

Review Article

**POTENTIALS AND GUIDELINES FOR THE DEVELOPMENT
OF PUBLIC-PRIVATE PARTNERSHIPS AT THE LOCAL LEVEL**

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Abstract. *The examined experience of the EU countries and Bulgaria shows that the PPP is used by the local authorities as a tool to improve the quality of public services while minimizing the costs and achieving better value of the invested funds. The wider application of PPP in some European countries and in Bulgaria, however, faces a number of normative (inadequate normative basis for the functioning of the PPP), economic (undeveloped market relations), financial (insufficient funds) and management (lack of capacity) problems.*

Key words: *Public-Private Partnership, Central and Eastern Europe, non-governmental organizations, European Union, European Commission, European Investment Bank, European Bank for Reconstruction and Development.*

1. INTRODUCTION

The analysis of management and financing of Public-Private Partnerships (PPP) yields a conclusion that there is significant potential for promotion and development of PPP at the local level which, however, has been insufficiently researched and developed yet. The disclosure of unused potentials and the provision of guidelines for the development and a wider use of PPP at the local level is a good basis for structuring a model for managing and financing a particular PPP project.

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2. THE PPP POTENTIALS IN EDUCATION

The PPP potentials in education are a largely unexplored area in the Central and Eastern Europe, including Bulgaria, although the review of educational PPP projects implemented worldwide demonstrates innovation and achievement of high quality parameters of the taught children (See: LaRocque, 2004, p. 9). But it is still too early to make definite conclusions on whether PPP projects are a more suitable option than the traditional form of education.

The existing "best practices" give rise to the following arguments in favour of a wider use of PPP in education (See: *The Role and Impact of Public-Private Partnerships in Education*, 2009, p. 4):

2.1.) PPP projects generate competition on the education market which ultimately promotes the quality of education;

2.2.) PPP contracts are more flexible than most public contracts; a private partner can reform the curriculum and promote the teachers' work more easily than the public school;

2.3.) under PPP contracts, governments/municipalities can choose the private party in an open procedure that defines the specific requirements for promoting education quality;

2.4.) PPP contracts provide for higher level of risk-sharing between the public and private sectors, which leads to more efficiency in the delivery of educational services;

2.5.) PPP contracts allow for savings resulting from a better private management of school property.

There is a number of arguments against (See: *The Role and Impact of Public-Private Partnerships in Education*, 2009, p. 5) a wider use of PPP in education:

a) the PPP reduces the level of the State/municipal control of the public service;

b) the diversification of "educational options" available to students and their families can enhance the socio-economic segregation;

c) some teachers perceive PPP schools as a threat to the stability of their employment;

d) it creates an environment for corrupt practices (See: Kingdon, 2007, 168—195).

In countries where the PPP is insufficiently developed and studied, it may be necessary for the State to change its educational policies and regulatory framework, which shall include: defining the position of private providers in the national and local education strategies; developing clear objectives and consistent criteria that the private sector should meet in order to build and manage schools; introducing school funding systems that integrate the public and the private educational needs and interests; and establishing an effective system of quality assurance. It is important that the State and the municipalities choose their private partners through a transparent, competitive and multi-tier procedure.

In Bulgaria, the experience of using the PPP in education has been mostly limited to providing the logistics, i.e. support in the delivery of materials associated with the educational process. On the whole, at present, there is no interest in the implementation of the PPP in the educational process itself or in the organisation of extracurricular activities; nor is such interest demonstrated by foreign partners. The most obvious reason is a lack of financial (economic) motivation of the business world to be engaged in educational activities. Thus, prior to restructuring the budget system pertaining to the Bulgarian education, the implementation of the PPP models in this sector seems to be just a theoretical assumption.

3. POTENTIAL FOR DEVELOPING INDUSTRIAL PARKS

The opportunities for the implementation of PPP projects through building *industrial parks* for developing innovative production and benefiting from the scientific potential are also poorly explored. Here, we should consider the long-term socio-economic effects of the implementation of these projects.

While private entrepreneurs perceive an industrial park as a lucrative real estate investment, the State and municipalities consider the realized entrepreneurial projects as objects of strategic importance, which further determines the need for their public support. In order to justify the appropriateness of using PPP projects in developing industrial parks, the author of this article identifies the main characteristics of an effective entrepreneurial project, which implies: making the entrepreneur fully responsible for the project realization; using joint capital investments provided by the entrepreneur and the State/municipality; using current funding provided by the entrepreneur; ensuring an even distribution of commercial risk; providing for a shared ownership of assets; implementing a mechanism for income distribution based on a proposed scheme of capital investment and current funding for the site, taking into consideration the economic goals of the participants in the partnership; and taking joint action aimed at attracting potential tenants (lessees).

