

The Challenges of PPP implementation in Lithuania

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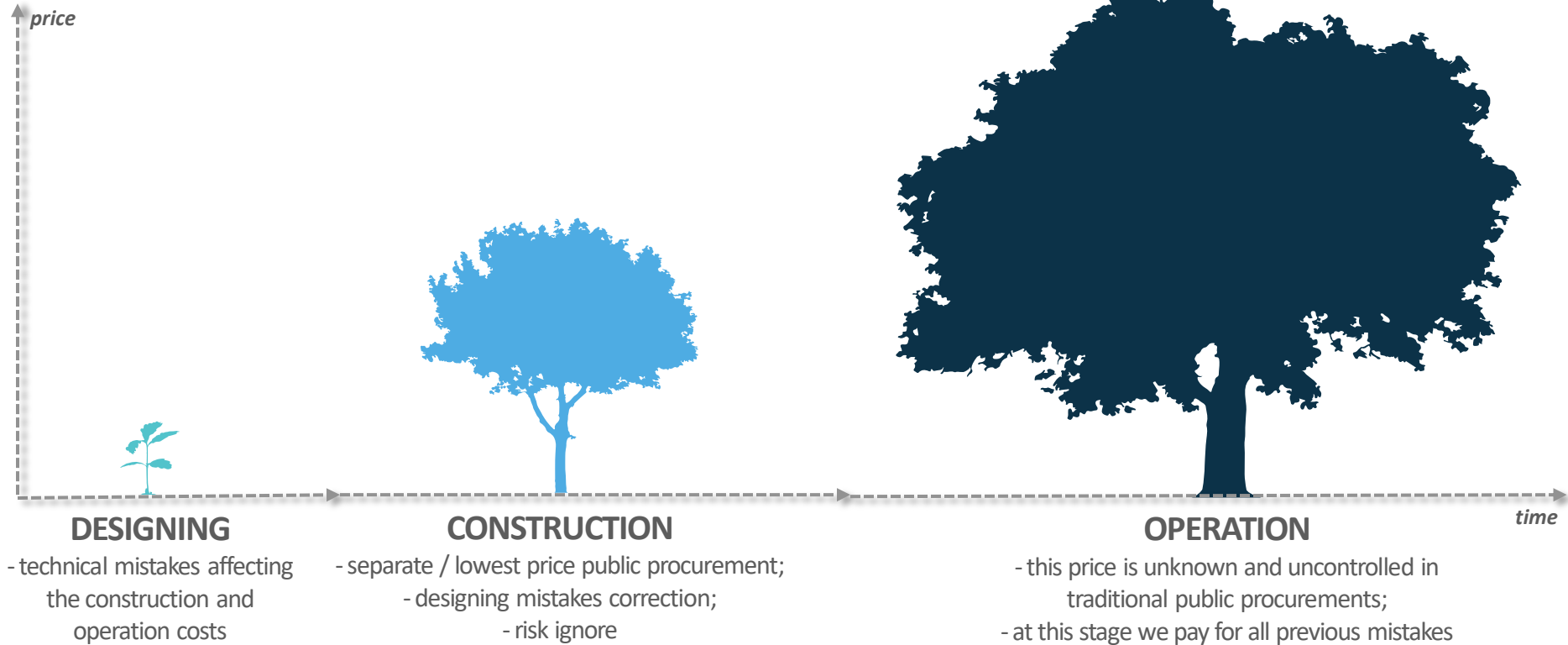
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PPP LITHUANIA
CENTRAL PROJECT
MANAGEMENT AGENCY



WHY IS IT SO EASY TO BUY CONSTRUCTION AND SO HARD TO BUY CONSTRUCTION WITH THE OPERATION?



PPP DEVELOPMENT IN LITHUANIA

2008

- the National Audit Office published an audit report about PPP regulation problems in Lithuania
- the Government approved a new program task: developing PPP in Lithuania

2010-2012

- the Government approved PPP promotion program

2017

- starting budget and investments planning reform
- 2014 Public procurement and Concessions directives transposition into national law
- additional function to PPP competence center: to assess all PPP projects and provide the conclusion on their social economic impact to society and added value of partnership



1996

- Concessions law was adopted

2009

- PPP concept was regulated in Investments law
- PPP competence center was established
- PPP process was regulated

2010-2015

- PPP competence center (with a ministry of Finance) implemented capacity building project, the result of which: were developed methodologies and training programs, trained public bodies employees, granted experts support for initiated PPP projects etc.

