

PPP Projects Information and Methodical Support (CZ and SK Comparison)

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Abstract: Public goods and services administration represents an important tool supporting functioning of the state. Provision of public goods and services is closely related to the necessity to ensure relevant sources and setting the appropriate distribution channels, what in fact means, finding the suitable provider. Production of public goods can be provided by both sectors, private or public. If a public entity produces a public good, it is possible to talk about in-house production. In the opposite situation, when external private entity produces a public good, it is possible to talk about out-house production. This contribution is focused on the issue of Public Private Partnership (PPP) projects as one of the out-house production variants. The aim of the contribution is to compare the availability and complexity of information about the given projects for potential contractors in the Czech Republic and Slovak Republic (Slovakia). To be able to make this comparison, authors of the article conducted the qualitative research. Used method was document and text analysis. To identify the relevant literary sources, systematic literature review followed by the traditional literature review, were used. Authors expected that there will be solid database of information available to the potential conductors of PPP projects. Also the way of its presentation was expected to be thoughtful and complex. Provision of information and methodical support in specified area can influence the final willingness of both sides, contractors and contracting authorities, to enter this project focused on provision of public services, traditionally provided by the public sector, by the private sector. The contribution is finalized using the method of synthesis that enables the authors to describe the main differences in ways of PPP projects information presentation. It was found that currently provided information and methodical support in the area of PPP projects administered by the authorities on the central level in selected countries can be described as insufficient. This finding contradicts the original expectations of the authors.

Keywords: Information Support, Out-House Production, Public Affairs Administration, Public Sector, PPP Projects

1. Introduction

Public goods and services administration represents an important tool supporting functioning of the state, respectively of the public sector. Existence of public goods is further related to questions linked with the acquisition of resources for their provision or the production and distribution of these goods. Within the framework of the public sector system, resources are obtained by limiting the private sector (by taxation, or temporarily by a debt manner), as stated by Pavel (2013).

Production of public goods can be provided by both, the public and the private sector, or by their combination (Ferdman, 2018). In terms of production, it is possible to talk about in-house production, if a public entity produces a public good, or about the possibility of outsourcing (out-house production), which is provided by an external private entity. In the case of the use of external entities for the production of a public good, it is possible to divide it into public contracts or Public Private Partnership (PPP) projects (Ochrana et al, 2010). This contribution is focused on the second of the mentioned methods, PPP projects. In the case of combined form of production, there is cooperation between both entities, when individual advantages are used in the phases of the project (risk, know-how, financing, etc.).

Political and economic issues are closely related to the issue of production. The primary question is: "Is it possible to have selected public good or service provided by the private sector?" This seems to be a highly political issue. This option is more difficult to imagine, for example, in the area of justice or defence, however, in the case of infrastructure construction, the option of external production is almost certain. Economic questions are then asked in association with the convenience of the selected alternative. As part of this, it is possible to mention the 3E principle, where economy, efficiency and effectiveness are monitored (Jackson and Brown, 2003; Ochrana et al, 2010).

On the basis of an expert assessment of these facts, the optimal production variant should be selected, which may be related, but not necessarily, to the issue of distribution. In matters of distribution, it is also important to take into account how the public good is provided (basic education as a compulsory public good), or if there is any fee associated with the use (fee for issuing a passport).

This contribution is focused on the issue of PPP projects as one of the out-house production variants. The premise on which is the presented contribution based is the importance of information and methodical support prepared by central state administration bodies, primarily relevant ministries. The mentioned thesis has its justification in studies dealing with this issue, as political risk represents an important aspect in legislative support, but also in the possibilities of further support and its stability (Abd Karim, 2011; Hai et al, 2022).

The aim of the contribution is to compare the availability and complexity of information about the given projects for potential contractors in the Czech Republic and Slovak Republic (Slovakia).

2. Methods

In order to be able to reach the set aim, authors of the article conducted the qualitative research. Used method was document and text analysis. To identify the relevant literary sources, systematic literature review followed by the traditional literature review, were used.

Authors analysed the level of information and methodical support in the area of PPP projects provided by the authorities on the central level in selected countries, namely the Czech Republic and the Slovak Republic (Slovakia). The reason for selecting these two countries is their closeness to each other, which is caused by the fact that until 1992 they were a joint state entity. This significantly influenced the legislative environment despite the fact that they have been developing separately for almost three decades.

Authors expected that there will be solid database of information available to the potential conductors of PPP projects. Also the way of its presentation was expected to be thoughtful and complex. Provision of information and methodical support in specified area can influence the final willingness of both sides, contractors and contracting authorities, to enter this project focused on provision of public services, traditionally provided by the public sector, by the private sector.