4. POTENTIAL FOR CREATING CLUSTERS

The development of *clusters* on the basis of the PPP model is a familiar but *insufficiently explored* and thus *unpopular concept* in Bulgaria. The poor awareness of local businesses about the opportunities of participating in PPP projects is one of the main reasons that the "privilege" is primarily enjoyed by large contractors. In developed economies, a reverse tendency may be observed; the SMEs are more active and more interested in such business projects because they can seldom afford to develop a brand new, innovative and competitive product on their own.

In the author's opinion, the application of SME-oriented clusters based on the PPP would be beneficial for the local and regional development because the process of creating cluster unions is an interim step towards developing the innovation economy. In a competitive struggle, the cluster participants pool their resources and the financial institutions resources to create new products, to achieve greater economic efficiency and to gain access to new technologies and new markets.

The opportunities for developing clusters through the PPP are embodied in the following collaboration models which entail distinctive organizational features and objectives: the Operational model, the Concession model and the Cooperative model.

4.1.1. The operational model

In this model, the investor assumes the responsibility for the operation of a State/municipal site and receives relevant remuneration for his services, whereas the State/municipality is responsible for exercising the public role towards the consumers (the cluster users) who pay for this service. In such a case, the State/municipality invests its own resources to create an industrial park and is officially its owner, while the entrepreneur's role is limited to providing services for the infrastructural development of the in-

dustrial park and its operation. The development of such relations is acceptable for organizing infrastructure sites in major public business sectors. The use of budget funds significantly limits the breadth of using such a project realisation model. This model is suitable for the following cluster infrastructure sites: business incubators, training centres, centres for shared use of technologies, etc.

4.1.2. The concession model

In this model, the investor undertakes some activities or provides certain types of services to the end users, and he is entitled to directly fund his costs from the fees charged for using the site. In such a case, the entrepreneur (*concessionaire*) bears the responsibility for exercising the social function and the State/municipality (*concessor*) retains its control functions. This scheme remains most popular in Europe (including Bulgaria) because it makes provisions for the realization of large socially-oriented projects without significant budgetary funding. Therefore, this model is used in infrastructure sites of social and public significance.

4.1.3. The cooperative model

The public functions are embodied in a joint venture which is created by the State/municipality in cooperation with one or more private companies. The model is most acceptable in innovative and knowledge-intensive projects (technological parks, industrial clusters, etc.). The project implementation scheme is based on the budgetary funding of capital investments in the infrastructure and the provision of land, while all other activities are performed by the investor. The practice of implemented projects confirms that the investors' preferential choice is the construction of projects whose budgetary funds allow for savings of up to 20% of the total amount of investments for the project realization. A separate company is established for the management, coordination and contract monitoring but its functions are limited to the phased tracking of the project realization. Another option is to establish a company which is 100% controlled by the State/municipality and which in turn enters into PPP contracts with the interested investors.

5. OPPORTUNITIES AND GUIDELINES TO IMPROVE THE LEGISLATIVE FRAMEWORK

The specialists and experts' attitude to improving the PPP legal regulations in Bulgaria is controversial and implies the following *alternatives*: drafting and enacting a legislative act on the PPP; amending the legal provisions of the effective laws that provide for the inclusion of the PPP in the system of effective legislation; and using the existing legal regulations.

The first alternative has undeniable advantages but raises serious political debates which slow down its implementation¹. There is a serious argument in favour of this alternative which indicates that "the current regulation is chaotic, fragmented and contra-

¹ In Bulgaria, there has been a lot of debate recently on the issue of drafting and enacting a special legislative act on PPP which is to regulate the relations between the public authorities and the private business. A draft has been proposed in two successive parliamentary sessions but it has not been adopted yet.

dictory because the term “PPP” has different meanings and different contents in different legal acts. A special legislative act on the PPP, which is to unify, harmonize and systematize the regulations in this area, "would be a precondition for the development of public-private partnerships" (See: Ivanov, 2009).

The need to create the PPP legal framework is discussed in the analysis of the PWHC (See: Developing PPPs in New Europe, 2007) and the Centre for the Study of Democracy (See: Legal regulations on PPP, 2009). The main conclusion is that the rapid spread of PPP in Bulgaria is not so hampered by a lack of the legal framework but rather by a lack of knowledge on this legal framework on the part of the public and private sectors.