REVIEW OF THE LITHUANIAN PPP MARKET SINCE 1996

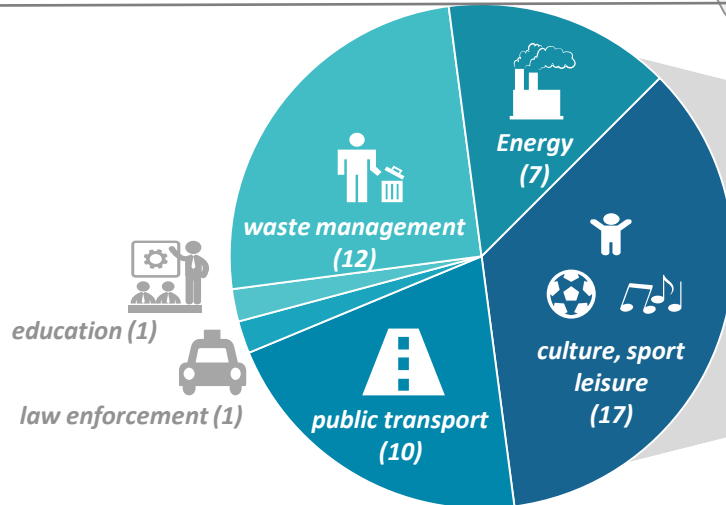
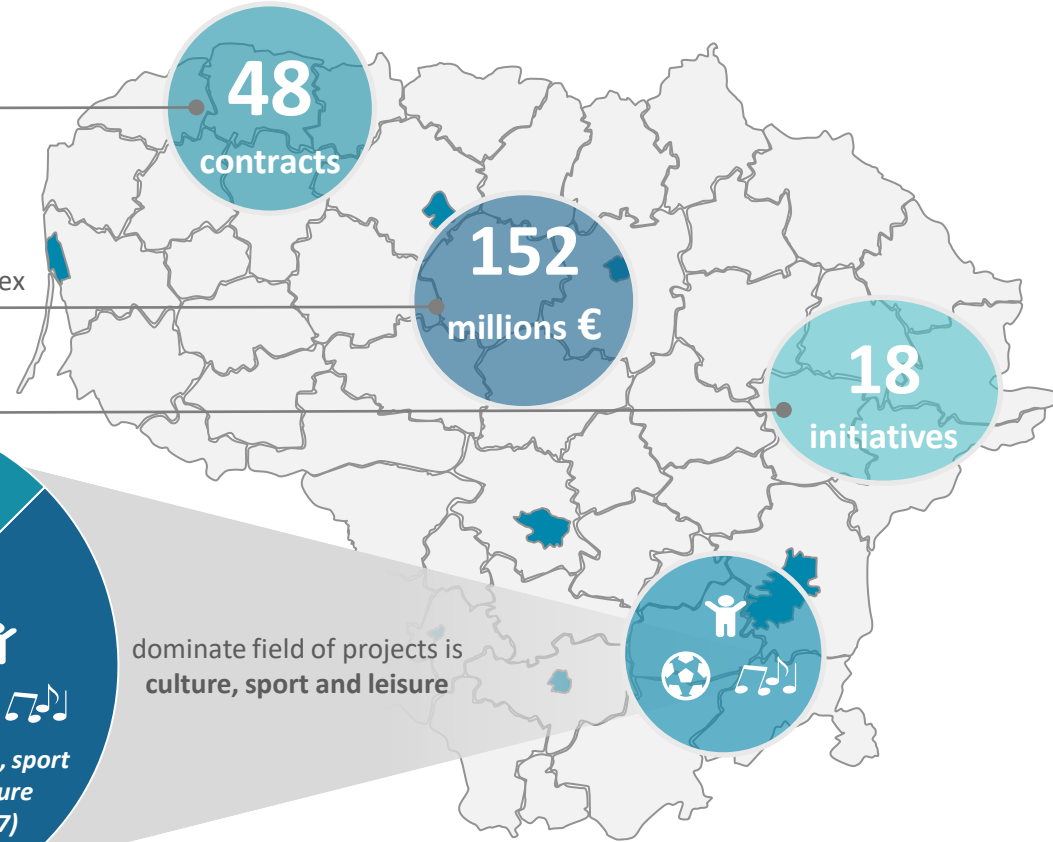
48 PPP contracts are signed:

by type: 45 concessions / 3 PFI;

by owner: 44 municipality / 4 central government

over 152 millions EUR private investments made in capex

18 projects are in PPP procedure process



WHICH CONTRACTS ARE CALLED PPP IN LITHUANIA?



