#### UNIVERSITY OF SARAJEVO SCHOOL OF ECONOMICS AND BUSINESS

UNIVERSITY OF LJUBLJANA FACULTY OF ECONOMICS

# **MASTER'S THESIS**

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UNIVERSITY OF SARAJEVO SCHOOL OF ECONOMICS AND BUSINESS

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## IDENTIFICATION OF FACTORS AFFECTING THE SUCCESS OF PUBLIC – PRIVATE PARTNERSHIPS IN BOSNIA AND HERZEGOVINA

Ljubljana, January 2015

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#### AUTHORSHIP STATEMENT

The undersigned Aida Abduzaimović a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), declare that I am the author of the master's thesis entitled Identification of factors affecting the success of public – private partnerships in Bosnia and Herzegovina, written under supervision of NevenkaHrovatin, PhD.

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### Introduction

Governments all over the world are facing poor or inadequate infrastructure performance. Some countries are not spending enough to provide the infrastructure needed. In some countries infrastructure assets are poorly maintained or service delivery is weak. This inadequate infrastructure is a constraint on growth worldwide. To meet the needs, encouraging private investment in infrastructure is an option that governments cannot afford to ignore.

In order to bridge the growing gap between the cost of the infrastructure needed and the resources available, and to ensure that the infrastructure is delivered as efficiently and cost–effectively as possible, the key question is how to deliver cost–efficient investment. In this context public – private partnerships (hereinafter: PPPs) are a growing element of public procurement across Europe (PricewaterhouseCoopers, 2005, p. 11).PPP is a relatively new way of funding in Bosnia and Herzegovina (hereinafter: BiH).

UN (2011, p. 2) gives several reasons for the growing collaboration with the private sector in developing and providing infrastructure services, which include:

- increased efficiency in project delivery, and operation management,
- availability of additional resources to meet the growing needs of investment in the sector, and
- access to advanced technology (both hardware and software).

Three factors that need to be identified and monitored where private sector helps to deliver public services are (Milburn et al., 2006, pp. 32 - 33):

- risks to be allocated between the commissioner (the public sector) and the provider (the private sector) need to be properly understood by both and the public sector has to understand the ability of the other to manage and control the risk,
- the accountability of the public sector in indentifying the nature, scope and scale of the service to be delivered by the private sector has to be radically improved and, ideally, the same accountability should be required of all services delivered within the public sector for proper control, comparison and evaluation of the choices. As part of this, the recognition of the public equity in public services needs to be built into the whole public sector management process to ensure transparency and competitive neutrality,
- the private sector market has to be managed. The private sector needs signals to identify the nature, size and duration of the new market to provide services to public sector in order to develop supply chains for human and development capital and to make rational decisions about the deployment of the capital.

According to Delmon (2009, p. 8) the decision to adopt PPP must be political, first. The government must consider the political and social implications of PPP and whether there is sufficient political will to implement PPP. Next, consideration needs to be given to the institutional, legal and regulatory context – the extent to which government institutions have the needed skills and resources, the financial and commercial markets have the needed capacity and appetite, and laws and regulations encourage or enable PPP – and whether changes need to be made to the institutional, legal and regulatory climate in order to provide the right context for PPP.

According to Verhoest et al. (2013) there is difference between national PPP approaches. This fact gives the basis to think about relationship between national context for PPP policy – making on the one side, and implementation of the PPP policy on the other side. In this context it is important to consider which nationally driven elements are crucial for development of PPPs in practice and which contextual factors create stimulating environment for PPPs.

The legal framework for implementation of PPP projects in BiH is very complicated. Although BiH is one country, it is made up of two entities, which creates many disadvantages and potential areas of conflict in public service provision. Each entity has its own banks and financial institutions, its own municipal structures and laws, and its own ministries in charge of such issues. Due to the geographic distribution of municipalities, their small size and often divided nature (parts of Republika Srpska settlements may be in the Federation and vice versa), it is very hard for local governments to achieve economies of scale.

In the Federation of Bosnia and Herzegovina the PPP law was adopted in March 2014. Adoption of PPP law in the Federation of Bosnia and Herzegovina was expected in 2010 but it failed to be accepted by Parliament because of political deadlock in the country. In the Brčko District, a PPP law was adopted by the Parliament of Brčko District in January 2010. In Republika Srpska, the law on PPP (the "PPP Act") was adopted by the Parliament of Republika Srpska on 11 June 2009 and became effective on 10 July 2009. The PPP Act recognizes two main forms of PPPs (CMS Legal Services EEIG, 2010): the institutional form of PPP – a joint venture company and the contractual form of PPP – concessions and private finance initiatives (PFI).

The purpose of the thesis is to suggest how to introduce various instruments of PPPs as an opportunity to rehabilitate the economy of Bosnia and Herzegovina and to analyze the temporary legal framework that largely affects implementation of PPPs. Necessary changes in the legislation and policy, based on the research findings, will be proposed. This thesis will examine the relative importance of critical success factors for PPP projects in Bosnia and Herzegovina for private and public parties involved in the projects.

The objectives of the thesis are:

- to review the literature about PPPs,
- to describe opportunities and potential benefits that PPPs offer to improve economy of Bosnia and Herzegovina,
- to present a temporary legal framework for implementation of PPP projects in Bosnia and Herzegovina,
- to discuss main obstacles for successful implementation of PPP projects,
- to identify critical success factors for PPP projects in Bosnia and Herzegovina,
- to examine the importance of critical success factors for public and private sectors,
- to identify the differences in perception concerning the critical success factors between public and private sectors,
- to suggest a policy (based on best practices) for successful implementation of potential future PPP projects in Bosnia and Herzegovina.

Following the purpose and objectives of the thesis research questions are derived:

- Which factors are important for successful implementation of PPP projects in BIH?
- Is there a difference in answers between public and private sector respondents?

The research methodology is based on the primary and secondary data. Primary data were collected through questionnaire survey based on the Likert scale from 1 - 5. Questionnaires were distributed among private and public parties involved in PPP projects in Bosnia and Herzegovina. The data were analyzed using the Statistical Package for the Social Sciences (hereinafter: SPSS) software. Descriptive analysis was used to analyze each factor. Statistical tests were used to examine differences in the perceptions of public and private sectors.

Secondary data were collected from secondary sources like reports, official journals and publications of academic institutions and international organizations on their respective websites. The methods used to analyze the secondary data are:

- Induction- in order to give general conclusions on the basis of collected relevant data. This method was used to review temporary legal framework for PPPs in Bosnia and Herzegovina.
- Analysis and synthesis to break down the whole into parts or components and to combine separate elements or components in order to form a coherent whole. This method was used for the review of the existing literature on PPPs.

Research results will be compared to research by Li, Akintoye, Edwards and Hardcastle (2005). The study examined the relative importance of eighteen critical success factors (CSF) for PPP/PFI in UK construction projects grouped in five groups: effective

procurement, project implementability, government guarantee, favourable economic conditions and available financial markets.

In the first chapter of the thesis an overview of PPPs is given. Different definitions and forms of the PPP concept are presented. Advantages and disadvantages of the concept are discussed and an overview of the European PPP market is presented. Special attention is paid to PPPs in the United Kingdom (hereinafter: UK). The second chapter of the thesis analyzesthe temporary legal framework regulating PPPs in BiH. In the third chapter primary research dealing with PPPs in BiHis presented and on the basis of research findings recommendations for improving PPP environment in BiH are given. The fourth chapter analyzes obstacles to effective implementation of PPPs in BiH.

## 1 AN OVERVIEW OF PUBLIC - PRIVATE PARTNERSHIPS

## 1.1 DEFINITION OF PUBLIC - PRIVATE PARTNERSXIP

Governments of mature and developing countries have three priorities: to strengthen their finances, to deliver their services more efficiently, effectively and economically, and to make sure that the private sector grows in an economically sustainable manner and ensures better employment (Ernst & Young, 2011, p. 16). On the other side, governments are facing the problem of limited resources. One of the possible solutions is encouraging private sector investment in infrastructure. There are a number of ways in which the private sector delivers public infrastructure and services. One of them is public – private partnership.

According to Akintoye, Beck and Hardcastle (2003, p. 3) the numbers and types of PPPs are overwhelming, making the definition of a PPP difficult. In some cases, city officials might describe a tax concession for which business promises to create jobs in the future as a partnership. In other instances, hiring a private contractor to manage a parking garage or to collect garbage might be labeled a PPP.

PPPs are contractual arrangements between the public and a private sector party for the private delivery of public infrastructure services or other basic services. PPPs are complex structures, involving different parties, long and demanding negotiations and relatively high transaction costs (World Bank, 2007, p. 20).

Klijn and Teisman (in Hodge & Greve, 2005, pp. 95 - 96) broadly defined PPPs as "a form of co-production, of cooperation, in which the parties realize products, services or policy outcomes jointly". Van Ham and Koppenjan (in Hodge & Greve, 2005, p. 4) defined a PPP as "cooperation of some sort of durability between public and private actors in which they

jointly develop products and services and share risks, costs and resources which are connected with these products".

According to Hodge and Greve (2005) PPPs are seen as financial models that enable the public sector to make use of private finance capital in a way that enhances the possibilities of both the regional government and the private company involved.Damjanović, Pavlović – Križanić and Peteri (2011, p. 60) define PPP as a partnership established between the public and private sectors for the purpose of delivering a project or a service traditionally provided by the public sector.

The Canadian Council for PPP (in Albalate, 2014, p. 62) defines PPP as follows: "A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards". According to Yescombe (2007, p. 3) PPPs have the following key elements:

- a long-term contract (a PPP Contract) between a public-sector party and a privatesector party,
- for the design, construction, financing, and operation of public infrastructure ( the Facility) by the private–sector party,
- with payments over the life of the PPP contract to the private-sector party for the use of the Facility, made either by the public-sector party or by the general public as users of Facility, and
- with the Facility remaining in public-sector ownership, or reverting to public-sector ownership at the end of the PPP Contract.

The public sector partner to a PPP Contract may be a central government department, a state or regional government, a local (municipal) authority, a public agency or any other entity which is public sector controlled. The private sector partner is a company created by private sector investors. In some cases private sector forms a special company with purpose of undertaking the PPP project..

According to Green paper (Commission on the European Communities, 2004, p. 3) the following elements normally characterize PPPs:

- duration of the relationship is relatively long ,taking into account cooperation between parties on different aspects of the project,
- the method of funding the project, where private partner makes an investment, sometimes by means of complex arrangements between the various players. Nonetheless, public funds – in some cases rather substantial – may be added to the private funds,

- economic operator has an important role participating at different stages in the project. The task of the public partner is to define objectives of the projects in order to satisfy the public interest, quality of services and pricing policy. Monitoring of compliance with defined objectives is responsibility of the public partner,
- sharing of the risks between public and private partners transferring the part of the risks to the private partner. Distribution of risks is determined for each case individually. It is important to consider ability of the private and public partners to assess and control the risks.

Definitions of the PPP vary widely between countries. PPP framework in some country is created according to its laws, institutions and experiences with PPP projects. According to OECD (2011, p. 4)there is difference between countries:

- Korea defines a public private partnership project as a project to build and operate infrastructure facilities with private capital. In this way it stimulates the creativity and efficiency of private sector. PPP projects are used in all sectors that traditionally used standard procurement methods, such as construction of roads, airports, ports, water resources, education, national defense.
- South Africa defines a public-private partnership as a commercial transaction between a government institution and a private partner in which the private partner can have two different roles. It can perform an institutional function on behalf of the institution for a specified or indefinite period, or it can acquire the use of state property for its own commercial purposes for a specified or indefinite period. There are two possible ways of receiving the benefit for the private sector party. One possibility is compensation from a revenue fund. Another possibility is collecting charges or fees from users of a service. There is also possibility of combination of these two ways.
- The most common type of PPP in the UK is the Private Finance Initiative. It is a longterm agreement between public sector and private sector for purchase of services, especially services connected with investments in assets. Concessions and franchises are also included here. Duration of the PFI contracts is often between 15 and 30 years.
- In The State of Victoria (Australia)it is necessary to consider PPP as a potential procurement method for all public infrastructure projects with a capital cost exceeding AUD 10 million.

Standard & Poor's definition of a PPP (in PricewaterhouseCoopers, 2012, p. 14) is any medium-to-long term relationship between the public and private sectors, involving the sharing of risks and rewards of multi sector skills, expertise and finance to deliver desired policy outcomes.

As presented above, different authors define PPP in different ways. But all definitions emphasize a few important characteristics: risk sharing between public and private sector, durability, value for money. Sectors in which PPPs have been completed worldwide include: power generation and distribution, hospitals, prisons, railways, roads, schools, water and sanitation, air traffic control.

According to Grimsey and Lewis (2004) there are many different forms of PPPs. The most usual forms are BOT/BOO arrangements, joint ventures (JV), leasing, contracting out or management contracts, and various forms of public private cooperation. They define PPP as a risk–sharing relationship based on a shared aspiration between the public sector and one or more partners from the private and/or voluntary sectors to deliver a publicly agreed outcome and/or public service.

Three questions according to which it can be concluded whether or not a service should be delivered by means of a PPP project are:

- Which (if any) part or parts of the proposed service is a service which government itself should deliver to its citizens (the core service question)?
- For all other aspects of the service and supporting physical infrastructure, what is the project model that delivers the best value for money (the value for money question)?
- Do the outcomes of the value for money question satisfy the public interest and criteria articulated in the policy and, if not, can the public interest be satisfied either by building safeguards into the contract or through regulatory measures (the public interest question)?

It should be mentioned that there are a number of alternative names for PPPs (Yescombe, 2007, p.4):

- Private Participation in Infrastructure (PPI), a term which seems to have been coined by the World Bank,
- Private–Sector Participation (PSP), also used in the development banking sector
- P3 used in North America,
- Privately–Financed Projects (PFP), used in Australia,
- P–P Partnership (to avoid confusing with PPP meaning "purchasing power parity" a method of comparing currency exchange rates to reflect the real costs of goods and services in different countries),
- Private Finance Initiative (PFI), a term originating in Britain, and now also used in Japan and Malaysia.

Table 1 outlines the phases, stages and steps in the PPP project cycle. The objective of the first phase, project identification, is to determine whether the selected project can be delivered as a PPP instead of using traditional public procurement. The second phase is the preparation phase, in which preparation work is necessary at two levels: getting organized and finalizing all preparation before launching the tender. The third phase is publication of

the procurement notice and it ends with financial close. The last phase is the period during which the PPP project is implemented.

	Phases	Stages	Steps
1.	Project	1.1 Project selection and	Identification
	identification	definition	Output specification
			Affordability
		1.2 Assessment of the	Risk allocation
		PPP option	• Eurostat treatment
			Bankability
			• Value for money
2.	Detailed	2.1 Getting organized	• Project team
	preparation		Advisory team
			• Plan and timetable
		2.2 Before launching the	• Further studies
		tender	• Detailed PPP design
			• Procurement method
			• Bid evaluation criteria
			• Draft PPP contract
3.	Procurement	3.1 Bidding process	Notice and prequalification
			• Invitation to tender
			• Interaction with bidders
			Contract award
		3.2 PPP contract and	• Final PPP contract
		financial close	• Financing agreements
			Financial close
4.	Project	4.1 Contract management	Management responsibilities
	implementation		• Monitoring service outputs
			• Changes to PPP contract
			• Dispute resolution
		4.2 Ex post evaluation	• PPP contract termination
			• Institutional framework
			Analytical framework

Table 1. PPP Project Cycle and Structure: Phases, Stages and Steps

Source:European PPP Expertise Center, *The Guide to Guidance: How to Prepare, Procure and Deliver PPP Projects,* 2011, p. 7.