There are many experts who believe that the PPP does not need a special legislative framework (See: Gospodinov, 2010). In their opinion, *the second alternative* is easier to implement because it involves drafting legislative proposals (bills) aimed at amending the texts of some effective laws. The proponents of this alternative argue that the European Commission is opposed to enacting special PPP regulation, considering that its directives encourage the use of public procurements and concessions. The European experience demonstrates that the structure and successful implementation of PPP is not only a question of providing better legal regulation but also a matter of promoting the understanding of the PPP concepts by the state and local authorities, developing the skills and competencies of the administrative staff to implement the PPP and enhancing the capacity of businesses to provide the necessary services.

The lack of explicit and unambiguous legal regulations impedes the participants in the PPP projects, especially in understanding the fundamental objectives and the stages of their implementation, the roles and responsibilities of the administration and businesses. However, there is still no answer to the question to what extent the special legislation would facilitate the PPP projects and contribute to their effective realization.

A special PPP act can be a useful tool but its adoption generally does not solve all problems. The control provided by the civil society and the relevant auditing bodies (such as the Audit Office) provides an opportunity to suspend the existing corrupt practices in PPP, or at least to reduce them. Hence, the adoption of a PPP act is not the only precondition. The lack of a PPP act is not an excuse for distorting or improperly understanding the PPP concept. It should be emphasized that the PPP implies partnerships between the private business and the public sector but that their relations that are actually aimed at providing socially important services or products.

For the purposes of drafting a PPP act, the Bulgarian authorities established an inter-agency working group which included a number of administration experts from the Council of Ministers, the Ministry of Finance, the Ministry of Transport, Information Technology and Communications as well as a number of external experts².

The main purpose of this bill is to establish a legal framework for the PPP, based on the European rules and practices, which is to fill in the existing legal gaps.

The bill defines the PPP concept and outlines its main characteristics and application areas. The new type of PPP, which is laid down in the bill, is the *partnership contract*. This kind of contract is considered to contain the main characteristics of the PPP. Under this contract, the remuneration for the private partner comes directly from the State or

² The author joined the working group in the capacity of an expert.

municipality; it means that the private partner does not generate revenue directly from the users of public services even when the received income does not cover the project costs. The bill envisages the possibility for the public partner to co-finance or provide financial support for the implementation of the project, subject to observing specific terms and conditions. In the partnership contract, the choice of the private partner shall be subject to the conditions set forth in the PPP Act and in the Public Procurement Act. The bill was passed by the Council of Ministers and reviewed by the National Assembly committees.

In the author's opinion, the PPP Bill should be amended so as to include:

5.1.1. The specific criteria on the basis of which the PPP projects will be evaluated by experts/units involved;

5.1.2. The development of specific tendering procedures (open, restricted and competitive dialogue), subject to the relevant European Directives 2004/17 and 2004/18.

5.1.3. The requirements which have to be met in order to make the project eligible for budget financing.

5.1.4. The procedures for submission and evaluation of PPP projects.

The adoption of this legislative act is most likely to give rise to another problem concerning the overlapping of some legal rules, which would further complicate the implementation of the regulatory framework in this field. This requires a thorough study of the existing legal framework in order to avoid duplication, possible inconsistencies and contradictions between different regulations. In Bulgaria, as well as in other countries, the PPP often is often embodied in the form of concession or public procurement. Currently, the Bulgarian legislation includes well-developed and harmonized legal provisions on concessions and public procurement. The legislator should focus on synchronizing the PPP Act with the legislative acts on public procurement and concessions. In the author's opinion, it is also possible to consider an alternative solution: to repeal both laws and relevant regulations; to enact a code which would integrate the practice, the postulates and the legal provisions of both legislative acts and which would include the legal provisions on the PPP aimed at: defining the PPP concept; regulating the supervisory bodies for the implementation of PPP; considering the possibility of defining the PPP on a regional basis (level NUTS 2); and indicating the managing and controlling bodies on the part of the public sector which would be involved in the implementation of the PPP projects.

The Bulgarian legislator has good experience in making codes (governing, for example, insurance matters, family relations, social security, etc). Given that the development of PPP and its benefits are quite obvious, the definition of its legal framework and its basic forms (concessions and public procurements) in such a code is neither an impossible nor an unrealistic idea.