(2010) school project in Vilnius



(2013) bypass project in Palanga



(2016) Headquarter and custody project in Vilnius

SOCIAL (PFI)

PPP

„the ways of co-operation between a public authority and a private entity, whereby the public authority transfers to the private entity the activity assigned to its functions, while the private entity invests into this activity and the assets required for carrying it out“ – *Investments law*

(concessions) ECONOMIC



(2009) inner skiing tracks project in Druskininkai



(2017) parking by the hospitals project in Vilnius



(2018) Concert hall project in Palanga

HOW DOES THE PPP PROCESS WORKS?



from idea

1



INVESTMENT PROJECT

what is the best way to solve the problem and how much it costs?

PROJECT OWNER – prepares document
CPMA – assess it

2



PARTNERSHIP DATA

will the implementation of the project with the private partner bring the benefit?

PROJECT OWNER – prepares document
CPMA – assess it

DECISION TO IMPLEMENT

does the project owner confirms his intentions to implement the project and assume its obligations?

GOVERNMENT / MUNICIPALITY COUNCIL
– makes a decision

3



4



PRIVATE PARTNER SELECTION PROCESS

how to choose the most effective way to implement the project? and how to implement it for a lower price than it was calculated by the public authority?

PROJECT OWNER – prepares selection documents and performs procedures
CPMA – assess selection documents

5



ASSESSMENT OF FINANCIAL CONDITIONS

whether public sector liabilities can be off-balance sheet and do not affect the country's fiscal discipline indicators?

MINISTRY OF FINANCE – assess financial conditions of agreement



to contract



CPMA ROLE



**METODOLOGIES,
WORKING TOOLS,
STANDART DOCUMENTS**



**CONSULTANCY AND
ADVISE FOR PROJECTS
OWNERS**



**TRAINING FOR PROJECTS
OWNERS, FINANCING
INSTITUTIONS, EVALUATORS,
CONTROL BODIES**



**INITIATIVES AND
PROPOSALS FOR
IMPROVEMENT OF THE
INVESTMENT AND PPP
ENVIROMENT**

OUR TEAM



CHALLENGES:

- Get and keep experts;
- Work load;
- Very broad scope of tasks.

TEAM OF EXTERNAL EXPERTS

FRAMEWORK AGREEMENTS WITH CONSULTANCY FIRMS AND INDIVIDUAL EXPERTS

MAIN CPMA METHODOLOGIES / GUIDES (1 OF 2)



PPP Handbook

PPP in Lithuania and other countries, beneficial for people who are not familiar with PPP.



Private PPP project initiative

The rules of the preparation and evaluation of the unsolicited proposal.



Market research and communication plan

Market analysis, methodological guidance for stakeholders identification, planning and organization of communication.



Investment project

Methodological guidance on project identification and formulation, financial, economic and social analysis, risk assessment, etc.

DCF model for calculation of cashflows and indicators.

MAIN CPMA METHODOLOGIES / GUIDES (2 OF 2)



Partnership questionnaire

Definition of the scope of PPP, assessment of PPP suitability, possibility to transfer property and services, risk assessment and sharing, added value of PPP, etc.



Selection of private partner

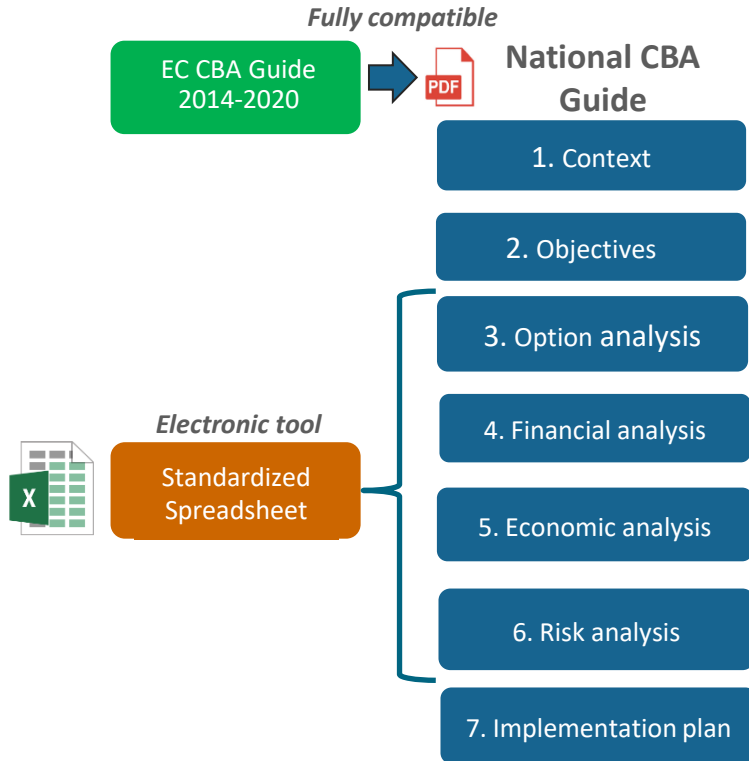
Preparation of tender documents, organization of tenders, evaluation of tenders, etc.
Standard tender documents.



