PUBLIC PRIVATE PARTNERSHIP IN LITHUANIA
Active PPP contracts in Lithuania

- **7 contracts**
  Sector: energy, including heat and electric energy, oil and natural gas extraction, transmission, distribution, supply

- **1 contract**
  Sector: public order and safety

- **1 contract**
  Sector: educational system

- **13 contracts**
  Sector: tourism objects, culture, sports, leisure facilities, equipment and other infrastructure

- **9 contracts**
  Sector: roads, bridges, tunnels, parking and other infrastructure of road transport

- **11 contracts**
  Sector: utilization, recycling and management of waste

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Total: 42 PPP contracts
Institutional framework

**Preparation and implementation**
- Project owner

**Decision making**

**Process management**

**Control**

**Consulting**
- CPMA, Invest in Lithuania
PPP project preparation and evaluation process

Central Government

01 Project owner - Investment project, assessment of PPP option, scope of PPP
02 CPMA – assessment of documents
03 PPP Government commission - recommendation
04 Government – decision on PPP application and conditions

05 Project owner – Partners’ selection documents
06 CPMA – assessment of documents
07 Project owner – Partners’ selection process
08 Ministry of Finance - The final contract evaluation: financial affordability, fiscal impact
09 Project owner – Partnership agreement
10 Project owner – financial closure
Lithuanian legal regulation on PPP

**Law on Investment**
1. Defines the two PPP’s forms.
2. Sets up the main principles of unsolicited proposal.
3. Defines the public and private entities.
4. Sets up the main provisions of the PPP.
5. Sets up the main conditions of the PPP contract.

**Law on public procurement**
1. Sets up the main principles of procurement.
2. Defines types of the contracts (service, works and supply contracts).
3. Defines the institutional system
4. Defines the main requirements for preparation and publication procurement documents.
5. Defines the modification and termination of contract.
6. Defines the main requirements for reports on procedures.

**Law on concessions**
1. Sets up the main principles of the awarding concession.
2. Defines the types of the concession.
3. Defines the institutional system
4. Defines the main requirements for preparation and publication concession documents.
5. Defines the modification and termination of concession

**PPP rules**
1. Described the rules of the preparation and approval of the PPP projects.
2. Sets up the institutional responsibility
3. Set up the requirements of monitoring and information publishing.

**Laws/GOL resolution**
## Laws having direct and indirect impact to PPP

### Law on State and Municipalities Assets
1. Entities engaged in the management, use and disposal of assets.
2. Use and disposal assets by the right of trust
3. Loan for use assets. Lease of assets.

### Law on the Land
1. Transfer of the State-owned land for Gratuitous Use (Loan for Use).
2. Lease of the State-owned Land

### Law on Budgeting
1. Principle of planning of public money.
2. Prioritization of commitments.

### Law on Local Self-Government
1. Self-Government institutions.
2. Competence of Self-Government institutions.

### Law on State debt
1. Limits for municipalities.
2. Fiscal discipline.

### Law on Taxes
1. VAT law.
2. Corporate taxes law
3. Property taxes law
### PPP promotion program projects

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palanga By-pass road (construction and operation)</td>
<td>Operational since 2015</td>
</tr>
<tr>
<td>Vilnius County Police Headquarters (construction and operation)</td>
<td>Operational since 2016</td>
</tr>
<tr>
<td>Santariškės Medical campus parking (construction and operation)</td>
<td>Contract signed on April 20, 2017</td>
</tr>
<tr>
<td>Lukiškės Prison (moving out, construction, operation)</td>
<td>cancelled</td>
</tr>
<tr>
<td>Courts infrastructure in Vilnius (construction and operation)</td>
<td>cancelled</td>
</tr>
<tr>
<td>Vilnius Street Lighting (renovation and operation)</td>
<td>Suspended</td>
</tr>
<tr>
<td>Nemunas river port infrastructure (extension and operation)</td>
<td>Suspended</td>
</tr>
<tr>
<td>Vilnius Utena road (construction and operation)</td>
<td>Suspended</td>
</tr>
</tbody>
</table>
Pilot projects challenges

- Ad hoc projects / unique cases
- Unknown service demand and delivery standards
- Very high prices of proposals
- Low system efficiency ratio and high loses (cancelled projects in various stages)
- Wrong political and owners expectations from PPP
Improvement at the project level