6. OPPORTUNITIES AND GUIDELINES FOR IMPROVING THE INSTITUTIONAL INFRASTRUCTURE

In line with the models used in many European countries, the institutional infrastructure must be based on a *coordination unit at the central level*. Such a unit already operates in the structure of the "Real Sector Finance" Directorate at the Ministry of Finance. It focuses the existing expert potential of the state administration in the field of PPP. The main task of this unit is to prepare assessments of PPP projects as well as opinions on the accompanying project analyses (financial, legal, technical, etc).

The assessments should be carried out at two levels: at the expert level by the "Real Sector Finance" Directorate at the Ministry of Finance, and at the interdepartmental level through a committee comprising representatives of state institutions (ministries and their respective agencies).

This approach takes advantage of the accumulated expert experience in the field of PPP and provides "first hand" information that prompts the assignment of public funds to the private partner. The task of the expert unit is to assess whether the project is cost-effective, whether the "value for money" is guaranteed and whether the project risks are well distributed. The interests of the public sector can also be protected by an assessment at the intergovernmental level which is to determine whether a particular project complies with specific state policies and strategies.

On its part, the private sector must also have expert potential to assess (from its point of view) how profitable a particular project would be, taking into consideration its technical specifications, expected investments, the taken risks and terms. In the European Union, such assistance is provided by independent consultants (for example: Allen & Overy) as well as by non-governmental organizations that specialize in this field.

The support of specialized scientific centres, consulting companies, centres of competence, and libraries for investment projects is needed for the successful implementation of the PPP projects. This will help resolving the problem concerning the transfer of information and experience, and it will also develop a practice for the application of PPP mechanisms at different levels (sectoral, regional, municipal) on the basis of jointly developed standards tested in practice.

Therefore, it is appropriate to establish special institutes to perform independent evaluations of the effectiveness of the participation in the project for each of the parties and the assessment of the general socio-economic efficiency of one or another PPP program.

Regional competence centres should be present at the regional level. These centres should cooperate with the local authorities in developing the PPP strategies and policies tailored to the local circumstances and facilitate the preparation of tender proposals for PPP projects. Meanwhile, these centres can perform informative and explanatory functions in favour of the businesses.

Last but not least, supervisory units should be fully operative. They should verify the proper administration of the tender procedures, report on the success of the ongoing PPP projects, check for irregularities in their implementation and impose sanctions if necessary. These units, like the expert units, can operate at national and local level.

In Bulgaria, there is no specialized body that deals with the control and regulation of the PPP. The supervisory and regulatory functions on behalf of the state are performed either by the competent ministries and departments responsible for that sector or by administrative bodies specially authorized for that purpose.

It is recommended to use the experience of the developed countries, where the state regulation of business partnerships is organized so as to cover groups of interrelated industries. Such groups may include: the sectors of fuel and energy (electricity, gas and oil pipelines), transportation (railways and roads, seaports and airports), utilities (water and heat supply, housing and utilities). There are no special control structures for the regulation of partner relations. The specific functions of regulation and control are performed by the ministries and departments of a corresponding profile or by the institutional structures established thereby. In the EU countries, the various PPP aspects are administered by the

Ministries of Economy, Finance and different infrastructure ministries, as well as by the Ministries of Regional Development, Defence, Interior, Education and Health.

The state may establish special agencies for each economic sector where partnerships are developed, primarily in the form of concessions (for example: in Poland, the corresponding institutional structures are established separately for the roads, railways, electricity, forestry, etc.). The State may establish a single supervisory body for all or most of the economic sectors, as it has been done in Serbia.

An essential element in this mechanism should be the availability of information about the PPP. In line with the practice in the EU, it would be useful to develop a customized web-portal which would provide information about the PPP opportunities in some areas and where the available tender procedures should be published.

As the Bulgarian society is quite unfamiliar with the concept of PPP, the national/local authorities and non-governmental organizations should organize general promotion campaigns as well as conferences, seminars and trainings among the businesses.

7. OPPORTUNITIES AND GUIDELINES FOR DEVELOPING PPP BY ESTABLISHING REGIONAL PPP CENTRES

The development of a country's economy and the increase of its competitiveness is impossible without promoting regional development. The synergy of the economic growth of different regions is the element which may increase the overall competitiveness of the country as a whole. This explains the relevance and the necessity of establishing new institutions and improving the existing for regional development institutions.

The establishment of the PPP market should be made in accordance with the corresponding sectoral and regional development strategies, whereas the main mechanism for their implementation should be the provision of competitive procedures for awarding PPP contracts and their subsequent implementation. The state and local authorities should be responsible for the organization of the PPP projects.