#### 1.2 FORMS OF PUBLIC ~PRIVATE PARTNERSXIP

There is no universal form of PPP project that could ensure the success of each project. In theory and practice there is a wide range of PPP forms and it depends on several factors such as the type of the project, to whom the services are delivered, and the existing business risk.

According to World Bank's PPP Resource Center website the most usual forms of PPPs are (World Bank PPP In Infrastructure Resource Centre, 2014):

- Operation and management contracts (O&M) short-term contracts where the private sector provides some operation and maintenance services for a fee. Responsibility for investment decisions is on public sector. Capital investment is not the primary focus in such arrangements.
- **Build Operate Transfer (BOT)** contract with the private sector to design, build and operate a public facility for a defined period after which the facility is returned to the public sector. The ownership throughout the contract is the public sector. Design, construction and operating risks are transferred to the private sector. If the contractor does not provide the finance he does not own the facility as he does in the case of a build – own – operate – transfer (BOOT) scheme. There are also a build – transfer – operate (BTO) arrangements where the contractor hands over the facility when it becomes operational rather than at the end of the contracted period, but would continue to operate it for a specified period under a lease arrangement.
- **Design Build Finance Operate (DBFO)** contract with the private sector to design, build, finance and operate the facility for a defined period after which the facility is returned to the public sector. The ownership throughout the contract is the public sector. This contract is similar to BOT except that the contractor also provides finance. This mechanism is used when it is necessary to build a new special–purpose facility. The contract period is long enough to recover capital costs, debt repayments and to earn a profit.
- Lease or affermage these are medium-term contracts, between five and 15 years. Commercial risk is transferred to the private sector. Responsibility for service provision is transferred to the private sector. The operator does not receive a fixed fee for services, it depends on his ability to reduce operating costs and collect receivables from end users. The contractor obtains its revenue through appropriation of revenue from the bills paid by consumers. In case of lease the operator pays a fixed lease fee to the government irrespective of the level of tariff collection. The affermage contractor collects revenues from the customers based on the tariffs set by the regulator. The operator retains the operator fee out of the receipts and pays an additional surcharge that is charged to customers to the awarding authority to go towards investments that the awarding authority makes in the infrastructure. In both cases, the private sector

may be responsible for repairs but the public sector is responsible for capital improvements and network expansion. These contracts are usually used in waters sector and public transport.

- **Concession** these are long-term contracts. Concession can be awarded for the construction of a new asset or for modernization or expansion of an existing facility. The private sector is responsible for the full delivery of services and for all capital investments during the contract period. The concessionaire collects the tariff directly from the system users. The tariff is typically established by the concession contract. It is important to emphasize that the assets are publicly owned during the concession period.
- **Divestitures and Joint Ventures** divestitures vary mainly by the percentage of shares sold to private investors. Complete divestitures transfer to private sector ownership of all the shares and assets. Partial divestitures (sometimes described as joint ventures) limit the sale to a percentage, providing the private sector limited ownership and control over the assets. The government has the task of regulation in order to ensure that services provided by the private sector meet the expectations of the government and the customers. Joint ventures are alternatives to full privatization in which the infrastructure is co–owned and operated by the public sector and private operators.

Conceptually, there are five different families of possible partnerships (Hodge,Greve, & Boardman, 2010):

- institutional cooperation for joint production and risk sharing (such as the Netherland Port Authority),
- long-term infrastructure contracts (LTICs), which emphasize tight specification of outputs in long-term legal contracts (as exemplified in UK Private Finance Initiative (PFI) projects),
- public policy networks (in which loose stakeholder relationships are emphasized),
- civil society and community development,
- urban renewal and downtown economic development (and where, in the USA, a portfolio of local economic development and urban re-growth measures is pursued).

#### 1.3 PUBLIC – PRIVATE PARTNERSXIP ADVANTAGES

One of the advantages of PPPs is that PPPs make a project affordable. When the public sector cannot increase its levels of borrowing or does not have direct power to borrow, PPPs make project affordable. Private sector finances the construction of the project. This is one of the beneficial factors. A project is affordable if it improves the value for money compared to that implemented through the traditional public procurement.

Furthermore, with PPPs risks are allocated to the party best able to manage them.Risk is transferred to the party who is able to manage it at the least cost. The first step is to identify all project risks (general risks and project – specific risks). The allocation of risks between parties in PPP project depends on the type of PPP structure. Transferring risk to the private sector should create incentives to supply cost-effective and higher-quality services on time.

According to EPEC (2011 p.11) risk management is ongoing thorough the life of a project and occurs in five stages:

- risk identification the process of identifying all the risks relevant to the project whether during its construction phase or its operational phase,
- risk assessment determining the likelihood of identified risks materializing and the magnitude of their consequences if they do materialize,
- risk allocation allocating responsibility for dealing with the consequences of each risk to one of the contracted parties, or agreeing to deal with the risk through a specified mechanism which may involve sharing the risk,
- risk mitigation attempting to reduce the likelihood of the risk occurring and the degree of its consequences for the risk–taker, and
- risk monitoring and review monitoring and reviewing the identified risks and new risks as the PPP project develops and its environment changes. This process continues during the life of the PPP contract.

PPPs deliver value for money – one of the primary factors in the decision to implement PPP project is its potential to achieve greater "value for money". PPPs should only be implemented where they deliver value for money. Value for money is the optimum combination of whole life cost and quality to meet user's requirement.

PPPs open up opportunities for private investments. Public sector gives the private sector opportunities to secure long-term investments. Private sector assures additional resources to meet growing needs for investments in public sector. The private sector is often considered more efficient in infrastructure projects. According to Delmon (2009, p. 10) this increased efficiency results from many factors including:

- improved financial engineering/leverage reducing weighted average cost of capital (WACC),
- focus on cost-effectiveness, in particular rationalizing the cost of labor and materials,
- commercial approaches to problem–solving,
- incentives to improve efficiency and performance and encourage innovation,
- creation of arms-length relationships between government and service providers, enabling better, less politically oriented enforcement of obligations,

- better governance to improve transparency, competition and accountability, and thereby improve value for money,
- bring hidden costs into the open, for example the high transaction costs often associated with PPP projects development must also be incurred in public projects but are simply absorbed onto other public budgets without being accounted for,
- reduced opportunities for patronage,
- improved transparency and competition to reduce opportunities for corrupt practices, and
- insulation from political considerations.

Access to technology, expertise and knowledge - a chance to use innovative ways to meet public sector needs. PPPs promise better project design, choice of technology, construction, operation and delivery. Public sector specifies the output it wants, but not how to deliver the services. It creates incentives for the private sector to be innovative.

Delivery to time and price - the public sector only pays when services are delivered and there are financial consequences for contractors if delivered late. According to Alshawi (2009, p.3) a distinguishing feature of the PFI procurement is the timing responsibility and payments. The public sector procurer does not pay capital over the construction period, but rather pays for the service during the operational period. The private sector, on the other hand, pays the capital cost, which it recoups through the service payments. The public sector operates the design of project but rather it specifies its services by way of an output specification. Additionally, the public sector operator no longer operates the asset but rather monitors service delivery and performance.

Finally, the quality of service has to be maintained for the life of PPP – the private sector is responsible not just for asset delivery, but for successful operation over the contract period. The returns on private sector equity depend on the quality of services.

### 1.4 PUBLIC - PRIVATE PARENERSKIP DISADYANTAGES

It is clear that PPPs contribute to the improvement of public services and infrastructure projects. However, PPPs have disadvantages. It is assumed that the private sector can borrow money more cheaply than the public sector. But this is not always the case. In most countries in the world governments can borrow money at lower interest rates than private companies. According to Hall (2008, p. 17) governments can nearly always borrow money more cheaply than private companies or private individuals. This is because there is very little risk of defaults. Governments are always there, with large tax revenues, whereas no private company is immune from the risk of going bankrupt. Lending to private companies is therefore more risky, and therefore the interest rate is higher.

Higher costs of borrowing, expensive tendering process, excessive requirements for information and documentation and high transaction costs are some of disadvantages of PPPs. Preparation and implementation of PPP is a lengthy and expensive process.

According to World Bank (2012, p.31) implementing a competitive procurement process for PPPs can be difficult. Governments need to approach the market with a well–defined, well–structured PPP project. Where this is not the case, bidders may make bids that are either incomparable with each other (as based on varying assumptions) or deliberately low, with a view of resolving uncertainties through post–bid negotiation. This can be a challenge even in countries with long PPP experience.

Furthermore, high tendering costs may reduce the number of companies, which in the end reduces competitiveness. Each party bidding for a project spends considerable resources in designing and evaluating the project prior to submitting a tender. Competition plays a big role to ensure value for money in case of PPP. If the competition level is limited a PPP might not be the best option, as it might not deliver the best value for money. Another disadvantage of PPP projects is loss of management control by the public sector. It is more difficult to manage the outside service provider than own employees.

It is difficult to change the contract because PPP contracts are long-term contracts. Consumer's needs are changing over time. It can happen that partnership ends up delivering services that are no longer required. These contracts cannot predict all circumstances in the future. It is difficult to adapt and change contractual responsibilities as the context changes. According to Posner, Ryuand Tkachenko,(2009, p.13) long-term contracts increase the stakes and fortify the position of the contractor who gains expertise and a monopoly over production and over resources. The long time period makes it difficult for governments to write detailed specifications and conditions, leaving important issues to be resolved in subsequent negotiations during the long implementation phase. Contractors often tend to underestimate their costs in original contracts, leading to large overruns as the project evolves.

PPPs are not the only option for accessing necessary finance. Public sector comparator should be used to assess whether a PPP is the better option than traditional procurement. The public sector comparator calculation compares the cost of a PPP with that of the same project carried out through public procurement. The calculation methodology should be publicly available. "A public sector comparator compares the net present cost of bids for the public – private partnership project against the most efficient form of delivery according to a traditionally procured public sector reference project. The comparator takes into account the risks that are transferable to a probable private party, and those risks that will be retained by the government" (OECD, 2011, p. 4).

According to Akintoye and Back (2009, p.12) despite its numerous benefits, PFI has its downsides:

- high transaction costs bidding costs for PFI projects are very high. They are estimated to be in millions. Another fact is that the public sector can borrow money cheaply than private companies. It means that costs of financing are higher for private sector companies,
- demanding negotiations negotiations between parties included in PFI project are very complex and they require a lot of time,
- bland products since the investors are very careful with overruns there is possibility to inhibit innovative constructions and designs,
- unusual alliances sometimes it is very difficult to create a project consortia because of different objectives of members of consortia. This can lead to selling of stakes after finishing the construction phase. In this way, some companies have made profits and avoided risks,
- quantification of risks high cost is ascribed to risk transfer. There are no reliable data about frequency of occurrence of certain types of risks and their impact on PFI projects
- unusually high profits shareholders in PFI schemes can expect very high returns per year; these returns can be perceived as unnecessarily high as this burden is passed on to taxpayer,
- justification of PFI,
- inadequate prior knowledge of PFI most client organizations use PFI once so they have substantially fewer staff who fully understand the intricacies of PFI. In contrast, private sector companies were included in more PFI projects and they have more experience.

## 1.5 OVERVIEW OF THE EUROPEAN PUBLIC - PRIVATE PARTNERSHIPS MARKET

According to (EPEC, 2012, p.1) in 2012, the value of PPP transactions reaching financial close in the European market totaled EUR 11.7 billion. This represents a 35% drop compared to 2011 (EUR 17.9 billion) and the lowest market value since 2003. 66 PPP transactions reached financial close in 2012, a 21% reduction compared to 2011 when 84 projects reached financial close. The average transaction size decreased significantly in 2012 reaching EUR 177 million (compared to EUR 213 million in 2011). The UK dominated the 2012 European PPP market in terms of value, overtaking France which led the market in 2011. The UK alone accounted for 48% of the European market value (EPEC, 2012, p.1).

Figure 1 shows that, with 18 projects, education was the most active sector in 2012 in terms of number of contracts. Transport sector is in the second place, with 13 deals reached

financial close. Eight PPP transactions reached financial close in healthcare and recreation and culture sectors. Six public order and safety deals closed.



Figure 1. Number of PPP transactions by sectors in 2012in Europe

Source: Calculation done from the data of EPEC, *Review of the European PPP Market*, *First half of 2013*, 2013.



Figure 2. The European PPP Market by Value and Number of Projects since 2004

Source: EPEC, Review of the European PPP Market, First half of 2013, 2013. p.1

The aggregate value of PPP transactions that reached financial close on the European market in the first half of 2013 totaled EUR 9 billion, which is higher than in 2012. The average transaction size stood at EUR 370 million, which is more than twice the 2012 value. It is the highest average deal size recorded over the last decade (EPEC, 2013, p. 1).

EU legislation which is relevant to certain aspects of PPPs is the following:

- The Public Sector Directive (2004/18/EC), which prescribes the procedures for the award of works contracts, public supply contracts and public service contracts,
- The Utilities Directive (2004/17/EC), which prescribes procurement procedures for entities operating in the water, energy, transport and postal sectors.

In April 2004 European Commission adopted the Green Paper on Public – Private Partnerships. The aim of the PPP Green Paper was to launch a debate to find out whether the Community needs to intervene to give economic operators in the Member States better access to the various forms of public private partnership under conditions of legal certainty and effective competition (Commission of the European Communities, 2005, p. 4).

Sometimes public institutions know what outputs they want, but they are not sure which alternative is the best to meet the requirements. According to the Green Paper (Commission on the European Communities, 2004, p. 10) the aim of the competitive dialogue procedure is to allow a public institution to discuss possible solutions to achieve defined objectives and outputs with selected bidders before final call for bids. This procedure has to ensure transparency and equality of treatment during discussions without endangering the rights which the Treaty confers to economic operators. This procedure is more flexible solution for awarding public contracts enabling the sound use of public funds, transparency and legal certainty.

A number of governments across Europe have adopted PPP–related legislation including (PricewaterhouseCoppers, 2005, p. 46):

- France crated a new form of contractual relationship throughout PPP "Ordonance" in 2004. This form of PPP allows classic DBFO project finance model with a private party or consortium, under which the contractor will be paid over time by the contracting public body. The contract legislation is also designed to improve security for those lenders with ownership rights over the assets involved,
- Greek Parliament adopted a PPP Bill in September 2005, in order to govern projects to be delivered using a PPP. The law establishes a Special Secretariat for PPPs. The aim of this PPP unit is to set out a PPP tendering and procedures, tax, financial and accounting issues, securitization issues, arbitration proceedings. The law will apply to projects up to the value of €200 million,
- in August 2005, the Polish president signed the PPP Act, which eliminates double taxation and introduces more flexible regulations regarding public contracts. The new law removes restrictions on long-term budgetary commitments and on the use of state funds in PPPs. The new law should allow the growth of PPPs in Poland,
- in April 2003 the PPP Law was adopted in Portugal. According to this Law, responsibility for controlling and supervising PPPs is on the Ministry of Finance and

the relevant Minister in charge of the project. The Law adopted two new concepts Public Sector Comparator and Value for money concept. It introduces requirements to ensure that PPP–based projects are approved only if they involve a significant and effective transfer of risk. The Law is intended to complement the existing sector legislation and applies to all central and regional government projects,

- in 2003 Spain introduced new concessions legislations in order to update the former legal framework and allow the delivery of a broader type of public infrastructure service through PPPs,
- regulatory framework for public works in Italy is provided by the Merloni Law (Law 109/1994). In 2002, this Law was reformed and the Legge Obiettivo (Law 443/2001) was enacted in order to set out the process for the development of the key infrastructure projects. This law prompted further development,
- in December 2004, a law governing PPP contracts and concessions was passed in Romania (Law no. 528/2004) modifying the existing government ordinances. Under the terms of this law, the Ministry of Public Finance assumed responsibility for elaborating secondary legislation with the European Commission in October 2005.