Implementation of PPP projects

Contract management, changing and cancellation, refinancing rules.

EXCEL SPREADSHEET



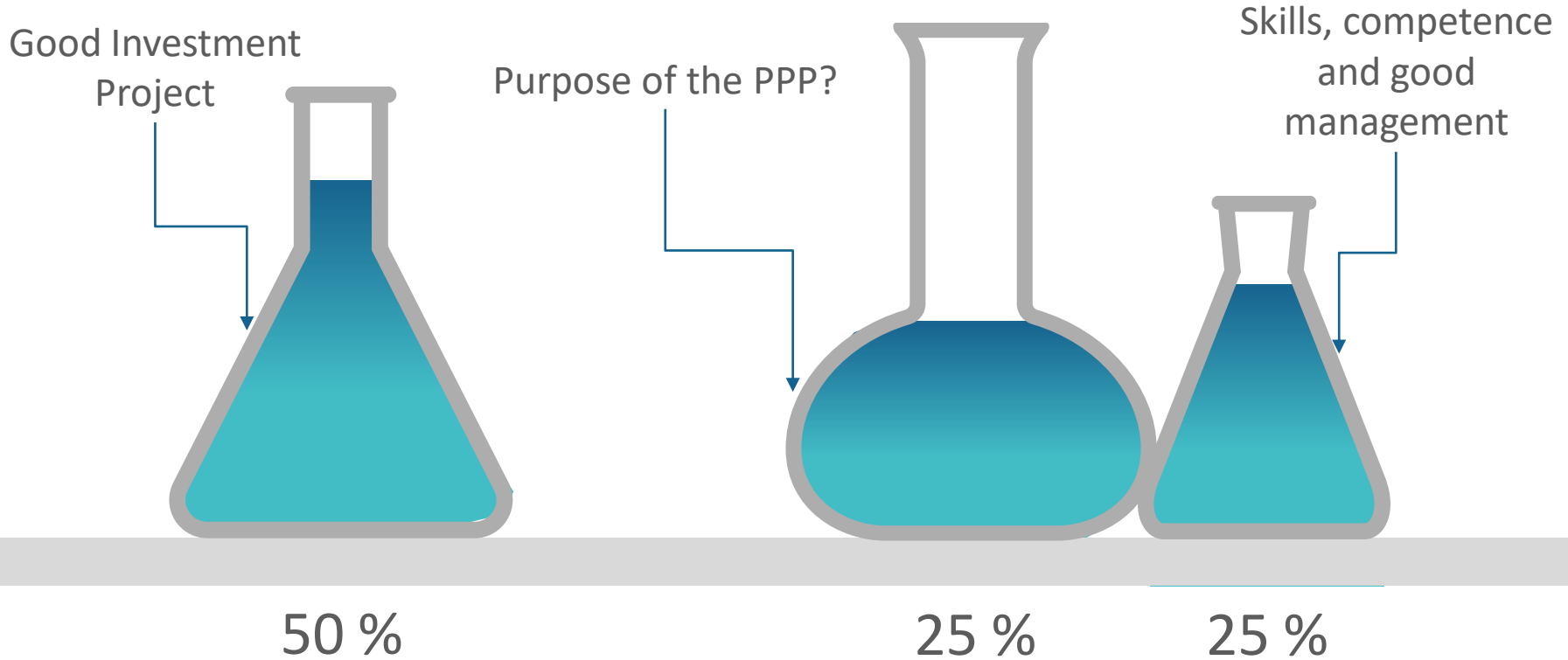
Some features:

- ❖ All indicators are calculated automatically;
- ❖ Automatic VAT calculation;
- ❖ Sensitivity analysis, Scenario analysis, Monte Carlo analysis, etc;
- ❖ Quantitative risk assessment, Standardized risk factors, Risk sharing matrix.

Some observed benefits:

- ❖ No mistakes in calculation of indicators;
- ❖ Less specific knowledge is needed – saved money on consultancy;
- ❖ Much easier and shorter process of evaluation.