Therefore, in the next part of this contribution, with respect to the defined aim, PPP projects are first presented, taking into account the production possibilities in a broader level. This overview is compiled on the basis of a literature research of professional publications. Similar approach is used also in the chapter, where the practice of PPP projects in the Czech Republic and Slovakia is historically defined.

The contribution further includes the analysis of information and methodical support compiled to this issue by the state authorities on the central level of both countries. Information base for contracting authorities and contractors (suppliers), websites of the ministries of finance in the Czech Republic and Slovakia, are used. This chapter is compiled based on the analysis of websites of Ministry of Finance of the Czech Republic and Ministry of Finance of the Slovak Republic where information about PPP projects is provided. To assess the outputs of both countries, the method of comparison is used.

At the end of the contribution, authors used the method of synthesis that enabled them to describe the main differences in ways of PPP projects information presentation.

2.1 PPP Projects

External production (out-house production) within the provision of public goods represents one of two possible production methods mentioned in the text above, internal and external production. Pavel (2013) names among the possibilities of internal production municipal office employees, budgetary organizations and funded organizations, as well as commercial companies within public sector entities. On the other hand, in addition to public contracts and PPP projects, external production includes commercial companies with majority or minority ownership of public sector entities. The authors do not fully agree with this division, because commercial companies, especially with minority ownership within the public sector, represent also the coordination of the second mentioned side (the private sector). Therefore, it would be better to classify it as a combined (mixed) form of production.

As part of external production, public contracts and PPP projects are significantly important. Public contracts represent a "classic" form of relationship between a public entity (contracting authority) and a private entity (supplier, contractor). The basic difference between PPP projects and public contracts is in their time layout and complexity. Even if also the PPP projects themselves can differ. PPP projects are usually announced as complex, in contrast to public contracts, where different parts (project, construction, operation, etc.) are competed. This is related to their mentioned time layout. Due to their complexity, PPP projects take longer time period (even in

the order of tens of years). This has implications for the form of financing and ownership (Sajko, 2008; Villani et al, 2017).

At the beginning, the implemented project is usually financed by a private entity and then after the start of the use of the given project (e.g. construction), payments are made by the contracting authority to suppliers (quasi-concessions), or fees are collected from users (concessions), which can replace payments from the public sector. If the fees flow to the contracting authority, then the contracting authority makes the payments to the supplier, and this is again a quasi-concession. During the concession or quasi-concession, the project is normally owned by the contractor, and after its end is ownership transferred to the contracting authority (Pavlík et al, 2007).

Related to this, it is possible to identify also other effects in the area of responsibility (supplier side) and control (contracting authority side). If the supplier does not meet the requirements with regard to the quality or quantity of the project, then payments may be suspended. All these matters are dependent on the contractual form of the project. The same applies to the sharing of PPP project risks. According to Abd Karim (2011), these include the following risks: political, economic, market, operational and other. In the case of a concession, the effects of business risk (non-use of project outputs) may occur on the supplier's side. In the case of a quasi-concession, this risk lies on the side of the contracting authority.

Among the significant risks on the side of the contracting authority is the long-term nature of the contract, when the supplier may go bankrupt. It also influences a burden on public budgets for the next several years, which can be decades, and therefore the possibility of handling public funds is affected and prevented by other elected officials (Willems et al, 2017). In this context, Delmon (2017) summarizes important principles related to this type of decision-making: prudent principle, good preparedness and selection, ability to be a partner and respond.

3. Comparison of Development of the use of PPP Projects

The use of PPP projects in the Czech Republic and Slovakia is illustrated in this chapter. This is further used as a starting point to analyse the results of a comparison of the practical form of information support for the given projects. It therefore serves to qualitatively assess the results of the analysis of the information and methodical support provided to the users of the given information by the ministries of finance in both countries.

3.1 The Czech Republic

The question of the use of PPP projects as part of external production began to appear in the Czech Republic in the 1990s. The issue of the use of PPP projects was primarily related to the lack of public resources to finance investments. The first attempts, however, were not successful. This was related, for example, with the bypass of the city of Pilsen in the framework of the completion of the "D5" highway (Pavel, 2007).

In the Czech Republic, more attention was given to PPP projects in the first decade of the 21st century. Pavel (2007) adds to this that: "...also the Czech Republic did not avoid the PPP fashion wave..." Among the projects that were created in this period are the "D3" highway, hospitals in "Pardubice" and "Na Homolce", court premises and prisons, etc. (Pavel, 2007). The main subject of PPP projects was primarily material infrastructure such as roads, highways and buildings.