In order to stimulate PPPs France developed in 2009 an economic recovery plan which aimed to simplify procurement procedures and grant more public guarantees. This plan deals with all public investments, not only PPPs.

According to EBRD (2014, p. 4) an earlier Polish PPP Law of 2005 was replaced by the Act on Public – Private Partnership of 19 December 2008 (the "PPP Law"). One of the objectives of the new act was to improve the public – private partnership system in Poland, particular by harmonizing it with other laws which may apply in the scope of concession/PPP. Concessions are also regulated by the new Act on Concession for Works or Services of 9 January 2009 (the "Concession Law"). In addition, there exist sector specific laws covering PPP and Concessions, e.g. the Toll Motorway and Road Fund Law and the EURO 2012 Law.

There were also changes in legislation in Portugal. According to Dizdar A. et al. (2011, p. 25) after three years of application of the Law from 2003, that Law was amended by the Decree – Law 141/2006, with the objectives to:

- better promote relations between Sector Public Departments and Ministry of Finance,
- increase transparency, rigor and tight control in the preparations and development of projects;
- clarify the risk sharing model between the public and the private partner,
- regulate procedures related to contractual changes and resolution of disputes,
- promote flexibility and efficiency in the conception of the PPP business model.

According to Robles O.A. (2009, p. 50) in April 2008 a new Law of Public Sector Contract came into force (Law 30/2007) in Spain. The new law further develops the principle of PPP, making explicit the provision specifically aimed at projects where a partnership between the public and the private sector is required.

According to Zero Emission Communities (n.d., pp. 12 - 14) there were five successive regulatory changes in Italy:

- Law 166/2002 c.d.Merloni,
- the Law "Community Act 2004",
- Legislative Decree 163/2006 "Code of public contracts",
- Legislative Decree 113/2007 c.d. second order correction of the Code of contracts
- Legislative Decree 152/2008 c.d. third order correction of the Code of Public Contracts

The new framework in Italy is characterized by greater accountability of public administration with reference to drafting feasibility of the projects. The new law obligates the government to make ex ante many choices that were previously postponed to a later date and to make known to the market the appropriate manner to suit you, already at the time of the procedure.

According to EBRD (2012, pp. 45 - 47) Romanian Law underwent important changes at the end of 2010, following enactment of a new legal framework dedicated to PPPs, comprising the PPP Act No. 178/2010 and the Government Decision No. 1239/2010, approving the Norms for the implementation of the PPP Act No. 178/2010, as well as certain measures for the reorganization of the Central Unit for the Coordination of Public – Private Partnership within the Ministry of Public Finances. Under the PPP Act 17/2010 PPPs may be implemented only by setting–up an institutional PPP whose purpose is to carry out the PPP project. Important amendments have been made to the PPP Act 178/2010 as of 17 October 2011. The amendments made to the PPP legal framework in October 2011 aim to make the procedures for the award of a PPP contract compliant with the European Union Directives on public procurement.

Generally, the line between the scope of different regulations in Romania is not very clearly drawn in all cases. A specific project may qualify either as a PPP or as a Concession and there are no clear guidelines on the choice among the set of rules that should be complied with.

Germany has over the years introduced various legislative packages starting with the PPP Acceleration Act, 2005 which included amendments concerning competition, federal budget legislation, investment laws and tax laws. The law has introduced changes in respect of procurement, the payment of fees by public authorities, the public accounting

treatment for PPPs, tax law and rules regarding finance. Partnerschaften Deutschland is quality series provider offering comprehensive consulting services on PPP matters for the public sector with a focus on early stages.

A number of organizations examined the lessons they had learned from their own PPP experiences. These organizations include the UK Treasury, the UK National Office, a UK policy think-tank (The Institute for Public Policy Research), an Australian PPP taskforce (Partnerships Victoria) and the World Bank. According to Bain (2009), the PPP-related lessons include:

- project selection is key (selecting projects that best 'fit' the PPP model),
- public sector procurement and negotiation capabilities need to be strong,
- PPPs work best when the procurement process is transparent and competitive,
- PPPs are most suited to sectors where the pace of change is gradual they do not work in sectors that experience rapid change (such as IT/ICT),
- introducing PPP legislation can be an important, but not by itself sufficient, prerequisite for successful PPPs,
- successful PPPs involve meaningful, yet realistic, risk transfer,
- because of partially-fixed transaction costs, there is a minimum viable size for PPPs of around €25m,
- some projects may simply be too large and/or complex to be successfully procured as PPPs,
- the policy focus for PPP promoters should always be on value for money,
- procuring agencies should not lose sight of long-term affordability, both togovernment and to users, when considering PPP programmes,
- promoters should remain alert to the danger that it is possible for readily bankable PPP projects to become prioritised over perhaps more-needed infrastructure projects.

## 1.6 OVERVIEW OF THE PUBLIC ~ PRIVATE PARTNERSHIPS IN THE UK

Private Finance Initiative (hereinafter: PFI) was officially introduced in 1992 only for central government. Until 1997, when the Local Government Act was introduced, it was not permitted to local government to sign PFI contracts.

There is no specific PPP law and concession law in the UK. According to NAO (2013, p. 5) under a PFI contract, a public sector authority pays a private contractor an annual fee, the "unitary charge" for the provision and maintenance of a building or other asset. The unitary charge may also cover services such as cleaning, catering and security in relation to the asset.

In the publication COST Action TU1001 Public Private Partnerships in Transport: Trend and Theory (2013) three types of organizations considering PPPs in the UK are described.

One of the supporting units is Partnerships UK (hereinafter: PUK). It was initially established in 1992 as the Private Finance Panel under the auspices of HM Treasury. In 1997 it was transformed into the Treasury Taskforce, and three years after that it was finally transformed into PUK. PUK was a limited company owned by HM Treasury (49 per cent) and by private actors (51 per cent). It received fees from the services it provided to the public sector. PUK is taken over from two governmental units: Local Partnerships, established in 2009, and Infrastructure UK (hereinafter: IUK), established in 2010.

Local Partnerships is a limited liability partnership between the Treasury and the Local Government Association. Its task is to provide PFI–related policy guidance and technical support to local governments in the UK. It is financially aided by local and central government and it additionally receives a fee income from chargeable services.IUK was established under auspices of the Treasury and is financially fully aided by central Government. Its main task is to act as a technical support center and central repository of knowledge.



Source: Farquharson E., Lessons from the UK, Partnerships UK, 2008, p. 11

PFI projects typically use around 90 per cent debt finance and 10 per cent equity finance. Bank loans and bonds are two possible sources of debt financing. The banks and bond holders receive interest on their loans related to risks. Interest charged on the bank loan is usually a combination of two parts, the reference rate (usually the interbank rate) and the loan margin. The interbank rate reflects general market risks, while the loan margin reflects project specific risks. (NAO, 2010, p. 4) Due to credit crisis in 2008 bank lending was restricted. As a response to the crisis the UK Treasury established The Infrastructure Finance Unit in March 2009, with the aim to provide government loans to infrastructure projects, on commercial terms. During the credit crisis lending terms worsened for PFI. Private companies finance PFI projects through bank loans and they pay interests for it. An increase in the cost of finance represents the increased risk to value for money. According to the NAO (2010, p. 9):

- the total interest cost of bank finance increased by one-fifth to one-third,
- the higher financing costs increased the annual charge of typical PFI projects by 6 to 7 per cent.

In June 2013, there were 684 operational contracts within central and local government, and the total charge still to be paid on these contracts was £206.6 billion (NAO, 2013, p. 10).



Figure 4. Number of Operational PFI Contracts in the UK in June 2013

Source: NAO, Savings from Operational PFI Contracts, 2013, p. 11

As shown in Figure 4, two departments, the Department of Health and the Department for Education, sponsor more than half of all the operational PFI contracts. The Department of Health sponsors 209 operational contracts and the Department for Education 167 contracts.

By June 2013, 13 departments had reported that total of £1.6 billion of signed savings came from 65 of the 684 operational contracts. Savings are described as "signed" either when any agreed changes are supported by a signed contract variation, or in the case of savings that do not require contract amendment where there is other good documentary evidence backing up the claimed saving, for example, a contract to sublet surplus building space. All savings are reported in nominal rather than real terms (NAO, 2013, p. 12).

Figure 5. Source of Signed Savings in the UK by June 2013



Source: NAO, Savings from Operational PFI Contracts, 2013, p. 13

According to National Audit Office (2011, pp. 6-9) lessons from 72 PFI and other project reports are:

- there are no clear data to conclude whether the use of PFI has led to demonstrably better or worse value for money than other forms of procurement,
- procuring authorities fail to specify the essential cost and operational data they require,
- there are insufficient data on the returns made by equity investors for the risks they are bearing,
- the lack of commercial skills to match those of the private sector can put the public sector at a disadvantage in the negotiation and management of contracts,
- because of the length and complexity of PFI procurements, there is a risk of important knowledge not being passed on when advisers or key individuals move on other work,
- despite a range of valuable project assurance and governance processes, many specifically related to PFI, it has been rare for large projects to be halted,
- local bodies procure contracts as part of programmes managed and funded by central government,
- there is a need for greater challenge of both the decision to use private finance and the scope of the deal,
- with an average contract period of 25 to 30 years, PFI contracts can be relatively inflexible,
- there has also been little opportunity previously for public authorities to obtain further efficiencies during these long contract periods,
- unlike its private sector contractors, the Government has not used its market position to obtain economies of scale.

House of Commons (2011, pp. 5 - 6) also took evidence on lessons from PFI and the implications for future projects:

- the use of PFI has been based on inadequate comparisons with conventional procurement which have not been sufficiently challenged. The justification of proceeding with PFI in the future needs to have regard to a range of important factors,
- tax revenue is being lost through the use off-shore arrangements by PFI investors and the effect has not been adequately assessed,
- the public sector has insufficient information on the returns made by PFI investors and has no mechanism for sharing in gains when the investors sell their shares,
- transparency on the full costs and benefits of PFI projects to both the public and private sectors has been obscured by departments and investors hiding behind commercial confidentiality,
- the public sector has failed to make best use of commercial skills,
- the Treasury must address the scope for greater efficiencies from PFI projects,
- there is a tension between the fragmentation of public service delivery through the localism agenda and making best use of the Government's bulk buying power.

## 2 Legal Framework for Public ~ Private Partnerships in Bosnia and Herzegoyina

#### 2.1 LEGISLATION REVIEW

Bosnia and Herzegovina is a decentralized state, which consists of two entities (Federation of Bosnia and Herzegovina and Republika Srpska) and a special autonomous district (Brčko Distrikt). The Federation of Bosnia and Herzegovina comprises ten cantons. In the FBiH a draft PPP law was forwarded to the federal government, but due to political deadlock in the country it was adopted in March 2014. In Republika Srpska, the law on PPP (the "PPP Act") was adopted by the Parliament of Republika Srpska in June 2009 and became effective on 10 July 2009. The PPP Act is in compliance with EU directives.

#### 2.1.1 LAW ON PUBLIC ~ PRIVATE PARTNERSHIPS

The PPP Act (Official Gazette RS, No. 59/09) defines PPP as form of cooperation between public and private sector established through pooling of resources, capital and professional knowledge in order to fulfill public needs. Private partners can be selected through a public procurement procedure or a concession granting procedure. According to CMS (2010, p. 19) the PPP Act recognizes two main forms of PPPs: the institutional form of PPP and the contractual form of PPP. In the institutional form of PPP the public and private partners become shareholders of a special contractor (joint venture company) through which a PPP project is implemented. In the contractual form of PPP relationship between public and private sectors are regulated exclusively by contract. The main contractual forms of PPPs must be

implemented in accordance with the provisions of the Law on Concession of Republika Srpska. The private financial initiative is a contract under which the private partner finances, performs, maintains and manages a public building in order to fulfill the need of public sector. In this case the private partner will charge for its services to the public sector in accordance with the prior specified standards concerning the space and services as well as the payment mechanism.

According to PPP Act it is obligatory to identify allocation of basic risks:

- construction risk relevant to the activities linked to the initial state of the property object of agreement,
- availability risk relevant to the cases where the private partner is called to accountability during the management of property due to providing services below the set standard or services not in compliance with standards specified by the agreement,
- demand risk relevant do demand instability compared to that expected at the time of signing of the agreement, independent of engagement of the private partner, i.e. the usual risk borne by the private partner.

The PPP Law of FBiH defines PPP as a partnership between public and private partner established on the contract for implementation of the PPP project. The purpose of this law is a transparent, nondiscriminatory and clear legal framework for defining requirements for establishing PPP for domestic and foreign legal entities and individual persons to implement PPP projects with public partners in the FBiH. The object of the PPP may be design, construction, rehabilitation, operation and maintenance of capacities for the purpose of the fulfillment of public needs.

Competent authority of the public body shall issue the applicable document for each specific case to determine the commitment for the establishment of partnership with the private sector. The public body shall issue a decision on the commitment to establish a PPP on the basis of the project feasibility study. The project feasibility study shall include:

- the project's economic and financial indicators, including a comparative expenditures analysis of the public sector comprising the expenses of the public sector during the implementation of that project in the case of classical budget financing in the envisaged period (Public Sector Comparator PSC),
- required financial resources from the budget of the Federation or the local selfgovernment unit, that is, necessary financial resources that should be provided by companies owned by the state,
- legal status of the project ownership,
- project implementation risks,
- other required elements.

Prior to the decision on the private partner selection, the public body has to submit a proposal of the PPP Agreement for approval to the Concession commission. Within 90 days following the day of receipt of the project proposal and the complete accompanying documents, the Commission issues decision on the approval of proposed project.

The draft law has produced a lot of complaints. One of the main complaints is overlap when it comes to Law on Concessions, which might be the main problem when it comes to its implementation. It is necessary to clearly define terms in law in order to prevent its abuse in practice or a kind of privatization of public utilities. The main problem here is that BiH still has not defined who is responsible for public utilities.

Three cantons in the FBiH adopted PPP laws: Sarajevo canton, Tuzla canton and Una-Sana canton. In the FBiH, the following laws are relevant for PPP:

- Law on concessions of Federation of Bosnia and Herzegovina (Official Gazette FBIH, No. 40/02),
- Public Procurement Law (Official Gazette BiH, No. 49/04).

Overview of selected European countries' practices will be provided in the next section. In most EU countries, government has the power to propose draft law and to adopt regulatory acts to implement the primary law, whereas the parliament approves the draft law. In countries such as the UK and Turkey there is no specific discipline but general EU principles of transparency and non-discriminatory apply.

In France, PPP processes follow standard EU procurement laws (competitive dialogue or negotiated procedure). Although concessions are the rule in some sectors (e.g. water and waste-water, highways), legislation has been adopted to enable other types of PPP. According to European Investment Bank (2011, pp. 14 - 18) the French law recognizes concessions (public service delegations), "give and take" schemes and partnership contracts. Procuring authorities entering into PPP contracts must obtain approvals from the Ministry of France and State Reforms and the line ministry responsible for the particular sector before signing the contract. Project payments are linked to project performance targets and should be made throughout the duration of the PPP contract. PPP contract identifies separately the construction, design and development and financial expenses, as well as operating costs and financing costs. Most operational risks (such as construction and design risk, interface, price increase, technical risk in the operation phase) are transferred to the private sector. Risks that are beyond the control of the private party – notably the risks of a general change in law – tend to be retained by the public sector.

