assumes most of the risks.
8. Failure of other countries shows that the insufficient attention paid by Latvia to this risk can lead to significant losses to the state budget in the future. Available information available so far shows the lack of transparency and the lack of quantification of PPP project commitments, and hence flaws in fiscal impact and risk assessment.
9. Most countries have worked to streamline PPP strategy, inventory, risk management, etc. based on the negative experience of failures with significant fiscal impact.
10. Several countries have experienced many unsuccessful projects, including Great Britain, Australia, France, Portugal, Croatia, Slovakia, Bulgaria, etc.
11. Taking into account global trends and available information in Latvia, demand for PPP as a solution to the financing of significant public sector investments is expected to increase, hence the crucial issue is the adequacy of risk assessment, quantification and transparency.
12. It is expected that the available funding of EU funds will decrease and Latvia's budget possibilities are limited. Many projects have already been developed (there were already 60 identified potential projects by the year 2102). Consequently, it can be concluded in general that only a few successful PPP projects are needed to make this financing mechanism more widely applied with all its consequences.
13. The government must understand the possible consequences of the decisions that are taken, not only today, but also for future generations.
14. The public has the right to be informed about the efficiency of the funds used by taxpayers.

15. Publicly available information indicates that no comprehensive information has been gathered, therefore, the public is not provided with transparency, there is no common management approach and clarity in PPP projects in Latvia.
16. A clear mechanism for PPP implementation, risk assessment and transparency should be developed before such a financing mechanism is used more widely. Necessary requirements by strengthening the regulatory enactments.
17. Work on developing a methodology for quantifying risk should be initiated immediately, ensuring adequate risk assessment and process transparency.
18. Information about projects and their risks must be publicly available. The International Monetary Fund and the World Bank have developed transparency effects on PPP projects.
19. Consistency in PPP management with respect to the general government sector needs to be respected.
20. In international publications, PPP skeptics often point out that several organizations and consultancies want to be well off at the expense of this complex model and to be at the forefront of the accumulation of large pension funds.

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