Popularization of PPP projects during this period was influenced by the approach of Mirek Topolánek's government, which tried to introduce the principles of the *New public management concept*. This ultimately did not happen in practice (Kroupa et al, 2015). This concept is closely related to the 3E principle and the aim is the efficient use of resources with high quality services for customers (citizens). To do so, the competitive environment between the public and private sectors is used, i.e. market principles, which also influence high level of responsibility in the public sector (Ostřížek, 2011).

As part of the support, in 2004, the Ministry of Finance established the PPP Centrum Inc. In 2013, the name was changed to CENTRUM-F, Inc. Two years later, the company was in liquidation, which was officially terminated, and therefore this centre was deleted from the commercial register, on January 21, 2016 (Justice CZ, 2024). The aim of this centre was to satisfy tasks associated with the coordination of the preparation of the legislative environment, to create information and methodical support, to share experiences within the framework of PPP projects, etc. The model for the establishment of this organization was practice from foreign countries (Šíp, 2005).

Currently, an important PPP project is the completion of the “D4” highway in the section between two cities, “Příbram” and “Písek”. The government's intention for this project was approved in 2016. Two years later a tender was launched, and on February 15, 2021, a contract between the contracting authority and the concessionaire, who should complete the construction of the highway by the end of 2024, was signed (PPP D4, 2024). However, the idea of the “D4” completion project using a PPP project appeared before 2016, as in 2015 an *Analysis of the Feasibility and Advantage of Securing the R4 Project in the form of PPP compared to classic public contracts* was prepared (PwC, 2015).

The project thus represents a current example of a PPP project at the central level, which can subsequently influence the future direction in this area. As mentioned, PPP Centrum Inc., which was supposed to provide information and methodical support, went out of business. Within the framework of the contribution, attention is therefore paid to the Ministry of Finance of the Czech Republic, as also stated in the Introduction.

3.2 The Slovak Republic (Slovakia)

In 2005, in Slovakia was created a document called *Administration on the creation of conditions for the implementation of projects with private partnership*, which was created by the Ministry of Finance of the Slovak Republic (MF SK, 2005). Four years later, a document focusing on the analysis of the legal environment and its modification with regard to the possibility of using PPP projects was created (MF SK, 2009).

The effort to create an infrastructure construction project in the form of a PPP project in Slovakia dates back to 2007, although the debate had already started several years before during the era of Dzurinda's government. The infrastructure construction was divided into three packages, while the first package failed to be implemented. Although a concession agreement was signed in 2009, it lapsed in 2010. Originally, it was supposed to be a complex project with a duration of 30 years (Slovincová, 2021).

The second package was already more successful and in 2012 it was possible to open all its parts. The concession period was set to be 30 years (Via Pribina, 2024). The third package started to be implemented later. In 2015 the contract was signed and a year later the construction under this package started. The concession in this case should be terminated in 2048 (Slovincová, 2021).

Another three-decade-long project is a concession focused on the operation and maintenance of the “Žilina Intermodal Transport Terminal”. The contract was signed in 2018 (Terminál Žilina, 2024).

From the above mentioned cases, it is clear that these projects had been considered in Slovakia in a similar period as in the Czech Republic. On a practical level, three more significant projects were implemented in Slovakia, which demonstrate the success of PPP projects in Slovakia.

4. Results and Discussion

As the first step leading to compilation of previous and following parts of this article was provided a systematic literary review. This review was focused on searching the literary sources dealing with PPP projects issue relevant for the Czech Republic and Slovakia in the Web of Science database. Authors tried to search for articles dealing with public private partnership projects or PPP projects. They search for the articles with this terms in their content and then in their titles. The results were limited by the years of publication (2004 – 2024) and by the countries/regions (Czech Republic and Slovakia). The results were 343 documents including 232 articles in journals. Results of this review are visible in the following figure 1.



Figure 1: Results of systematic literary review

Source: own processing, 2024

The results were further limited by the next requirement – articles should be focused also on methodical support of these projects. After adding this limitation, there were 273 relevant sources available. This was still quite wide range of articles. Therefore, the research was done focusing just on the articles with the terms public private partnership projects or PPP projects in the title. Further limits were used similarly as described above. This way 13 results were obtained, see figure 2. The results included 2 articles in journals, 9 articles in conference proceedings and 2 editorial materials.