According to Burger, P. and Hawkesworth I. (2011, p. 29) the main component of the PPP process in Germany is the PPP suitability test. This test investigates whether or not the PPP is possible, legally permissible and potentially more efficient. If possible efficiencies are

identified, the PPP suitability test is followed by a provisional economic feasibility analysis, which compares the estimated costs of building, financing, operating and maintaining the variants under construction. PPP is put out on tender on the basis of an output specification, including financing and operation.

According to Verhoestet al. (2013, pp. 184 - 122) the Greek PPP Law 3389/2005 adopts the provisions of the recent EU secondary legislation on public procurement (i.e. Directives 200/52/EC and 2004/18/EC). It defines PPP as a written contract for partnership with private sector entities for the execution of works or the provision of services. The general principles of the award procedure are: equal treatment, openness, fairness, mutual recognition, protection of the environment and viable and continuous development. The provided types of award procedure are: open procedure, closed procedure, competitive dialogue and negotiated procedure.

According to Verhoest et al. (2013, pp. 134 - 139) there is no specific legislation on PPPs in Italy. The law on concessions established in the provisions of the Code of Contracts (LAW 163/2003, art.143) is usually applied to PPPs. This law implements the EU Directives 2001/17 – 18, and defines PPP as contract between contracting authority and one or more operators, aimed at the execution of works and the supply of services. In Italy responsible institution is the Ministry for Infrastructures. Italian PPP law does not prescribe the estimation of Value for Money before the approval of a PPP project. The evaluation of the feasibility of a PPP project is based on the Economic–Financial Plan, which is made by the private company. The law provides for different kind of procedures to be used to award public contracts, and defines the criteria to select the best tender based on the lowest price and/or the most economically advantageous bid.

#### 2.1.2 Concession laws

The procedure of awarding concessions in Bosnia and Herzegovina is regulated by:

- Law on concessions of Bosnia and Herzegovina (Official Gazette BIH, no. 32/02),
- Law on concessions of the Federation of Bosnia and Herzegovina (Official Gazette FBIH, no. 40/02),
- Law on concessions of Republika Srpska (Official Gazette RS, no. 25/202),
- Concession Law of District Brcko (Official Gazette of Brcko District, 19/06),
- Cantonal laws on concessions.

Law on concessions of Bosnia and Herzegovina was adopted by Parliamentary Assembly of Bosnia and Herzegovina in September 2002. This law regulates the modalities and the conditions concerning the granting of concessions in Bosnia and Herzegovina, the competence for granting concessions, institutional structure, the tendering procedure, the contents and effects of concession contract, the rights and obligations of the concessionaire. Article three defines concession as: "the right granted by a Conceding Party to provide the construction of infrastructure and/or services and to exploit natural resources under terms and conditions agreed on by Conceding Party and Concessionaire". Intention of the Parliament was to provide transparent, non–discriminatory and clear legal framework for granting concessions and to encourage foreign investments. The law established the Concession Commission of Bosnia and Herzegovina with the head office in Banja Luka. Concession Commission is an independent regulatory legal entity set up to carry out its competences in the capacity of the Commission of Bosnia and Herzegovina for concessions granted or in the capacity of the Joint Concession Commission. Procedures for awarding concessions are:

- public invitation procedure,
- procedure of "unsolicited proposals"

According to Article 22 of the Law on Concessions a public invitation shall include:

- project description,
- definition of economic and legal conditions and requirements applicable to the project,
- principles and methods of calculation of concession fee,
- amount of concession fee and fee and duty for participation in the public invitation,
- description of assets and property to be made available to the Concessionaire,
- criteria pertaining to evaluation of tenders and granting of Concession, based on clear, transparent and non–discriminatory principles accessible to all,
- deadline for submitting tenders,
- draft of the Concession Contract,
- tax allowances attached to the project, if any,
- list of all necessary permits, licenses and other authorizations.

The Commission may require that public invitation include the obligation for bidders to prepare a feasibility study with environmental impact assessment. Feasibility study shall be considered in the evaluation of criteria pertaining to the granting of Concession.

In the case of unsolicited proposal to the competent Ministry special attention should be paid to:

- the fact that the project subject to proposed concession can be achieved only with the process, design, methodology or concept of engineering for which the bidder owns exclusive rights,
- urgent need for providing services or for the existence of infrastructure for public use.

The existence of several legal concession systems in BiH is an obstacle for concession projects covering more than one territory of BiH. The legal and administrative framework lacks clarity, which will be discussed in Chapter 4.

#### 2.1.3 Public procurement legislation

The main legal act regulating award of public contracts is Public Procurement Law (Official Gazette BiH no. 49/04). The purpose of this law is to establish the public procurement system in BiH, rights, obligations and responsibility of participants in the procedures and the procedure for the control of public procurement procedures. A public supplies, services or works contract shall be awarded by means of one of the following procedures:

- open procedure,
- restricted procedure with pre-qualification,
- negotiated procedure with the publication of a procurement notice,
- negotiated procedure without the publication of a procurement notice,
- design contest.

A restricted procedure may be used in the event of a large or complex procurement which requires a pre-qualification procedure. A consultancy services contract shall be awarded on the basis of the restricted procedure. Public Procurement Agency (hereinafter: PPA) is established as an independent administrative organization, with legal personality and directly responsible to government, with its seat in Sarajevo. The Agency has two branch offices based in Banja Luka and Mostar. The branch offices do not have the status of legal entity and are not authorized for decision-making without approval of the Agency. The function of the Agency is to ensure proper implementation of the Public Procurement Law through:

- proposing amendments to this Law and its implementing Regulations ensuring effectiveness and suitability of that legislation,
- reinforcing the awareness among the contracting authorities and the suppliers of the public procurement legislation and its objectives, procedures and methods,
- publishing procurement manuals and guidelines and development and maintenance of standard forms and models, according to the provisions of this Law and its implementing Regulations, to be utilized by the contracting authorities,
- providing technical assistance and advice to both contracting authorities and suppliers on the application and interpretation of the provisions of this Law and its implementing Regulations,
- establishing systems for monitoring the compliance of the contracting authorities with this Law,
- collecting, analyzing and publishing information about public procurement procedures and awarded public contracts,
- developing a nation-wide electronic information system to supplement the Official Gazette and to publish tender documents,

- initiating and supporting development of electronic procurement and communication within the field of public procurement,
- publishing training information, manuals and other aids for professional development in public procurement,
- maintaining a register of accredited trainers in public procurement,
- submitting annual report to the Council of Ministers of BiH.

The Agency has the Director and the Board. Board of the Agency consists of seven members: the Minister of Finance and Treasury of BiH, the Minister of Finance of FBiH, the Minister of Finance of RS, and four experts selected by open competition as provided for in the implementing Regulations. Procurement Review Body is established as an independent administrative organization with legal personality, with seat in Sarajevo. The purpose of this organization is enforcement of the provisions of Public Procurement Law.

In October 2012 the PPA sent to the Government the Draft Public Procurement Law, which fully transposes the provisions of the 2004/17 and 2004/18 Directives and a minor part of the 2009/81 Directive. The Draft PPPL envisaged 12 bylaws which regulate, for the first time:

- defense related procurement, procurement for diplomatic-consular mission,
- public procurement staff training and certification system,
- general public procurement glossary.

The House of Representatives of the Parliamentary Assembly of Bosnia and Herzegovina, in urgent procedure in May 2014 adopted the Draft Law on Amendments to the new Public Procurement Law, which was adopted less than a month earlier. The Council of Ministers prepared the Draft Law, on the basis of Public Procurement Agency proposal, in order to ensure continuity of deciding on all appeals in the field of public procurements.

These Public Procurement Law Amendments established the jurisdiction of the Public Procurement Body in Sarajevo for decisions on all appeals, until establishing a branch office in Banja Luka and Mostar, in order to ensure an efficient legal protection in all public procurement procedures that has not been regulated since November 2013.

## 2.2 LOCAL COMPETENCES IN BOSNIA AND XERZEGOYINA

BiH is administratively divided into two entities: the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS). The district Brcko is a self–governing administrative unit. The FBiH is divided into ten cantons. The cantons are divided into 84 municipalities. The RS is divided into 63 municipalities, which have greater powers than their counterparts in the FBiH.

The structure of the government of BiH is as follows:

- legislative branch (bi-cameral parliament),
- executive branch (Presidency and the Council of Ministers), and
- judicial branch (Constitutional Court and State Court).

The competencies and responsibilities of the municipalities in terms of public services and utilities are regulated by local self – government laws at the level of the separate entities of the Republika Srpska and FBiH. The differences between the two entities are illustrated by Table 2.

Public services	Local government in the	Local government in the
	Republika Srpska	Federation BIH
Water supply	Responsibility of municipality	Responsibility of municipality
Heating supply	Responsibility of municipality	Responsibility of municipality
Sanitation	Responsibility of municipality	Responsibility of municipality
Sewage system	Responsibility of municipality	Responsibility of municipality
Local roads and	Responsibility of municipality	Responsibility of municipality
transportation		
Health protection	Founding and management is the	The municipality establishes
	responsibility of local government;	authorities at the entity and
	financing is under entity level	cantonal levels
	competency, via the Public Health	
	Fund	
Pre-schools	Policy is a local-level	Policy making and regulations
	responsibility; financing is divided	are under cantonal authority;
	between local level (via the Public	the local government is
	Fund for the Protection of	responsible for financing
	Children) and entity-level	
	competences	

table continues

table continued

Public services	Local government in the	Local government in the
	Republika Srpska	Federation BIH
Primary education	Local government is responsible for	No local level competencies or
	covering the material costs of	responsibilities
	schools; all other responsibilities	
	and competencies are at the entity	
	level	
Secondary	Local government is responsible for	No local level competencies or
education	covering the material costs of	responsibilities
	schools and administrative work;	
-----------------	--------------------------------------	------------------------------
	all other responsibilities and	
	competencies are at the entity level	
Adult education	Under local government	No local level competencies
Social welfare	Responsibility of municipality	Municipality responsible for
centers		financing only; all other
		competencies are under the
		canton or entity

Source: UNDP, Review of the National Policy, Legislative and Institutional Environment necessary for the Establishment of Municipal Public Private Partnerships (PPPs) for Public Service Delivery and Local Development in the Europe and CIS Region, 2006, p. 16.

# 3 ANALYSIS OF CRITICAL SUCCESS FACTORS FOR PPP IN BIX

## **3.1 Researcy Methodology**

The research investigated critical success factors for PPP in Bosnia and Herzegovina.Rochart (in Li, Akintoye, Edwards & Hardcastle, 2005, p. 460) defines critical success factors (CSFs) as: "those few key areas of activity in which favourable results are absolutely necessary for a manager to reach his/her goals". Many studies have developed different lists of CSFs for PPP projects, but similarities occur among them. Less information exists about relative importance of these factors. This master thesis is aimed at investigating relative importance of CSFs affecting implementation of PPPs in BiH.

The respondents were requested to give their opinion on the importance of each factor and current legal and macroeconomic situation in Bosnia and Herzegovina. The research methodology was based on the questionnaire survey with close-ended questions. Questions were based on the Likert scale from 1 to 5 where, 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, and 5=strongly agree. The Likert scale measures the extent to which a person agrees or disagrees with the question. Literature was reviewed to guide the design of the questionnaire survey.

The data were analyzed using the Statistical Package for the Social Sciences (SPSS) software. Statistical analysis included descriptive statistics and t-test. The descriptive statistics implies calculation of arithmetic means, central tendency, variability measure, measure for data grouping and strength of relations between the two variables.

Arithmetic mean of a data set is a sum of their values divided by the number of observations. If the data set represents the entire data population, the population mean,  $\mu$ , is a parameter given by the expression:

$$\mu = \frac{\sum_{i=1}^{N} X_i}{N} = \frac{X_1 + X_2 + X_3 \dots X_n}{N} (1)$$

where N signifies the population size (Newbold et al., 2010).

A median is the value of middle observation, done in the increasing order. If the sample size, n, is an odd number, the median is exactly the value of middle perception. If the value, n, is an even number, the median equals the average of two middle perceptions. (Wonnacott&Wonnacott, 1990). A mode is a value that appears with the highest frequency.

Besides these values, the research used standard deviation  $-\delta(SD)$ . Standard deviation is the deviation from the arithmetic mean of the observed phenomenon. The standard deviation is important as it gives an indication of the average distance from the mean. A low standard deviation means that most observations are grouped around the mean. A high standard deviation would mean that there was a lot of variation in the answer. A standard deviation of 0 is obtained when all responses to a question are the same.

Coefficient of variation shows how homogenous the tested group is, i.e. how accurate the obtained data are and whether they can be taken into consideration.

T-test is used to examine whether the means of two groups are statistically different from each other. On the basis of the t-test it is determined if the public sector respondents answered questions different from the private sector respondents.

The research attempts to give answers to the following research questions:

- Which factors are important for successful implementation of PPP projects in BIH?
- Is there a difference in answers between public and private sector respondents?

# **3.2 DATA ANALYSIS**

Questionnaires were distributed in 2013 among private and public parties with involvement in PPP projects in Bosnia and Herzegovina. 100 questionnaires were distributed and sixty responded. The response rate is 60%. Of these, 30 respondents are from the public sector and 30 from the private sector. All respondents were either directors or managers in their respective organizations with an average of 10 years of experience.

Results for each part of the questionnaire are presented in two tables in appendix. The first table provides useful descriptive statistics for the two groups that are compared, including the mean and standard deviation.

In the second table, the differences between public and private sectors are presented. Mean is the difference between means of public sector values and private sector values. The standard error of the mean is the expected value of standard deviation of means of samples. Interval of confidence is an assessment of how confident the researcher is that the true sample mean is within the interval. DF (degrees of freedom) used depends upon the size of the sample. In this case the sample size is 30, therefore the number of degrees of freedom is 29. Value S (significance) shows if the two means are statistically different. To test the significance it is necessary to set a risk level that is set at 0.05 in most social research. It means that five times out of hundred a statistically significant difference will be found. A value greater than 0.05 means that the variability between two groups is not significantly different. If the value S is less than 0.05 it means that variability between two groups is significantly different.

The first question addressed to respondents was: "What do you think are the general factors that lead to a successful PPP?". The answers are provided in appendix, Table 1. The analysis of survey response data shows that the most important factor from this group is "Competitive procurement process". Respondents absolutely agree that all of the four factors are very important to establish a PPP. Answers given by respondents range between 4.06 - 4.7, which is very high. Standard deviations are relatively small and range between 0.53 - 1.01.

Difference in answers between public sector and private sector respondents is calculated in appendix, Table2. By comparing two samples of responses that were received from surveyed respondents and that pertain to the general factors that lead to a successful PPP project, it can be concluded that there is no significant difference between answers from public and private sector respondents in two perceptions and in another two perceptions there is significant difference. There is a difference in opinions in case of governance and thorough and realistic assessment of the costs and benefit, which will be discussed in the summary of findings.

Answers to the second question are provided in appendix, Table 3. In the second question, what do you think are the key indicators of a successful PPP project, respondents' average evaluations are the following:

• Public satisfaction: private sector respondents do not think this is an important factor, where the average is 1.96 with the most frequent answer "least important" and standard deviation 0.614. According to public sector respondents this factor is the most important. The average answer is 4.53, and the standard deviation is not so significant (0.819).