In preparing PPP projects, the authorities should not only deal with organizational issues (such as the competition rules and selection criteria) but they should also provide for the risk management on the project, in line with their own contractual obligations.

In order to overcome the identified problems and shortcomings of PPP at the local level, it is appropriate to establish special institutions which will prepare, launch and manage PPP projects in the form of *regional PPP centres*. In the author's opinion, their activities should be based on the following powers and responsibilities:

7.1. The Centre is "embedded" in the system of state/municipal government/self-government bodies/authorities; it solves problems related to the socio-economic development of the region/municipality and it is part of that system. The Centre is responsible for the development of PPP for the purpose of assisting the public sector to solve problems in the field of the socio-economic development of the region/municipality.

7.2. The Centre is authorized to adopt decisions on matters within its competence on behalf of the regional/local authorities.

7.3. The Centre should have the expertise and the budget to work on the organization of PPP projects.

7.4. The Centre regularly interacts with the state institutions for development on issues concerning the methodology of project organization, thereby ensuring the quality of the decisions reached at the municipal level in the implementation of the PPP projects.

7.5. The Centre operates in compliance with a standardized regulation, ensuring the legitimacy and transparency of the PPP procedures, and achieving results that are appropriate for the gathering extra-budgetary funding for capital construction.

7.6. The Centre has the power to monitor how the municipalities and regions perform their obligations towards private partners and organizations funding the PPP contract.

7.7. The Centre recruits its own staff whose working potential should be sufficient for organizing the PPP projects and evaluating the quality of work of the external specialists (organizations) involved in the work on the projects.

The functions of the PPP centres may include:

a) improving the normative framework for PPP (e.g. proposing PPP bills or amendments to the existing laws; preparing orders for the PPP management and development; preparing the local normative acts relating to the PPP, and others);

b) ensuring the integration of the PPP program in the planning system in order to implement only the projects included in the list of priority projects of the region/municipality;

c) ensuring the implementation of PPP projects and assuming environmental, social and other important responsibilities;

d) promoting the PPP mechanism among potential investors and financiers.

The PPP regional centres may be an important source of information for the investors, the state and local authorities, and their administrations; they can also coordinate the PPP activities in various sectors. Thus, there is an opportunity to establish a PPP program which is coherent for the investors and the public authorities alike.

8. OPPORTUNITIES AND GUIDELINES FOR THE PROMOTION OF PPP BY ESTABLISHING DEVELOPMENT BANKS

A significant obstacle to the development of the PPP at the local level is the absence of sufficient financial resources of the local businesses. Therefore, when implementing regional and local PPP projects it is inevitable to invite international and Bulgarian banks to act as partners. This can be done through crediting, issuing shares and bonds, providing state and municipal securities, and raising public funds through pension investment funds.

The investment activity in sectors which are considered to be important for the country's development can be stimulated through state institutions for development, including development banks. There are currently around 750 institutes for development operating worldwide, most of which are banks. The development banks play a significant role in restructuring the economy of Germany, Japan, China, Italy, India and Brazil. Once again it proves that the use of market mechanisms alone is insufficient for the optimal development of the national economy.

Bulgaria is no exception in this regard. The Bulgarian Development Bank was established in 1999; until the year 2008, it was called the Encouragement Bank. A special ser-

vice provided by this bank are PPP credits³; the entities which are entitled to apply for funding are public-private companies (in all economic branches and sectors of social and societal impact) which undertake any socially useful, economically viable and environmentally friendly investment on the territory of respective municipality. Projects that receive funds from the Structural and Cohesion Funds are suitable for funding; the minimum amount of the credit is 100 000 BGN⁴.

Despite the available opportunity, the amount of funds allocated to PPP loans is modest and well below the levels observed in the leading countries in this field (e.g. the Czech Republic and Germany). In this respect, Bulgaria needs to explore and implement the international experiences concerning the establishment and operation of development banks. In order to provide for the accelerated development of the country and the regions, it is necessary to generate additional investment resources, which in turn requires the modernization of the PPP funding mechanism.

9. OPPORTUNITIES FOR PPP FUNDING FROM THE EU FUNDS

The PPP projects can be partially funded by resources from the EU funds⁵. The structural funds for the period 2007-2013 give the Member States the opportunity to implement operational programs through PPP projects organized in cooperation with the European Investment Bank (EIB), other banks and investment funds, and in cooperation with the private sector as a whole. The initiatives aiming to combine the structural funds with the PPP projects can be based on:

9.1. the JASPERS⁶ mechanism for developing projects launched together with the EIB and the European Bank for Reconstruction and Development (EBRD), which aims to provide necessary assistance at any stage of the project cycle of a given PPP infrastructure.