Figure 2: Results of systematic literary review - shortlist

Source: own processing, 2024

Selected sources were then used as the background for compilation of introductory parts of this article. Then the authors decided to use also other sources (web pages) focused on this issue. Therefore, the traditional literature review was done.

From the previous chapter (compiled using the document and text analysis), it is evident that consideration of PPP projects occurred in the Czech Republic earlier than in Slovakia. However, important aspects in terms of practical implementation did not begin until about the mid of the first decade of the 21st century. Implementation of PPP projects was then unfortunately disrupted by the economic crisis at that time.

In terms of the practical implementation of PPP projects, the success of Slovakia is evident compared to the Czech Republic. Three important PPP projects were implemented in Slovakia, despite the failure of the first transport infrastructure package. In the case of the Czech Republic, there was a delay of almost ten years, which has not yet ended with success (with the commissioning of the affected infrastructure).

As part of a traditional literature review, the authors found that monitoring the availability of information about the given area is useful to monitor the websites of the Ministry of Finance of the Czech Republic (MF CR, 2024) and the Slovak Republic (MF SK, 2024). Table 1 points out the basic requirements of both websites with regard to what is traceable and graspable as information support within the framework of PPP projects. In the case of the Czech Republic, the term *public-private sector partnership* is used, in contrast, *PPP projects* are used in Slovakia. Within the sorting, it is clear that on the Czech website, you have to click on *public sector* and then *support from national sources*. On the Slovak website, it is possible to access *PPP projects* directly through the intermediate step of the *finance* item.

Table 1: Ministry of finance websites comparison in the area of PPP projects (CZ and SK)

Category	Czech Republic	Slovak Republic
Terminology	<i>public-private sector partnership</i>	<i>PPP projects</i>
Category (placement)	<i>public sector, support from national sources</i>	<i>finance</i>
Basic information	<i>yes</i>	<i>yes</i>
Phases (process)	<i>no</i>	<i>yes</i>
Methodical documents	<i>yes (the latest from 2013)</i>	<i>yes (the latest from 2020)</i>
Project examples	<i>no</i>	<i>yes (3 examples, the newest from 2018)</i>
Statistical information	<i>no</i>	<i>described</i>

Source: own processing according to MF CR (2024) and MF SK (2024), 2024

The main difference can be found in the content of the methodical support to PPP projects. Although both websites offer basic information, in the case of Slovakia, there is also a description of the process of the phases of PPP projects.

Another difference is the difference in the timeliness of the documents. In the case of the Czech Republic, there are documents from the period of 2007 to 2013. In the case of Slovakia, it is also possible to find older documents from 2008, but also more recent materials, or updated materials that relate to, for example, the preparation process, feasibility studies or the code for the preparation and implementation of PPP projects.

Another difference is visible in the presentation of project examples. Slovakia can offer and share information gathered during implementation of its three successful projects. Due to the current situation within the framework of PPP projects, no such information is listed on the relevant website of the Ministry of Finance of the Czech Republic.

The disadvantage of both websites can be seen in the fact that they do not provide statistical information of sufficient quality and quantity. In the case of Slovakia, there is at least a brief description of the development of the value of PPP projects. In both cases, the addition of such data would be beneficial, especially in the case of the Czech Republic. It can be stated that relevant information on the analysed area was also in the past provided on the websites of Czech institutions (Hejduková and Pokorný, 2020). It would be advisable to restore this state, because with sufficient support and economic efficiency, under certain circumstances, preference for the PPP project variant can be expected from the contracting authority, which can be a region or municipality in addition to central authorities. If such a support is not provided, then PPP projects are not preferred, as there are concerns on the side of the contracting authorities about insufficient use of this variant by the contractors.

5. In Conclusion

PPP projects represent specific alternative of provision of public goods and services by external private entities (out-house production alternative). Even if it seems that both analysed countries, the Czech Republic and the Slovak Republic, have currently more experience in the area of provision of public goods and services using the out-house production in the form of public contracts, PPP projects remain the realisable alternative which has its place in both mentioned economies.

It is necessary to write again that in both cases, the addition of more detailed and relevant data would be beneficial and may increase the public knowledge about this issue what may finally lead to greater acceptance of this type of public goods and services provision. This in fact means that with sufficient support (information and methodical) and economic efficiency, under certain circumstances, PPP project variant preference can be expected. Low level of information and methodical support, amongst other things, will lead to situation in which PPP projects will not belong to the preferred alternative for public goods and services provision.

During the conducted research was also found that currently provided information and methodical support in the area of PPP projects administered by the authorities on the central level in selected countries can be described as insufficient. This finding contradicts the original expectations of the authors.

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