- Resources saved: public sector respondents partially agree with this statement, with the average answer 3.43, and the most frequent answer is important. Standard deviation is 1.04. Private sector respondents have neutral attitude to this factor. The average answer is 3.03, with the most frequent answer "neither important nor unimportant". Standard deviation is 0.7184.
- Value for money achieved: public sector respondent agree that this is the key factor for a successful PPP project; the most frequent answer is "important" with average 3.9 and standard deviation 1.09. Private sector respondents partially agree that this is an important factor for a successful PPP project. The most frequent answer is "important" with average 3.6 and standard deviation 0.894.
- Better management and organization: public sector respondents agree that this is an important factor, with the most frequent answer "important" and standard deviation 0.787. Private sector respondents think that this is the most important factor; the most frequent answer is "most important" with average 4.36 and standard deviation 0.764.

By comparing two samples of responses that were received from surveyed respondents and that pertain to the key indicators of a successful PPP project, it can be concluded that there is no significant difference between answers from public and private sector respondents except for one perception. Significant difference exists only in case of public satisfaction. Possible reasons are explained in summary of findings. Results are presented in appendix, Table 4.

Answers to the third questions are provided in appendix, Table 5. In the third question, what do you think are the reasons for adopting PPPs in BiH, respondents' average evaluations of respondents are the followings:

- Solve the problem of insufficient budget funds: public sector respondent do not think this is an important factor; the most frequent answer is "least important" with average 2.53 and standard deviation 0.973. Private sector respondents think that this factor is very important: the most frequent answer is "most important" with average 4.833 and standard deviation 0.461.
- Reduce public money tied up in capital investment: public sector respondent agree that this is a very important factor; the most frequent answer is "most important" with average 4.33 and standard deviation 0.994. Private sector respondents also think this is a very important factor: the most frequent answer is "most important" with average 4.2 and standard deviation 0.886.
- Benefit to the local economic development: public sector respondents partially agree that this factor is important; the most frequent answer is "important" with average 3.66 and standard deviation 0.922. Private sector respondents absolutely agree that this is very important factor: the most frequent answer is "most important" with average 4.7 and standard deviation 0.851 which is not significant.

• Improve the quality of public services: public sector respondents think this is an important factor; the most frequent answer is "important" with average 4.33 and standard deviation 0.884. Private sector respondent absolutely agree that this is a very important factor: the most frequent answer is "most important" with average 4.6 and standard deviation 0.621.

By comparing two samples of responses that were received from surveyed respondents and that pertain to the key indicators of a successful PPP project, it can be concluded that there is no significant difference in two perceptions and that in the other two perceptions there is significance difference. There is difference in opinions regarding solving the problem of insufficient budget funds where public sector respondents think that this is not reason for adopting PPPs and private sector respondents think that it is reason for adopting PPPs in BiH. Similar difference exists in the case of benefit to the local economic development. Possible reasons for difference in answers will be explained in Chapter 4.Results are provided in appendix, Table 6.

Answers to the fourth question addressed to respondents, which of the following are the most profound problems involved with PPP projects in BIH, are provided in appendix, Table 7.Respondents' average evaluations are the followings:

- Transparency in the procurement process: public sector respondents do not think this is an important factor for success of the PPP project; the most frequent answer is "least important" with average 2.26 and standard deviation 0.907. Private sector respondents are of the opposite opinion and they agree that this is a very important factor for PPP projects. The most frequent answer is "most important" with average 4.733 and standard deviation 0.583.
- Lack of centralized administrative body for coordination of PPPs: public sector respondents partially agree that this is an important factor; the most frequent answer is "important" with average 3.7 and standard deviation 0.827. Private sector respondents absolutely agree that this is a very important factor. The most frequent answer is "most important" with average 4.633 and standard deviation 0.49.
- Unclear criteria or unavailability of criteria for selection of PPPs: public sector respondents donot think this is a problem for PPP projects; the most frequent answer is "neither important nor unimportant" with average 2.9 and standard deviation 0.808. Private sector respondents absolutely agree that this is an important factor: the most frequent answer is "most important" with average 4.66 and standard deviation 0.606.
- Incomplete or imperfect legislative framework: public sector respondents think that this is a problem in BiH. The most frequent answer is "important" with average 3.8 and standard deviation 1.09. Private sector respondents absolutely agree that this is a very important problem in BiH; the most frequent answer is "most important" with average 4.8 and standard deviation 0.379.
- PPPs are a high-risk area in terms of potential for corruption: public sector respondents do not think this is true; the most frequent answer is "least important"

with average 2.4, and do not have the same opinion about this factor. Standard deviation is 0.932. The most frequent answer for private sector respondents is "neither important nor unimportant" with average 3.433 and standard deviation 0.897.

Based on the results provided in appendix, Table 8 the findings indicate that there is significant difference in the perceptions of the public and private sectors. Possible reasons are discussed in the summary of findings.

Answers to the fifth question, how would you rate macroeconomic environment and business climate, are provided in appendix, Table 9. Respondents' average evaluations are the following:

- GDP growing at an acceptable rate: private sector respondent do not agree with this statement; the most frequent answer is "disagree" with average 2.63 and standard deviation 0.999. Public sector respondents also do not agree with this statement, with the most frequent answer "disagree" with average 1.93 and standard deviation is 1.172.
- Satisfactory growth rates in key sectors: private sector respondents do not agree with this statement; the most frequent answer is "disagree" with average answer 2 and standard deviation 1.107. Public sector respondent have the same opinion with average answer 1.9 and standard deviation 0.9948.
- Price stability: private sector respondents partially disagree with this statement where the most frequent answer is "disagree" with average 2.53 and standard deviation 1.04. Public sector respondent partially agree with this statement where the most frequent answer is "agree" with average 3.53, that is not so high, and standard deviation 0.9371.
- Low unemployment rate: public sector respondents don't agree with this statement; the most frequent answer is "disagree" with average answer 1.66 and standard deviation 0.6608. Private sector respondents strongly disagree with this statement, with average answer 1.4 and standard deviation 0.6214.
- Rational, equitable and predictable taxation policies: private sector respondents do not agree with this statement; the most frequent answer is "disagree" with average answer 2.33 and standard deviation 0.8841. Public sector respondents have the similar opinion with average answer 2.30 and standard deviation 0.9153.
- Possible to register and get permission to start up a new business quickly and easily: public sector respondent strongly disagree with this statement with average answer 1.6 and standard deviation 0.7239. Private sector respondents have similar opinion. Their average answer is 1.46, the most frequent answer is "strongly disagree" and standard deviation 0.776.
- Education produces sufficient quantity of sufficiently skilled graduates: private sector respondents partially agree with this statement; the most frequent answer is "neutral" with average answer 3.5 and standard deviation 0.82. Public sector respondents also partly agree with this statement: the most frequent answer is "agree" with average answer 3.56 and standard deviation 0.8172.

In terms of differences in the perceived importance of each factor by the public and private sectors, based on the mean score rankings, the results of the two samples are not significantly different, except for two perceptions (GDP growth and price stability). Results are presented in appendix, Table 10. Possible reasons for such differences are discussed in the summary of findings.

Answers to he sixth question, how would you rate legal and regulatory framework, are provided in appendix, Table 11. Respondents' average evaluations are the following:

- Legal basis for private sector participation in PPP is clearly defined: private sector respondents disagree with this statement with average answer 2.2 and standard deviation 0.9247, which is not so high. Public sector respondents also disagree with this statement with average answer 2.566 and standard deviation 0.817.
- PPP policy has clearly allocated authority and responsibility within the parts of government: public sector respondents partially agree with this statement with average answer 3.5 and standard deviation 1.106. Private sector respondents disagree with this statement with average answer 1.7 and standard deviation 0.749.
- Staff of relevant government agencies has resources/information for managing PPP process: public sector respondents disagree with this statement with average answer 2.133 and standard deviation 0.973. Private sector respondents also disagree with average answer 1.9 and standard deviation 0.922. The most frequent answer is "strongly disagree".
- PPP documentation/best practices available in public domain: public sector respondents partially disagree with this statement with average answer 2.433 and standard deviation 0.971. Private sector respondents strongly disagree with average answer 1.4666 and standard deviation 0.776. The most frequent answer is "strongly disagree".
- The existing regulatory framework is a major hindrance to project implementation and requires fundamental transformation: private sector respondents strongly agree with this statement with average answer 4.566 and standard deviation 0.9714. Public sector respondents strongly agree with this statement with average answer 4.433 and standard deviation 1.006.
- Existing laws must be amended substantially, or certain new regulatory acts must be passed: public sector respondents agree with this statement with average answer 4.3 and standard deviation 0.749. Private sector respondents strongly agree with this statement with average answer 4.666 and standard deviation 0.66.
- Minor amendments to existing laws are needed: public sector respondents disagree with this statement with average answer 2.166 and standard deviation 0.7914. Private sector respondents strongly disagree with average answer 1.366 and standard deviation 0.614.

• Opening of the PPP market to foreign investors: public sector respondents agree with this statement with average answer 4 and standard deviation 0.7427. Private sector respondents strongly agree with average answer 4.45 and standard deviation 0.6789.

Based on the results shown in appendix, Table 12, the findings indicate that there is no significance difference in four perceptions and there is a significant difference in the other four perceptions of the public and private sectors. Both sector respondents have similar opinions about the legal basis for participation in private sector, resources for managing PPP projects and existing regulatory framework. Respondents think that the legal basis for private sector participation in PPP is not clearly defined, staff of relevant government agencies does not have enough sources for managing PPP process and the existing regulatory framework is a major hindrance to project implementation and requires fundamental transformation and existing laws must be amended substantially, or certain new regulatory acts must be passed.

Answers to the seventh question, how would you rate project selection and contracting, are provided in appendix, Table 13. Respondents' average evaluations are the following:

- Transparent procedures specified for all stages of the PPP process: public sector respondents donot agree with this statement. The most frequent answer is "disagree" with average answer 2.3 and standard deviation 0.7943, which is not very high. Private sector respondents also disagree, with average answer 2.36 and standard deviation 0.85.
- Project feasibility studies undertaken for larger proposals: private sector respondents partially agree with this statement. The most frequent answer is "agree" with average answer 3.5, that is not so high, and standard deviation 0.817. Public sector respondents agree with this statement with average answer 4.16 and deviations around arithmetic mean 0.949.
- Environmental and social impact assessment required: public sector respondents agree with this statement. The most frequent answer is "agree" with average answer 4 and standard deviation 0.787. Private sector respondents partially agree with this statement: the most frequent answer is "agree" and average answer 3.4. Standard deviation is 0.817.
- Bidders are given proper information, including requirements for submitting proposals: private sector respondents disagree with this statement with average answer 2.33 and standard deviation 0.758. Public sector respondents agree with this statement with average answer 3.96 and standard deviation 0.964.
- Conflict of interests results in exclusion from contracting: public sector respondents partially agree with this statement. The most frequent answer is "agree" with average answer 3.6 and standard deviation 0.77. Private sector respondents strongly disagree with this statement with average answer 1.4 and standard deviation 0.62.

• Objective criteria for project sponsor selection are known and applied: private sector respondents strongly disagree with this statement with average answer 1.56 and standard deviation 0.729. Public sector respondents disagree with this statement with average answer 2.63 and standard deviation 0.850.

In terms of differences in the perceived importance of each factor by the public and private sectors, based on the mean score rankings, the results of the two samples are significantly different, except for one perception. There is no difference in opinions about transparency of procedures specified for all stages of the PPP process. Both sector respondents think that procedures are not transparent enough. Results are provided in appendix, Table 14.

Answers to the eighth question, how, in your opinion, should experience with PPP projects be shared between state bodies, are provided in appendix, Table 15. Respondents' average evaluations are the following:

- Experienced consultants should be engaged: public sector respondents agree with this statement with average answer 4.3 and standard deviation 0.65. Private sector respondents partially agree with this statement. The most frequent answer is "agree" with average answer 3.6 and standard deviation 0.968.
- A unified center should be created for PPP support and development at the federal level: public sector respondents agree with this statement with average answer 4.3 and standard deviation 0.749. Private sector respondents are of the same opinion with average answer 4.33 and standard deviation 0.626.
- Conferences and seminars should be held: public sector respondents are neutral with average answer 3.1 and deviation 0.66. On the other hand, private sector respondents agree with this statement with average answer 4.3 and standard deviation 0.595.
- Experienced public officials from other regions or agencies should be involved in PPP projects: public sector respondents disagree with this statement with average answer 2.13 and standard deviation 0.86. Private sector respondents are of the opposite opinion: the most frequent answer is "strongly agree" with average 4.4 and standard deviation 0.77.
- No sharing of experience is required: both sectors strongly disagree with this statement; the average answer for public sector is 1.36 and for private sector 1.2. Standard deviation for public sector is 0.71 and for private sector 0.69.

By comparing two samples of responses that were received from surveyed respondents and that pertain to sharing of experience between state bodies, it can be concluded that there is no significant difference in two perceptions and in the other three perceptions there is a significant difference. There is no significant difference in perceptions about creating a unified center for PPP support and sharing of experience. There is a significant difference in opinions about engagement of experienced consultants, organization of seminars and conferences and involving public officials from other regions. Results are provided in appendix, Table 16.

# **3.3 SUMMARY OF FINDINGS**

The first part of the questionnaire examined general factors that lead to a successful PPP. Four factors were observed: competitive procurement process, good governance, thorough and realistic assessment of the costs and benefit and appropriate risk allocation and risk sharing. Respondents from both sectors agree that all these factors are very important. According to public sector respondents the most important factor is competitive procurement process. Private sector respondents have a similar opinion but they ranked first thorough and realistic assessment of the costs and benefit.

The second part of the questionnaire examined key indicators of a successful PPP project. Four indicators were observed: public satisfaction, resources saved, value for money achieved and better management and organization. Public sector ranked public satisfaction as the most important indicator, while private sector respondents ranked this indicator as the least important. Better management and organization is the key indicator of a successful PPP project according to private sector respondents. Public sector respondents ranked this indicator second. Generally, there is no significance difference between public and private sector answers, except for public satisfaction. Difference in evaluations could be explained by the fact that success criterion of private companies is positive rate of return. Private companies aim at generating sufficient cash flow within a given period. From the public sector view, benefits of PPP projects should be felt by consumers. Sometimes a PPP leads to a broader or better coverage of services accompanied with higher prices for consumers, which can cause dissatisfaction.

The third part of the questionnaire examined reasons for adopting PPPs in BiH. Four reasons were observed: solve the problem of insufficient budget funds, reduce public money tied up in capital investment, benefit to the local economic development and improve the quality of public services. Private sector respondents think that the main reason for adopting PPPs in BiH is to solve the problem of insufficient budget funds. Public sector respondents think that the main reason for adopting PPPs is to reduce public money tied up in capital investment. According to private sector respondents this is the least important reason for adopting PPPs in BiH.

The fourth part of the questionnaire addressed problems related to PPPs in BiH. Respondents from both sectors see the incomplete or imperfect legislative framework as the most profound problem related to PPP projects in BiH. PPPs are a complex instrument and it requires a number of capacities to be present in public sector. Access to information and the decision-making process in BiH is not open and equitable. It is necessary to remove regulatory obstacles to delivery of PPPs in BiH such as coordinating and streamlining multiple layers of regulation that affects projects across different levels of government (state, federal and local).Practice of public procurement is prone to corruption and political pressure.

The fifth part of the questionnaire addressed macroeconomic environment and business climate. Both sector respondents evaluated the possibility to register and get permission to start up a new business quickly and easily as the worst indicator. Most of them gave answer "strongly disagree". The second problem is high unemployment rate for both sector respondents and there is no significance difference between answers. Generally, all indicators from this part of the questionnaire, except sufficient quantity of skilled graduates were rated poorly. The quality of public finances is low, unemployment rates are very high. Economic space is divided and there is not enough willingness to create a single space. Government sector is large and characterized by low spending efficiency.