9.2. the JESSICA⁷ initiative for sustainable investments in urban areas for PPP projects/urban areas in an integrated plan for urban development, which provides funding the construction of industrial zones, parking lots, sports facilities and social housing.

9.3. the JEREMIE⁸ initiative whose aim is to provide assistance in establishing new enterprises and improving the enterprises' access to funding.

There is a perception that combining different sets of EU and national rules, practices and schedules in one project can be complicated and counterproductive. However, in many cases a given PPP may offer the optimal approach to projects implementation. Strengthening the institutional capacity of the Member States and providing a more practical guidance on combining Community funding with PPP should help the national and

³ See: <http://www.bbr.bg/bg/пчп.html>

⁴ See: <http://www.bbr.bg/bg/%D0%BF%D1%87%D0%BF.html>

⁵ There are already some examples of PPP co-funding, though still not many. According to a survey of the Directorate General for Regional Policy, seven Member States have experience with PPP with a component from a structural fund. There are two Greek projects among them: the building of the Charilaos Trikoupi Bridge and the construction of the bypass road of the city of Athens. Another such project is the construction of a railway line between Perpignan (France) and Figueres (Spain).

⁶ Joint Assistance to Support Projects in European Regions.

⁷ Joint European Support for Sustainable Investment in City Areas.

⁸ Joint European Resources for Micro to Medium Enterprises

local administrations resort more frequently to PPP when making funding decisions for future large projects.

It has been already stated that the European Commission published a communication in November 2009 demonstrating its unequivocal support for the developing of PPP (See: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Mobilising private and public investment for recovery and long-term structural change: Developing Public Private Partnerships, p. 7, COM (2009). The document defined the PPP as an effective instrument and as an exit route out of the global financial and economic crisis; it also prompted the governments and businesses to engage in a closer cooperation in areas of public interest, which will eventually compensate for the higher potential risk taken with increased amounts of auxiliary financial instruments provided by the European institutions, in particular by the European Commission, the European Investment Bank and the European Bank for Reconstruction and Development.

If a *hybrid model for project funding and management* is adopted, there will be opportunities for more PPP projects of better quality. This model combines the absorption of funds from the European programs by municipalities whereas the private sector is required to provide the expertise and partial funding. The prospects of such cooperation are supported by the following facts:

a) The involvement of a private partner in a PPP project often turns out to be a guarantee for success because; in most cases, the private partner evaluates the return of the investments before deciding to participate in the project.

b) In practice, the absolute amount of funding for the specified project provided by the public partner is decreased, which makes it possible for more projects to be co-funded from the budget for the specific operational program.

c) There is an opportunity to provide an equitable participation of the public partner (a minimum of 15 % co-funding) by using the revenue of the public-private entity. This is especially true for municipalities that are in critical condition in terms of the available funds after repaying credits or due to insufficient revenue.

d) The launching of one part of the investment project according to the PPP mechanism allows for a more realistic evaluation of the revenue and costs associated with the implementation of its other parts.

10. OPPORTUNITIES AND GUIDELINES TO ENSURE PUBLICITY AND PUBLIC PARTICIPATION IN THE PROCESS OF PPP REALIZATION

The problem analysis given in the previous paragraph pertaining to the knowledge and attitudes towards the PPP clearly reveals a significant information deficiency among the representatives of private organizations and citizens in terms of understanding the nature of the PPP, the forms and tools for implementing such initiatives.

In order to overcome the information deficiency and the low thrust of the general public, it is appropriate to *plan and implement a long-term information policy* and to clarify the nature of the public services which can be provided through PPP regarding their basic characteristics, consumers and suppliers. It is necessary to present, clearly and in detail, the functions and obligations of the local authority in connection with providing the particular groups of public services, the sources and the opportunities for their funding.

The second goal should be to *prove information and clarifications* about the nature of the PPP with respect to: the basic models and characteristics, the implementation and interaction modes between the local authority and the private organizations in the process of planning, the implementation and control of the PPP initiatives, the risks and opportunities to overcome them, the conditions for ensuring the accessibility of public services, and the possibilities to manage the price of public services. The public services that are already being carried out through PPP should be used as appropriate models for clarifying the approaches to providing and managing these public services.