Better quality of projects
standart investment project preparation methodology, CBA, social economic impact assessment, risk valuation and impact assessment, electronic tool

Better quality of procurement documents
standard methodology, standart documents, standart financial models

Better quality of processes
consultancy, participation in the selection process

Better competence
1500 trained since 2011
**CPMA methodologies**

**IP (PSC) preparation**
- Methodological guidance on project identification and formulation, financial, economic and social analysis, risk assessment
- Electronic tool for calculation of financial flows

**Legal and financial assessment of PPP**
- Methodological guidance on assessment of PPP suitability against criteria, possibility to transfer property and services, added value of PPP
- Partnership questionnaire form to define the scope of PPP

**Tender documents preparation and organization of tenders**
- Methodological guidance on preparation of tender documents, organization of tenders, evaluation of tenders
- Standard tender documents
- Standard financial model

**Project and PPP Contract management**
- Methodological guidance on contract management, changing and cancellation
- Refinancing rules
Unsolicited proposal
- The rules of the preparation and evaluation of the unsolicited proposal.
- Unsolicited proposal template.

Benchmarking and Communication plan
- Methodological guidance for Stakeholders identification, planning and organization of communication, Market analysis.
- Communication plans’ template.

Information and publicity rules
- Rules for informing of authorities and public on the progress of PPP project.
PROJECTS ARE ONLY SMALL PART OF PROBLEM

- Partners selection documents
- Good projects delivering the social economic benefits
- Resources and competence
- Enabling regulations for PPP, adjusted legal financial and tax environment
- Clear PPP policy and priorities, reliable pipeline
## Costs of PPP tenders

<table>
<thead>
<tr>
<th>Private entity costs in PPP deal</th>
<th>Factor affecting the price of proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and construction costs</td>
<td>- Lack of safety for investors</td>
</tr>
<tr>
<td></td>
<td>- Lack of practice and statistics</td>
</tr>
<tr>
<td></td>
<td>- Absence of profit ceiling policy</td>
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<tr>
<td>Operational costs</td>
<td>- Unclear tax environment</td>
</tr>
<tr>
<td></td>
<td>- Property ownership during and by the end of contract</td>
</tr>
<tr>
<td></td>
<td>- VAT for financing cost</td>
</tr>
<tr>
<td>Costs of financial sources</td>
<td>- Unique financial products, new market</td>
</tr>
<tr>
<td></td>
<td>- Unclear PPP perspective and further use of created products</td>
</tr>
<tr>
<td></td>
<td>- Absence of state policy for financing risk sharing</td>
</tr>
<tr>
<td></td>
<td>- Property ownership</td>
</tr>
<tr>
<td>Taxes</td>
<td>- Absence of service delivery standards / out of date standards</td>
</tr>
<tr>
<td></td>
<td>- Too high requirements never been followed by public sector itself</td>
</tr>
<tr>
<td></td>
<td>- Costs of resources (energy, water) included in contract</td>
</tr>
<tr>
<td></td>
<td>- High requirements to the property condition in the end of contract</td>
</tr>
<tr>
<td></td>
<td>- Transfer of non-appropriate risk to private sector</td>
</tr>
<tr>
<td>Profit</td>
<td>- Unclear property physical / technical conditions</td>
</tr>
<tr>
<td></td>
<td>- Requirements to use the technical project developed by public entity</td>
</tr>
<tr>
<td></td>
<td>- Willingness to control and approve the technical construction details</td>
</tr>
</tbody>
</table>
What we propose:

01. Don’t waste time and money!!! 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) and prepare long term plans

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 tax payers Nr are decreasing, as well as EU assistance

We must be ready for alternative way of financing of public services and infrastructure.
Why we think it is a right time to PPP re-thinking

Government program

Budget reform
  A Integrated planning of all sources of financing
  B Program approach to investment planning

Regional policy reform
  A Optimisation and consolidation of municipal infrastructure and services, including financial incentives
  B New possibility for private sector to participate in service delivery

Financial market reform
  A Development of alternative revolving financial instruments
  B Attraction of private resources for business and public sector projects

Capacity building
  A Available resources for development of competence and preparation for reforms
  B Tendency for centralisation of similar competence
QUESTIONS?