The sixth part of the questionnaire examined legal environment in BiH through eight elements. Respondents think that staff of relevant government agencies does not have resources for managing PPP process. Another problem is unavailability of PPP documentation/best practices in public domain. Most respondents think that the existing laws should be amended and certain new regulatory acts created. Implementation and applications of laws in practice is often poor. BiH did not take measures to ensure competitive and transparent procedures in the area of PPPs and concessions. Market liberalization is insufficient in many sectors and most utility providers do not apply market prices.

The seventh part of the questionnaire addressed project selection and contracting. Private sector respondents think that conflict of interest does not result in exclusion from contracting and objective criteria for project sponsor selection are unknown. These two elements are rated the poorest. Both sector respondents have similar opinion about transparency of procedures of the PPP process. Respondents think that procedures are not transparent enough.

The last part of the questionnaire addressed sharing of experience between state bodies. Most respondents think that it is important to share experiences and organize conferences and seminars. Establishment of unified center for PPP support is a very important step in developing this concept of funding in BiH.

# **3.4COMPARISON OF CRITICAL SUCCESS FACTORS BETWEEN BIX AND UK**

In this part of thesis research results will be compared to research by Li, Akintoye, Edwards and Hardcastle (2005). The study examined the relative importance of eighteen critical success factors (CSF) for PPP/PFI in UK construction projects grouped in five groups: effective procurement, project implementability, government guarantee, favourable

economic conditions and available financial markets. The research was done in 2011 among UK organisations with involvement in PFI projects. In all, 61 completed questionnaires were obtained. The relative importance of the eighteen CSFs was explored using survey questionnaire based on Likert scale. Data were analysed using SPSS.

The CSFs components of effective procurement are:

- Transparency in the procurement process;
- Competitive procurement process;
- Good governance;
- Well–organized and committed public agency;
- Social support;
- Shared authority between public and private sectors and
- Thorough and realistic assessment of the costs and benefits.

The study concluded that the three most important factors for PPP/PFI projects in the UK are: a strong and good private consortium, appropriate risk allocation and available financial market. A strong private consortium ranked first, which suggests that private companies wishing to participate in PPP/PFI markets should explore other participants' strengths and weaknesses and, where appropriate, join together to form consortia capable of synergizing and exploiting their individual strengths. Appropriate risk allocation and risk sharing is ranked as the second most important factor. It means allocating risk to the party best able to manage them. The third ranked factor is that the private contractor/concessionaire can easily access a financial market with the associated benefits of lower financial costs.

Following research results for BiH it can be concluded that the three most important factors for PPP projects in BiH are: competitive procurement process, appropriate risk allocation and risk sharing and the fact that the existing regulatory framework is major hindrance to project implementation and requires fundamental transformation. According to NAO (2009, p. 11) the key conditions for successful competition are: a good tender list of firms invited to bid, a clear specification of the department's requirements and competitive tension maintained throughout the procurement process.

It is interesting to notice that the factor ranked second in both cases is appropriate risk allocation and risk sharing. The allocation of risks depends on the type of PPP structure being implemented. Since PPP market in BiH is still emerging experiences from other countries, especially from the UK, should be incorporated in the process of creating PPP procedures in BiH.

Since 1992, the UK has been using a new type of PPP for the delivery of public services – the PFI. In the design of PFI projects, the assessment of risk needs to be carefully considered. Private sector management skills are better harnessed and incentivized by having private finance at risk. According to Corner (2006, pp. 43 - 45) one of the valuable features of private sector financing of PFI projects is the extensive due diligence work that private sector risk-takers carry out on projects. Returns to financiers need to be commensurate with the risks that they are actually taking and this in turn depends on the market being well informed and truly competitive. In some PFI projects in the UK, the Committee of Public Accounts has found this not to be case. One example is Dratford and Gavesham Hospital. National Health Service Trust (NHS Trust) selected two firms to submit final bids but one of the firms did not submit a bid. Process ended up with only one final bidder on this major pathfinder project for the use of the PFI. The bidder's final bid was 33 per cent higher in real terms than its indicative bid. The Trust did not undertake a detailed analysis of the reason for the increase in the final bid, especially given the absence of other bids. Such action might have helped the Trust to secure a greater price reduction in the subsequent negotiations.

Another example in the UK is Immigration and Nationality Directorate, where Public Accounts Committee found that key figures, on which future increases in productivity would be measured and payments to the contractor calculated, were not finally agreed until more than a year after the contract had been signed. Such important issues need to be finalized before a contractor is selected and the benefits of competition fall away.

The National Audit Office (2002, pp.8–9) identified that in some projects there is disagreement between authorities and contractors on whether risks have been allocated to the party best able to manage them. 79 per cent of authorities thought the risk allocations were totally satisfactory but only 53 per cent of contractors had this view. Contractors said that risk allocation was an important area where there were often problems. All the contractors who were dissatisfied with the risk allocation thought that risks had been inappropriately transferred to them rather than inappropriately retained by authorities.

# **3.5 Recommendations**

Following research findings from the first part of the questionnaire, public and private sector respondents think that thorough and realistic assessment of the costs and benefits is an important factor that leads to a successful PPP. According to this finding a detailed planning for all projects and feasibility study based on the most recent data and information collected from primary and secondary sources should be required. Any PPP project should be subject to social cost – benefit analysis based on a proper feasibility study to examine its public and private benefits. In order to ensure awareness and understanding of PPP within private/public sectors and the wider community it is

necessary to develop a communications strategy that demonstrates the benefits of PPP projects and addresses general misconceptions about the PPP model.

Based on the results of the first part of the questionnaire it is necessary to ensure competitive procurement process. According to KPMG (2010, p.3) strategies used in other countries that reduce barriers to competition include:

- committing to the PPP procurement model as default for major projects that meet certain minimum general criteria including that this model is likely to result in the best value for money, unless there are specific factors favoring another procurement method,
- committing to a strong pipeline of PPP projects,
- clear criteria, applied consistently for determining whether projects become PPPs.

Following the results of the fourth part of the questionnaire it is necessary to ensure a fair, transparent and non-discriminating administrative process for developing and procuring projects. According to North in UN (2008, pp. 14 - 15) good governance in PPPs also matters from an economic perspective:

- an effective procurement regime means that government institutions are able to buy goods and services of higher quality at lower prices,
- mechanisms that secure well–governed projects will heighten the support of society to PPPs and give policymakers the confidence to provide the necessary political support to the PPP process,
- projects which are well planned and based on full agreement of all parties engaged, following a proper and ongoing consultation, have less chance of unraveling, thereby avoiding costly litigation,
- a public administration that conducts its purchasing in an open manner contributes to suppliers' increased confidence in the reliability of the administration as a business partner, and
- good governance and efficient institutions are strongly linked to increased competitiveness and faster rates of economic growth and development.

Results of the fourth and seventh parts of the questionnaire lead to conclusion that public authorities should take effective measures to ensure public and private sector integrity and accountability and establish appropriate procedures to prevent corruption. It is necessary to increase transparency and legal security and intensify the fight against fraud and corruption. It is necessary to ensure equal and fair treatment of all parties.

According to research results it is necessary to ensure better support of Concession Commission and create a centralized administrative body for coordination of PPPs. Both sector respondents think that a unified center for PPP support and development should be created. PPP unit should help to solve problems that Government is facing in implementation of PPP projects. One of the tasks should be promotion of the PPs in BiH. According to World Bank (in Istrate & Puentes, 2011, pp. 6 - 9) the PPP unit fulfills different functions as:

- Formulation and coordination. A PPP unit may act as a consolidator of information and policy regarding PPPs, overcoming the traditional soiled structure of government agencies. This function is more used at a central level, but it is possible to use it in a specific department part or ministry with numerous offices involved in the PPP process. In case that there are multiple departments or ministry led PPP units, the central PPP unit may serve primarily to coordinate an overall national policy framework.
- Quality control. One of the functions of the PPP unit could be to ensure that the project is procured in the right way. The PPP unit can review the potential PPP project proposals.
- Technical assistance. One of the recurring problems in PPPs is the lack of adequate and necessary skill in the public sector to deal with PPPs. The creation of a PPP unit with the necessary technical skills to help procuring agencies would simplify the PPP process and allow for a more effective negotiation process.
- Standardization and dissemination. By providing standardized documentation, the PPP unit helps public entities to avoid pitfalls in structuring and managing the PPP contract. It helps the promotion of PPPS, because it creates certainty and legitimizes the PPP market.
- Promotion. The creation of a PPP unit increases credibility of the government's commitment to PPPs.

As respondents think that it is not possible to get permissions to start up a new business quickly and easily it is important to create a simple environment to do business. Business activity depends on the quality of the national investment climate. Success depends on a wide range of legislations and administrative practices bearing on private companies and the ability of suppliers to partner with infrastructure providers.

As presented in the sixth part of the questionnaire it is necessary to harmonize laws in order to achieve a coherent legal framework for PPP projects. In an environment where laws and agreements cannot be adequately enforced most other success criteria are of secondary importance. Public and private sector respondents see the incomplete and imperfect legislative framework in BiH as the most profound problem related to PPP projects.

Create supportive regulatory framework. Stable and transparent regulatory framework would attract foreign investors. As presented in the sixth part of the questionnaire, both sector respondents think that opening market to foreign investors is a very important factor for the implementation of PPP projects.

The sixth part of the questionnaire also leads to the conclusion that it is necessary to prepare manuals and guidelines for PPPs. Respondents think that staff of relevant government institutions does not have enough resources for managing PPP process.

To conduct ex post analysis of projects implemented and actions undertaken and compare stated objectives with objectives accomplished. It is important to document lessons learned during post project evaluation in order to address problems in future projects. Ex post analysis enables to identify areas for improvement.

Since respondents think that PPP documentation/best practices are not available in public domain it is necessary to create a centralized register of PPP projects. To create a database about planned construction projects across the public sector in order to provide the market with information on when it expects projects to proceed to tendering. Public authorities should clearly communicate objectives of their infrastructure policies.

According to results of the last part of the questionnaire it is necessary to organize trainings and information seminars on the correct application of the laws for public sector in order to better understand PPP issues. Strategies for private sector participation in projects need to be understood and objective shared throughout all levels of government and in all relevant parts of public administration. According to UN (2008, p. 28), for countries getting started in PPPs a key requirement is to provide the necessary skills, usually by hiring consultants and external advisors. As it stands today, certain countries issue guidance on the hiring of consultants as advisors to PPP projects and it is essential to bring advisors into the project early rather than incorporating them into the team at a later date.

# 4 MAJOR OBSTACLES TO EFFECTIVE IMPLEMENTATION OF PUBLIC ~ PRIVATE PARTNERSHIPS IN BOSNIA AND XERZEGOVINA

In BiH there is no secure, predictable, consistent legal and regulatory framework. Regulation of concessions is fragmented due to separate laws on concessions. In the case of joint competence of Bosnia and Herzegovina and/or the FBIH and/or RS and/or Brčko District for concession granting, the competent authorities harmonize the conditions and form of concession granting. Law on Concessions gives possibility of awarding contracts by initiative of the private sector (unsolicited proposal). In this case, the private sector party provides feasibility study. This should be the public sector's task.

According to EBRD(2012, p. 23) it is necessary to make additional efforts in order to achieve a coherent legal framework for concessions and public – private partnerships. Furthermore, the Law on Public Procurement refers to the awarding of public contracts by Contracting authorities of Bosnia and Herzegovina, both entities – Republika Srpska and

the Federation of Bosnia and Herzegovina, Brčko District, cantonal and municipal levels, while the granting of concessions by these authorities is regulated by similar laws on concessions and related laws and decisions that are effective at the state, entity and cantonal levels.

Compliance of the legal framework in Bosnia and Herzegovina with the best international practices is presented in Figure 6. Area No1 "PPP Legal Framework" deals with existence and compliance of the PPP law. It is clear that BiH is below the average status, which can be connected with fragmented PPP and Concession laws.

Area No2 "Definitions and Scope of the Law" deals with the existence of a clear definition of the boundaries and scope of application of the concession legal framework (e.g. definition of PPP, sectors concerned) limiting the risk of a challenge to the validity of PPP contracts, irrespective of whether the act is specifically targeted at PPP. BiH is near the average. Here, it is important to mention that the definition of a concession in the laws on concessions includes other forms of agreements on PPPs.

Area No3 "Selection of the Private Party" deals with application of a transparent tender selection process, allowing direct negotiations, the application of competitive rules for unsolicited proposals. In this area BiH does not deviate from the average.

Area No4 "Project Agreement" measures the flexibility with respect to the content of the provisions of project agreements which should allow a proper allocation of risks. As BiH is above the average, this area appears not to be a problem.

Area No5 "Security and Support Issued" concentrates on the availability of reliable security instruments to contractually secure the assets and cash flow of the private party in favor of lenders. Area No6 "Settlement of Disputes and Applicable Laws" evaluates the possibility of obtaining a proper remedy for breach under the applicable law. This area does not appear to be a serious problem as BiH appears to be above the medium range status. Compliance status for BiH is medium compliance.



Figure 6. Compliance of the Legal Framework in BiH with Best International Practices

Source: EBRD, Concession/PPP Laws Assessment 2011, 2012, p. 23.

Figure 7 presents effectiveness and application of legal framework in practice in Bosnia and Herzegovina. Area No7 evaluates the existence and the extent of a PPP policy framework at the State and local level. BiH is above the medium range, but additional efforts are needed in order to improve policy framework. Area No8 evaluates the existence of a PPP institutional framework. In this area, BiH is below average. This is consequence of having no specific institutional framework for PPPs. Area No9 evaluates the effective statistical implementation of PPP projects and if such projects have been awarded and implemented in compliance with the Law. BiH is rated with medium effectiveness.

Figure 7. Effectiveness of the legal framework in BiH



Source: EBRD, Concession/PPP Laws Assessment 2011, 2012, p. 23

The PPL makes little distinction between the rules for lower and higher-value procurement, which leads to excessive delays and increased costs of procurement. The public procurement procedures are complex, inflexible, with technical specifications and

awarding criteria set in ways that advantage domestic bidders. Tenderers are also required to submit an extensive list of qualification documents, which is costly and time–consuming to produce. The public procurement framework does not mention the efficiency or economy of such process issues. The review and remedies system is considered the weakest point of the framework. In general, the public procurement legal framework in BiH is bureaucratic, but unaccountable (EBRD, 2010, p.13).PPP is a relatively new way of funding in Bosnia and Herzegovina, and it is necessary to build institutional capacities to implement procedures and contracts. Bosnia and Herzegovina needs assistance in knowledge and skills with PPP projects.

Research findings presented in Chapter Three of the thesis are consistent with findings of EBRD. As presented in the fourth part of the questionnaire, the most profound problem related to PPP projects in BiH according to public and private sector respondents is the incomplete or imperfect legislative framework.

PPP projects should be free from corruption at all levels and in all project phases. BiH business community perceives the practices of public procurement as frequently unprofessional and prone to corruption and political pressure. Inter–agency cooperation focused on prevention and suppression of corruption is present, but not adequate. There is necessity for close, everyday cooperation between institutions of the public procurement system (PPA, PRB) and the bodies in charge of investigating and prosecuting corruptive activities (existing or one to be established, e.g. State Investigation and Protection Agency – SIPA, Ministry of Interior Affairs).