The main *target groups* of such information campaigns should be the citizens and the businesses; the information and messages should be consistent with the basic characteristics and differences between the groups. The specific target groups which particularly need information on the nature and implementation of PPP are: young people under the age of 25; people over the age of 60; unemployed and inactive people on the labour market; micro and small companies as well as companies that operate outside the municipal centres.

For the purpose of promoting the publicity of the planning processes and the implementation of PPP initiatives, it is appropriate to create a public register of public-private partnerships realized within the municipality. The basic elements and reference points of such a register could be: (see Fig. 2.3.1.)

11. FRAMEWORK OF INDICATORS FOR ASSESSING THE POTENTIALS OF PUBLIC SERVICES FOR THE IMPLEMENTATION OF PPP

The framework of indicators has to determine services that the municipality provides and that concurrently satisfy the preconditions for implementation of PPP. The possible *criteria* for prioritizing specific projects for providing public services through PPP may be:

- a) the *degree of urgency* - inadequate quality of the provided service, affecting a significant number of the municipality population or creating significant impediments to the economic activity of companies operating on the territory of the municipality;
- b) the ability to *expand the scope and variety* of the service provided;
- c) the political and legislative framework: the presence of *political will and public support* for providing a certain service through PPP;
- d) the *legal admissibility* of providing a certain service through PPP - distinguishing the basic functions of the local authority and preserving the independence from subsidiary functions which may be transferred to the private sector (e.g., the service provided by a municipal enterprise);
- e) no significant *administrative obstacles*: (e.g., the need for continuous restructuring);
- f) the opportunities for project realization and commercial interest for the private sector;
- g) the *market attractiveness of the PPP structure*: sufficient interest of the private sector to provide a service through PPP; sufficient capacity among the private companies to provide a service through PPP;
- h) *the project volume*: sufficiency of the generated revenue and savings for the private partner in order to compensate the necessary investments;
- i) *the project period*: the period of operation/the contract period allows recovery of the costs and accumulation of a reasonable profit for the private partner;