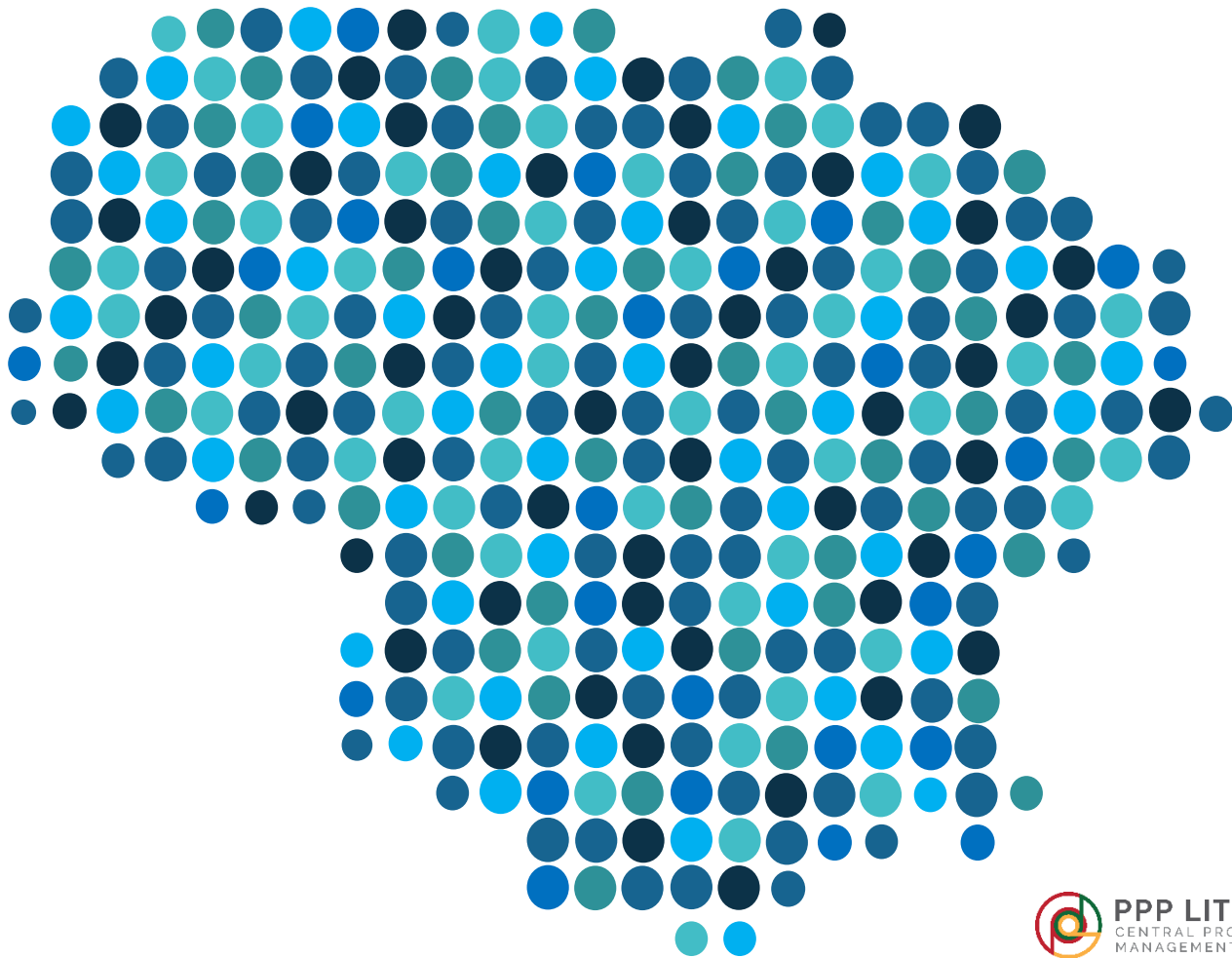
IS THERE A RECIPE FOR SUCCESS?



WHAT WE PROPOSE:

- 01** Don't waste time and money for accident projects!!! Define PPP policy and priorities, Regular PPP place in public investment system
- 02** Build the reliable pipeline!!! Having PPP priorities, adjust the sector's environment (service delivery standards, tariffs, taxes)
- 03** Band small projects!!! Create the financing mechanism, motivating municipalities to group the projects
- 04** Concentrate!!! Centralize and strengthen PPP competence, ensure financing
- 05** Inform!!! Ensure transparent and correct information on PPP deals
Make the PPP costs compatible with regular project costs to avoid speculations

Population and number of tax payers are decreasing, as well as EU assistance.
We must be ready for alternative way of financing public services and infrastructure.





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