According to SIGMA (2013, p. 16), a number of ongoing key problems need to be tackled with a long-term perspective in mind. These problems are:

- lack of political will to pursue the reform of the public procurement system (more precisely, political conflicts blocking the reform), which is especially evident in the area of public-private partnerships (PPPs)/concessions, where there is a risk of further fragmentation of the system;
- lack of professional skills from both the contracting authority and bidder perspectives;
- lack of operational tools: procurement models and standard documents;
- heavy costs: numerous (and weak) agencies to implement the system (especially fragmented in the area of PPPs/concessions) and heavy operational costs in terms of both finance and time in running the system, for both contracting entities and economic operators;
- corruption: critical need for ongoing support at the government level, in both practical and financial terms, for the implementation of reform measures.

Bosnia and Herzegovina (BiH) still struggles to attract foreign investments. According to Embassy of the United States (2013, p. 1) foreign investors continue to face a number of serious obstacles including: multiple complex legal and regulatory frameworks and

government structures; non-transparent business procedures; corruption; poor infrastructure; insufficient protection of property rights; and weak judicial structures. In addition, the country's political environment, coupled with the pressures of the global economic downturn, has stalled many key economic reforms. The lack of single economic space throughout BiH creates difficulties for companies trying to do business across the entire country. Entitiv business registration requirements are not harmonized. The RS has its own registration requirements, which apply to the entire entity. Each of the Federation's ten cantons has different business regulations and administrative procedures.

According to results of the fifth part of the questionnaire, respondents from public and private sector in BiH evaluated possibility to register and get permission to start up a new business quickly and easily as the worst indicator of macroeconomic environment in BiH. Ranking of the World Bank is the proof that this is a real problem in BiH. According to the World Bank (2013, p.180) Bosnia and Herzegovina ranks 131 (of 185) in its Ease of doing business index in 2014. Starting up a business in BIH requires 11 procedures and takes 37 days to be completed.

## conclusion

PPPs are becoming a very important tool for delivering public services. Many countries have shown an extensive development of PPP programs. There is a wide divergence between national PPP approaches where different contextual factors provide stimulating climate for PPP projects. The UK is currently is a world leader for PPPs in terms of innovation, design and experience.

The literature overwiev defined and explained the PPP concept. Definitions of PPP differ from country to country. All definitions comprise some basic features that characterise PPP such as sharing of risks and rewards, long–term contractual arrangement between public and private sector, value for money concept.Chapter One of thesis illustrated advantages and disadvantages that PPPs deliver.

The research part of the thesis focused on factors affecting the implementation of PPP projects in BiH. The first part of research investigated importance of factors related to PPP projects. The second part of research investigated differencies in perceptions between public and private sector companies and institutions and disscussed possible reasons for such differences.Research findings are used to provide recommendations for improving PPP approach in BiH. As the most important factors that lead to a successful PPP project respondents rated competitive procurement process and thorough and realistic assessment of costs and benefits. According to public sector respondents, the key indicator of a successful PPP project is public satisfaction. On the other hand, for private sector it is better management and organization. The difference in evaluations is explained by means of different success criterion of the public and private sector institutions. The most

profound problem related to PPP projects in BiH is incomplete or imperfect legislative framework. Regarding macroeconomic environment and bussines climate it is conluded that complicated and long-lasting procedures for starting up a new bussiness in BiH are a limiting factor. Other problems are high unemloyment rate, low quality of public finances and law public spending efficiency. Objective criteria for sponsor selection are unknown. It is important to share experiences between state bodies. A very important step in developing the PPP concept is establishment of a unified center for PPP support.

Government has the task to set clear economic objectives and to choose the most costefficient method to achieve objectives. In the process of introducing PPPs government should start simple projects that are most likely to succeed. The challenge is to select the right projects and sectors where the possibility of achieving success is realistic. It is very important to emphasize that public services are not commercial products and that they are dependent on tax payers money. Keeping this in mind, it is clear that public satisfaction must be achieved. Every PPP project needs to justify the expenditure of public money by improvements in economic and social well–being of the country. PPPs cannot be justified only by profit made by a private company.

Since PPPs are a relatively new way of financing it is necessary to develop new skills inside public sector institutions and establish some new institutions. In the process of training civil servants, organization of training programmes plays a major role.

In order to make the best of PPPs, the political level needs to be aware of and accept the costs and benefits of using PPPs. It is necessary to ensure the efficient functioning of regulatory agencies by ensuring thath they operate independently from ministerial influence, and with appropriate resources amd equipment. The legal framework needs to be clear in order to attract investors to foster competition. There is a number of ongoing problems in BiH such as:

- political conflicts blocking the adoption of the PPP Law in the FBiH,
- lack of professional skills from both the contracting authority and bidder perspective,
- numerous agencies to implement the system that incur heavy operational costs.

As discussed in the thesis, legal processes are insufficient and too complex. In order to encourage development of PPPs a simple and consistent environment has to be created. In addition to administrative delay in defining the set of rules for the PPP, there are a lot of reasons that make the application and use of PPPs less effective in BiH than in other European countries. The complexity of administrative procedures is the main factor that contributes to slow down the use of PPPs in BiH.Challenge for BiH is creating an environment in which PPPs can prosper and where greater attention will be paid to coverage and efficiency of infrastructure.

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APPENDIXES

# TABLE OF APPENDIXES

Appendix A: Questionnaire survey	. 1
Appendix B: Results of respondent data processing using the SPSS	. 3

# PUBLIC – PRIVATE PARTNERSHIPS IN BIH

Name of your organization \_\_\_\_\_

- □ Public sector
- □ Private sector

#### **Respondent's years of experience:**

- $\Box$  Less than 5 years
- $\Box$  6 10 years
- $\Box$  11 15 years
- $\Box$  16 20 years
- $\Box$  21 years above

# Please place a cross at the number that represents your opinion, where: 1 – strongly disagree; 2 – disagree; 3 – neutral; 4 – agree; 5 – strongly agree:

1. What do you think are the general factors that lead to a successful PPP?

Competitive pressurement presses	1	n	2	л	F
Competitive procurement process	T	۷	3	4	5
Good governance	1	2	3	4	5
Thorough and realistic assessment of the costs and benefit	1	2	3	4	5
Appropriate risk allocation and risk sharing	1	2	3	4	5
Others (please specify)	1	2	3	4	5

2. What do you think are the key indicators of a successful PPP projects?

Public satisfaction	1	2	3	4	5
Resources saved	1	2	3	4	5
Value for money achieved	1	2	3	4	5
Better management and organization	1	2	3	4	5
Others (please specify)	1	2	3	4	5

3. What do you think are the reasons for adopting PPPs in BIH?

Solve the problem of insufficient budget funds	1	2	3	4	5
Reduce public money tied up in capital investment	1	2	3	4	5

Benefit to the local economic development	1	2	3	4	5
Improve the quality of public services	1	2	3	4	5
Others (please specify)	1	2	3	4	5

4. Which of the following are the most profound problems involved with PPP projects in BIH?

Transparency in the procurement process	1	2	3	4	5
Lack of centralized administrative body for coordination of PPPs	1	2	3	4	5
Unclear criteria or unavailability of criteria for selection of PPPs	1	2	3	4	5
Incomplete or imperfect legislative framework	1	2	3	4	5
PPPs are a high – risk area in terms of potential for corruption	1	2	3	4	5
Others (please specify)	1	2	3	4	5

5. How would you rate macroeconomic environment and business climate?

GDP growing at an acceptable rate	1	2	3	4	5
Satisfactory growth rates in key sectors	1	2	3	4	5
Price stability	1	2	3	4	5
Low unemployment rate	1	2	3	4	5
Rational, equitable and predictable taxation policies	1	2	3	4	5
Possible to register and get permission to start up a new business quickly and easily	1	2	z	Д	5
Education produces sufficient quantity of sufficient skilled		2	3	-	5
graduates	1	2	3	4	5
Others (please specify)	1	2	3	4	5

6. How would you rate legal environment?

Legal basis for private sector participation in PPP is clearly defined	1	2	3	4	5
PPP policy has clearly allocated authority and responsibility within the parts of government	1	2	3	4	5
Staff of relevant government agencies have	4	_	2		_
resources/information for managing PPP process	1	2	3	4	5

PPP documentation/best practices available in public domain	1	2	3	4	5
The existing regulatory framework is a major hindrance to project realization and requires fundamental transformation	1	2	3	4	5
Existing laws must be amended substantially, or certain new regulatory acts must be passed	1	2	3	4	5
Minor amendments to existing laws are needed	1	2	3	4	5
Opening of the PPP market to foreign investors	1	2	3	4	5
Others (please specify)	1	2	3	4	5

7. How would you rate project selection and contracting?

Transparent procedures specified for all stages of the PPP process	1	2	3	4	5
Project feasibility studies undertaken for larger proposals	1	2	3	4	5
Environmental and social impact assessment required	1	2	3	4	5
Bidders given proper information, including requirements for submitting proposals	1	2	3	4	5
Conflict of interests results in exclusion from contracting	1	2	3	4	5
Objective criteria for project sponsor selection are known and applied	1	2	3	4	5
Others (please specify)	1	2	3	4	5

8. How, in your opinion, should experience with PPP projects be shared between state bodies?

Experienced consultants should be engaged	1	2	3	4	5
A unified center should be created for PPP support and development at the federal level	1	2	3	4	5
Conferences and seminars should be held	1	2	3	4	5
Experienced public officials from other regions or agencies should be involved in PPP projects	1	2	3	4	5
No sharing of experience is required	1	2	3	4	5
Others (please specify)	1	2	3	4	5

# Appendix B: Results of respondent data processing using the SPSS

# 1. What do you think are the general factors that lead to a successful PPP?

1.1 Competitive procurement process

1.2 Good governance

1.3 Thorough and realistic assessment of the costs and benefit

1.4 Appropriate risk allocation and risk sharing

Table 1. Evaluation of General Factors that Lead to a Successful PPP Project

		1.1.	1.1.	1.2.	1.2.	1.3.	1.3.	1.4.	1.4.
		Public	Private	Public	Private	Public	Private	Public	Private
		sector							
	Valid	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000
Ν	Missing	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000
Mean		4,70000	4,66670	4,06670	4,60000	4,23330	4,70000	4,53330	4,63330
Std. Error of		0,09767	0,09981	0,18528	0,10283	0,12395	0,09767	0,15708	0,11227
Mean									
Median		5,00000	5,00000	4,00000	5,00000	4,00000	5,00000	5,00000	5,00000
Mode		5,00000	5,00000	5,00000	5,00000	4,00000	5,00000	5,00000	5,00000
SD		0,53498	0,54667	1,01483	0,56324	0,67891	0,53498	0,86037	0,61495
Variance		0,28600	0,29900	1,03000	0,31700	0,46100	0,28600	0,74000	0,37800
Skewness		-1,62100	-1,40700	-1,20100	-1,04200	-0,32300	-1,62100	-2,72100	-1,50300
Std. Error of									
Skewness		0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700
Kurtosis		1,95000	1,20100	1,55200	0,17600	-0,72200	1,95000	9,28000	1,33200
Sto	l. Error of	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300
Kurtosis									
Range		2,00000	2,00000	4,00000	2,00000	2,00000	2,00000	4,00000	2,00000
Mi	nimum	3,00000	3,00000	1,00000	3,00000	3,00000	3,00000	1,00000	3,00000
Ma	aximum	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000
			Pair	ed Differe	nces		t	df	S
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		Mean	SD	Std.	95% Co	nfidence			
				Error	Interva	l of the			
				Mean	Diffe	rence			
					Lower	Upper			
Doir	1.1. Public								
1	s.1.1. Private	0,03333	0,80872	0,14765	-0,26860	0,33531	0,226	29	0,823
1	s.								
Pair	1.2. Public s.	0 53333	1 30604	0 23845	1.02100	0.04560	2 230	20	0.033
2	1.2. Private s.	-0,33333	1,30004	0,23043	-1,02100	-0,04500	-2,230	29	0,055
Pair	1.3. Public	0 46667	0 86037	0 15708	0 78700	0.01454	2 070	20	0.006
3	s.1.3. Private s.	-0,40007	0,80037	0,13708	-0,78790	-0,01434	-2,970	29	0,000
Pair	1.4. Public s.	0 10000	1 06188	0 10387	0.49650	0 20651	0.516	20	0.610
4	1.4. Private s.	-0,10000	1,00100	0,19307	-0,49030	0,29031	-0,310	29	0,010

Table2. Two Sample Test of General Factors that Lead to a Successful PPP Project

### 2. What do you think are the key indicators of a successful PPP projects?

- 2.1 Public satisfaction
- 2.2 Resources saved
- 2.3 Value for money achieved
- 2.4 Better management and organization

		2.1. Private sector	2.1. Public sector	2.2. Public sector	2.2. Private sector	2.3. Public sector	2.3. Private sector	2.4. Public sector	2.4. Private sector
	Valid	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000
N	Missing	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000
Me	an	1,96670	4,53330	3,43330	3,03330	3,90000	3,60000	4,00000	4,36670
Me	dian	2,00000	5,00000	4,00000	3,00000	4,00000	4,00000	4,00000	5,00000
Mo	ode	2,00000	5,00000	4,00000	3,00000	4,00000	3,00000 <sup>a</sup>	4,00000	5,00000
SD		0,61495	0,81931	1,04000	0,71840	1,09387	0,89443	0,78784	0,76489
Va	riance	0,37800	0,67100	1,08200	0,51600	1,19700	0,80000	0,62100	0,58500
Ske	ewness	0,96900	-1,72600	-0,40100	-0,05000	-0,97600	-0,01200	-0,90700	-0,75500
Std of	. Error								
Ske	ewness	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700
Ku	rtosis	3,70500	2,23300	-0,37200	2,86900	0,42800	-0,64800	1,28700	-0,83600
Std	. Error Kurtosis	0 83300	0 83300	0 83300	0 83300	0 83300	0 83300	0.83300	0.83300
Ra	nge	3.00000	3.00000	4.00000	4.00000	4.00000	3,00000	3,00000	2.00000
Mi	nimum	1,00000	2,00000	1,00000	1,00000	1,00000	2,00000	2,00000	3,00000
Ma	ximum	4,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000

Table 3. Evaluation of Key Indicators of a Successful PPP Projects

Note.a - Multiple modes exist. The smallest value is shown

			Pair		t	df	S		
		Mean	SD	Std.	95% Co	nfidence			
				Error	Interva	l of the			
				Mean	Diffe	rence			
					Lower	Upper			
Pair	2.1. Public s.	2 56600	1 10/22	0.20162	2 15/20	2 07003	12 720	20	0.000
1	2.1. Private s.	2,30000	1,10455	0,20102	2,13430	2,97903	12,750	29	0,000
Pair	2.2. Public s.	0.40000	1 22051	0 22283	0.05575	0 85575	1 705	20	0.083
2	2.2. Private s.	0,40000	1,22031	0,22283	-0,03373	0,85575	1,795	29	0,085
Pair	2.3. Public s.	0.30000	1 //108	0.26327	0 23844	0.83844	1 140	20	0.264
3	2.3.Private s.	0,50000	1,44190	0,20327	-0,23844	0,03044	1,140	29	0,204
Pair	2.4. Public s.	0 36660	1 12003	0.20613	0 78825	0.05402	1 770	20	0.086
4	2.4. Private s.	-0,30000	1,12903	0,20013	-0,78823	0,03492	-1,779	29	0,080

Table4. Two Sample Test of Key Indicators of a Successful PPP Projects

#### 3. What do you think are the reasons for adopting PPPs in BIH?

- 3.1 Solve the problem of insufficient budget funds.
- 3.2 Reduce public money tied up in capital investment.
- 3.3 Benefit to the local economic development.
- 3.4 Improve the quality of public services.