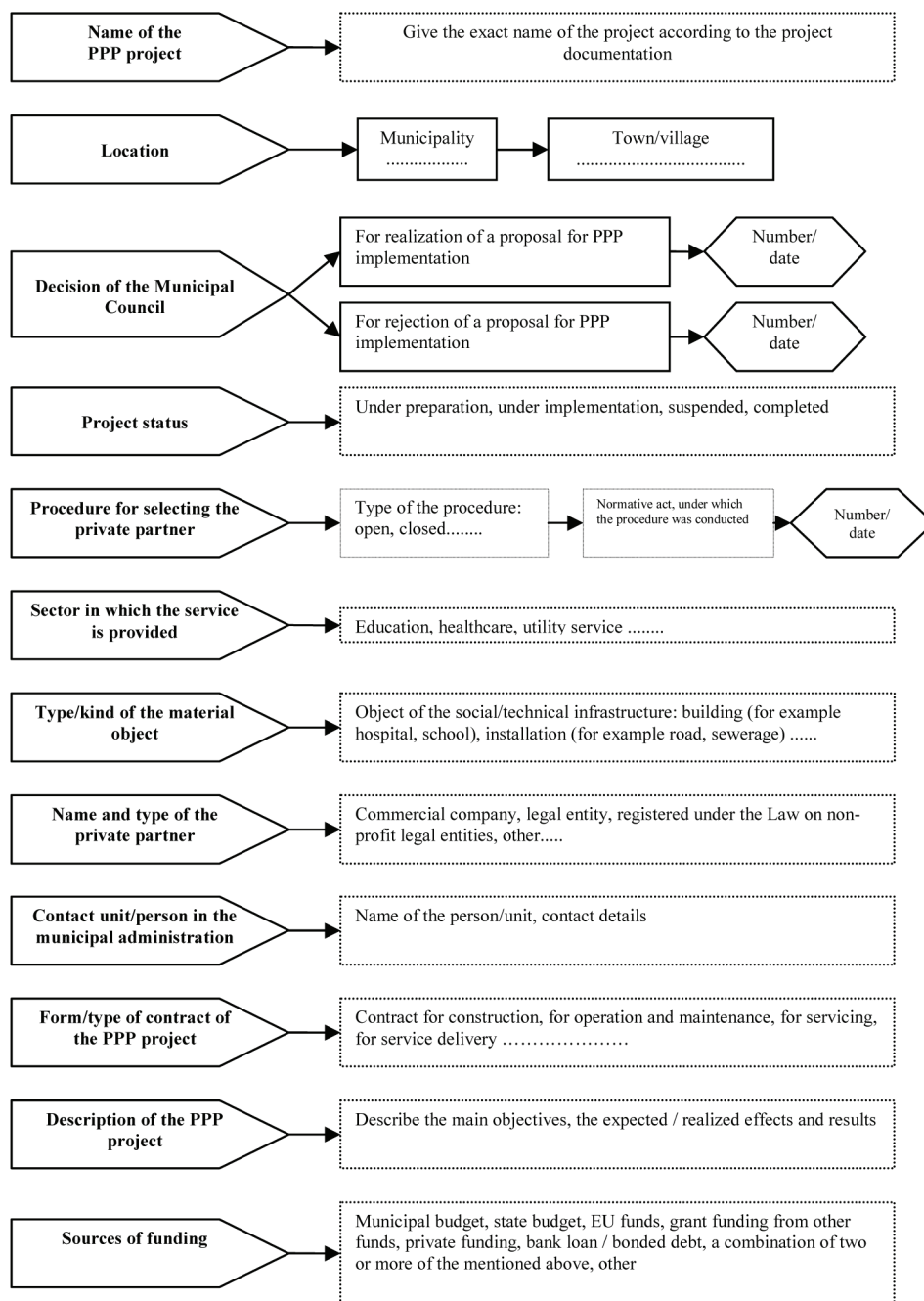


Fig. 2.3.1. Municipal PPP register: basic elements

j) *the mode of payment*: the applied mode of payment is based on the measurement of the service provided and ensures an opportunity for the private partner to generate profit throughout the entire project period;

k) the ability to ensure *efficient distribution and transfer of risks to the private partner* as well as acceptance of this distribution by the private partner;

l) the ability to *ensure the quality of the provided service*: capacity of the private partner to ensure the quality of the provided service and alternatives in case of the private partner's bankruptcy.

m) project *prioritising* to provide the public service in accordance with a long-term document for development of the municipality, creating an opportunity for rapid implementation of the project through ensured financial support within the municipal budget;

n) the ability to ensure *financial control and transparency* during the implementation;

o) the ability to provide *public access*, equality of disadvantaged groups, conformity to the standards governing health and safety of the population.

By applying the framework of indicators, the municipal authorities may prepare a "*map*" of public services provided at the municipal which corresponds to the preliminary assessment of conformity for applying PPP.

CONCLUSION

In Bulgaria, there are considerable potentials and opportunities for the promotion, development wider application of the PPP at local level, which have not been sufficiently researched and exploited yet.

The public services are used by the entire population and their quality is essential because the citizens indirectly finance the public sector by paying local taxes and fees. Economic efficiency, social validity and quality are the key arguments in favour of using the PPP as a good approach in providing public services.

Given the fact that the PPP projects are not uniform, the local authorities are faced with the choice of using a "pragmatic" solution: the most cost-effective method which would ensure the effective project implementation as well as socially affordable public services.

In conclusion, there is an opportunity to increase the effectiveness of the PPP by establishing adequate instruments for managing the process of their initiation, planning, implementation and control. This implies the need to structure the process-oriented PPP model which is to serve as a point of reference.

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POTENCIJALI I SMERNICE ZA RAZVOJ JAVNO-PRIVATNOG PARTNERSTVA NA LOKALNOM NIVOU

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Predmet analize u ovom radu su iskustva evropskih zemalja i Bugarske u oblasti javno-privatnog partnerstva koja pokazuju da lokalne vlasti koriste institut javno-privatnog partnerstva kao sredstvo za unapređenje kvaliteta javnih službi, pri čemu se minimalizuju troškovi i postiže bolja vrednost investiranih finansijskih sredstava. Međutim, šira primena javno-privatnog partnerstva u nekim evroskim državama i Bugarskoj onemogućena je nizom normativnih problema (neadekvatan normativni okvir za funkcionisanje javno-privatnog partnerstva), ekonomskih problema (nerazvijeni tržišni odnosi), finansijskih problema (nedovoljna finansijska sredstva) i problema u upravljanju ovim projektima (nevodoljnih kapaciteta).

Ključne reči: *javno-privatno partnerstvo, Centralna i Istočna Evropa, nevladine organizacije, Evropska unija, Evropska komisija, Evropska investiciona banka, Evropska banka za rekonstrukciju i razvoj*