		3.1.	3.1.	3.2.	3.2.	3.3.	3.3.	3.4.	3.4.
		Public	Private	Public	Private	Public	Private	Public	Private
		sector	sector	sector	sector	sector	sector	sector	sector
	Valid	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000
Ν	Missing	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000
Me	an	2,53330	4,83330	4,33330	4,20000	3,66670	4,70000	4,33330	4,60000
Me	edian	2,50000	5,00000	5,00000	4,00000	4,00000	5,00000	5,00000	5,00000
Mo	ode	2,00000 <sup>a</sup>	5,00000	5,00000	5,00000	4,00000	5,00000	5,00000	5,00000
SD		0,97320	0,46113	0,99424	0,88668	0,92227	0,53498	0,88409	0,62146
Va	riance	0,94700	0,21300	0,98900	0,78600	0,85100	0,28600	0,78200	0,38600
Sk	ewness	0,38100	-2,93100	-1,87100	-0,73800	-0,95200	-1,62100	-1,37800	-1,33000
Std	l. Error								
of									
Sk	ewness	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700
Ku	rtosis	0,18200	8,63700	3,73400	-0,48100	1,36600	1,95000	1,44600	0,83100
Std	l. Error								
of	Kurtosis	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300
Ra	nge	4,00000	2,00000	4,00000	3,00000	4,00000	2,00000	3,00000	2,00000
Mi	nimum	1,00000	3,00000	1,00000	2,00000	1,00000	3,00000	2,00000	3,00000
Ma	ximum	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000

Table5. Evaluation of Reasons for Adopting PPPs in BIH

Note.a - Multiple modes exist. The smallest value is shown

			Pair		t	df	S		
		Mean	SD	Std.	95% Confidence				
				Error	Interva	l of the			
				Mean	Diffe	rence			
					Lower Upper				
Pair	3.1. Public s.	2 20000	1 09755	0 10856	2 70610	1 80300	11 59/	20	0.000
1	3.1. Private s.	-2,30000	1,00755	0,19650	-2,70010	-1,89390	-11,364	29	0,000
Pair	3.2.Public s.	0 12222	1 10578	0.21832	0.57084	0.21218	0.611	20	0.546
2	3.2 Private s.	-0,15555	1,19576	0,21032	-0,37984	0,31318	-0,011	29	0,540
Pair	3.3. Public s.	1 02222	1 00907	0 20048	1 44226	0.62221	5 154	20	0.000
3	3.3 Private s.	-1,05555	1,09807	0,20048	-1,44550	-0,02331	-5,154	29	0,000
Pair	3.4. Public s.	0 26667	1 1 1 2 1 1	0 20204	0.14860	0.68103	1 212	20	0 100
4	3.4. Private s.	0,20007	1,11211	0,20304	-0,14800	0,00195	1,313	29	0,199

Table6. Two Sample Test of Reasons for Adopting PPPs in BIH

## 4. Which of the following are the most profound problems involved in PPP projects in BiH?

- 4.1 Transparency in the procurement process.
- 4.2 Lack of centralized administrative body for coordination of PPPs.
- 4.3 Unclear criteria or unavailability of criteria for selection of PPPs.
- 4.4 Incomplete or imperfect legislative framework.
- 4.5 PPPs are a high risk area in terms of potential for corruption.

		4.1. Public sector	4.2. Public sector	4.3. Public sector	4.4. Public sector	4.5. Public sector	4.1. Private sector	4.2. Private sector	4.3. Private sector	4.4. Private sector	4.5. Private sector
	Valid	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000
Ν	Missing	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000
Me	ean	2,26670	3,73330	2,96670	3,80000	2,40000	4,73330	4,63330	4,66670	4,83330	3,43330
Me	edian	2,00000	4,00000	3,00000	4,00000	2,00000	5,00000	5,00000	5,00000	5,00000	3,00000
Mo	ode	2,00000	4,00000	3,00000	4,00000	3,00000	5,00000	5,00000	5,00000	5,00000	3,00000
SD	)	0,90719	0,82768	0,80872	1,09545	0,93218	0,58329	0,49013	0,60648	0,37905	0,89763
Va	riance	0,82300	0,68500	0,65400	1,20000	0,86900	0,34000	0,24000	0,36800	0,14400	0,80600
Sk	ewness	0,61100	-0,23100	0,06300	-0,75500	0,44900	-2,14800	-0,58300	-1,69300	-1,88400	0,21400
Stc	l. Error										
Sk	ewness	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700
Ku	rtosis	-0,17400	-0,30000	0,92600	0,02400	0,78000	3,74700	-1,78400	1,95800	1,65700	-0,56900
Stc	l. Error										
of	Kurtosis	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300
Ra	nge	3,00000	3,00000	4,00000	4,00000	4,00000	2,00000	1,00000	2,00000	1,00000	3,00000
Mi	nimum	1,00000	2,00000	1,00000	1,00000	1,00000	3,00000	4,00000	3,00000	4,00000	2,00000
Ma	ximum	4,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000	5,00000

Table7. Evaluation of Problems Involved with PPP Projects in BiH

			t	df	S				
		Mean	SD	Std.	95% Co	nfidence			
				Error	Interva	l of the			
				Mean	Diffe	rence			
					Lower	Upper			
Pair	4.1. Public s.	2 46600	1 00801	0 18404	2 8/307	2 00027	13 40	20	0.000
1	4.1. Private s.	-2,40000	1,00001	0,10404	-2,0+307	-2,07027	-13,40	2)	0,000
Pair	4.2. Public s.	0 90000	0 02280	0 16850	0 55530	1 24461	5 3/1	20	0.000
2	4.2. Private s.	0,70000	0,72207	0,10050	0,55557	1,24401	5,541	2)	0,000
Pair	4.3. Public s.	1 70000	0.01530	0 16713	2 0/181	1 35810	10 100	20	0.000
3	4.3. Private s.	-1,70000	0,91559	0,10713	-2,04101	-1,55619	-10,100	29	0,000
Pair	4.4. Public s.	1 03330	1 15017	0 21163	0.60040	1 /6618	1 883	20	0.000
4	4.4. Private s.	1,05550	1,13917	0,21103	0,00049	1,40010	4,005	29	0,000
Pair	air 4.5. Public s1.03300		1 18855	0.21700	-1 47714	_0 58952	-1 762	20	0.000
5	5 4.5. Private s1,0330		1,10055	0,21700	-1,+//14	-0,38952	-4,702	29	0,000

Table8. Two Sample Test of Problems Involved with PPP Projects in BiH

#### 5 How would you rate macroeconomic environment and business climate?

- 5.1 GDP growing at an acceptable rate.
- 5.2 Satisfactory growth rates in key sectors.
- 5.3 Price stability.
- 5.4 Low unemployment rate.
- 5.5 Rational, equitable and predictable taxation policies.
- 5.6 Possible to register and get permission to start up a new business quickly and easily.
- 5.7 Education produces sufficient quantity of sufficient skilled graduates.

		5.1.	5.1.	5.2.	5.2.	5.3.	5.3.	5.4.	5.4.	5.5.	5.5.	5.6.	5.6.	5.7.	5.7.
		Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Public	Private
		sector	sector	sector	sector	sector	sector	sector	sector	sector	sector	sector	sector	sector	sector
	Valid	30,000	30,0000	30,0000	30,000	30,0000	30,000	30,0000	30,0000	30,0000	30,0000	30,0000	30,000	30,0000	30,000
Ν	Missing	0,000	0,0000	0,0000	0,000	0,0000	0,000	0,0000	0,0000	0,0000	0,0000	0,0000	0,000	0,0000	0,000
Me	ean	1,930	2,6300	1,9000	2,000	3,5300	2,530	1,6600	1,4000	2,3000	2,3300	1,6000	1,460	3,5600	3,500
Me	edian	2,000	2,5000	2,0000	2,000	4,0000	2,500	2,0000	1,0000	2,0000	2,0000	1,0000	1,000	4,0000	3,500
Mo	ode	1,000	2,0000	1,0000	1,017	4,0000	2,000	2,0000	1,0000	2,0000	2,0000	1,0000	1,000	4,0000	3,000
Sto	1.														
De	viation	1,172	0,9994	0,9948	1,030	0,9371	1,041	0,6608	0,6214	0,9153	0,8441	0,7239	0,776	0,8172	0,820
Va	riance	1,370	0,9990	0,9900	1,260	0,8780	1,080	0,4370	0,3860	0,8380	0,7130	0,5240	0,6020	0,6680	0,672
Sk	ewness	1,510	0,3830	1,3300	0,427	-0,7770	0,298	0,4840	1,3300	0,2080	0,3820	0,7940	1,770	-0,2290	0,000
Sto	l. Error														
of															
Sk	ewness	0,427	0,4270	0,4270	1,657	0,4270	0,427	0,4270	0,4270	0,4270	0,4270	0,4270	0,427	0,4270	0,427
Ku	rtosis	1,703	-2,6500	2,1000	0,833	0,6790	-0,295	-0,6200	0,8310	-0,6520	-0,2000	-0,6050	2,949	-0,2690	-0,347
Sto	l. Error														
of	Kurtosis	0,833	0,8330	0,8330	0,833	0,8330	0,833	0,8330	0,8330	0,8330	0,8330	0,8330	0,833	0,8330	0,833
Ra	nge	4,000	4,0000	4,0000	4,000	4,0000	4,000	2,0000	2,0000	3,0000	3,0000	2,0000	3,000	3,0000	3,000
Mi	nimum	1,000	1,0000	1,0000	1,000	1,0000	1,000	1,0000	1,0000	1,0000	1,0000	1,0000	1,000	2,0000	2,000
Ma	aximum	5,000	5,0000	5,0000	5,000	5,0000	5,000	3,0000	3,0000	4,0000	4,0000	3,0000	4,000	5,0000	5,000

Table9. Evaluation of Macroeconomic Environment and Business Climate

			Pair		t	df	S		
		Mean	SD	Std.	95% Co	nfidence			
				Error	Interva	l of the			
				Mean	Diffe	rence			
					Lower	Upper			
Doir	5.1. Public s.								
1 rall	5.1. Private s.	-0,7000	1,78403	0,32572	-1,36617	-0,03383	-2,149	29	0,040
1									
Pair	5.2. Private s.	0 1000	1 20927	0.25520	0.62212	0 42212	0.202	20	0.609
2	5.2. Public s.	-0,1000	1,39627	0,23329	-0,02212	0,42212	-0,392	29	0,098
Pair	5.3. Public s.	1 0000	1 /2920	0.26261	0.46200	1 52710	2 000	20	0.001
3	5.3. Private s.	1,0000	1,43039	0,20201	0,40290	1,33710	5,000	29	0,001
Pair	5.4. Private s.	0.2666	0.02027	0 17907	0 62270	0.00027	1 400	20	0 1 4 7
4	5.4. Public s.	-0,2000	0,98027	0,17897	-0,05270	0,09937	-1,490	29	0,147
Pair	5.5. Public s.	0.0222	1 24522	0 22725	0.40921	0 42164	0.147	20	0.001
5	5.5. Private s.	-0,0555	1,24322	0,22755	-0,49851	0,45104	-0,147	29	0,004
Pair	5.6. Private s.	0 1222	0.96027	0 15709	0 45 460	0 19702	0.840	20	0 402
6	5.6. Public s.	-0,1555	0,80057	0,13708	-0,43400	0,18795	-0,849	29	0,405
Pair	5.7. Public s.	0.06667	1 25762	0 22061	0.40204	0 52627	0.200	20	0 774
7	5.7. Private s.	0,00007	1,25762	0,22901	-0,40294	0,53627	0,290	29	0,774

Table10. Two Sample Test of Macroeconomic Environment and Business Climate

#### 6 How would you rate legal environment?

- 6.1 Legal basis for private sector participation in PPP is clearly defined.
- 6.2 PPP policy has clearly allocated authority and responsibility within the parts of government.
- 6.3 Staff of relevant government agencies have resources/information for managing PPP process.
- 6.4 PPP documentation/best practices are available in public domain.
- 6.5 The existing regulatory framework is a major hindrance to project realization and requires fundamental transformation.
- 6.6 Existing laws must be amended substantially, or certain new regulatory acts must be passed.
- 6.7 Minor amendments to existing laws are needed.
- 6.8 Opening of the PPP market to foreign investors.

		6.1. Public sector	6.1. Private sector	6.2. Public sector	6.2. Private sector	6.3. Public sector	6.3. Private sector	6.4. Public sector	6.4. Private sector
	Valid	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000
Ν	Missing	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000
Me	ean	2,56670	2,20000	3,50000	1,70000	2,13330	1,90000	2,43330	1,46670
Me	edian	2,50000	2,00000	4,00000	2,00000	2,00000	2,00000	2,00000	1,00000
Mo	ode	2,00000	2,00000	4,00000	2,00000	2,00000	1,00000	2,00000	1,00000
Sto De	l. viation	0,81720	0,92476	1,10641	0,74971	0,97320	0,92289	0,97143	0,77608
Va	riance	0,66800	0,85500	1,22400	0,56200	0,94700	0,85200	0,94400	0,60200
Sk	ewness	0,17700	0,41500	-0,65500	1,09400	0,43900	0,77300	0,68400	1,77800
Sto of Sk	l. Error ewness	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700
Ku	rtosis	-0,42100	-0,50100	0,05600	1,62100	-0,72600	-0,17400	0,45800	2,94900
Sto of	l. Error Kurtosis	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300
Ra	nge	3,00000	3,00000	4,0000	3,00000	3,00000	3,00000	4,0000	3,00000
Mi	nimum	1,00000	1,00000	1,00000	1,0000	1,0000	1,00000	1,00000	1,00000
Ma	iximum	4,00000	4,00000	5,00000	4,0000	4,0000	4,0000	5,00000	4,00000

Table11a. Evaluation of Legal Environment

		6.5.	6.5.	6.6.	6.6.	6.7.	6.7.	6.8.	6.8.
		Private	Public	Public	Private	Public	Private	Public	Private
		sector							
	Valid	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000
Ν	Missing	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000
Me	ean	4,56670	4,43330	4,30000	4,66670	2,16670	1,36670	4,00000	4,43330
Me	edian	5,00000	5,00000	4,00000	5,00000	2,00000	1,00000	4,00000	5,00000
Mo	ode	5,00000	4,00000	4,00000	5,00000	2,00000	1,00000	4,00000	5,00000
Sto	l.								
De	viation	0,97143	1,00630	0,74971	0,66089	0,79148	0,61495	0,74278	0,67891
Va	riance	0,94400	1,01300	0,56200	0,43700	0,62600	0,37800	0,55200	0,46100
Sk	ewness	-2,61900	-2,08900	-1,09400	-1,82000	0,13200	1,50300	-0,54100	-0,80500
Sto	l. Error								
of									
Sk	ewness	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700
Ku	rtosis	6,78400	4,30400	1,62100	2,04800	-0,44400	1,33200	0,56500	-0,40200
Sto	l. Error								
of	Kurtosis	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300
Ra	nge	4,00000	4,00000	3,00000	2,00000	3,00000	2,00000	3,00000	2,00000
Mi	nimum	1,00000	1,00000	2,00000	3,00000	1,0000	1,0000	2,00000	3,00000
Ma	ximum	5,00000	5,00000	5,00000	5,00000	4,00000	3,00000	5,00000	5,00000

Table11b. Evaluation of Legal Environment

Paired Samples Test												
			t	df	S							
		Mean	SD	Std. Error	95% Co	nfidence						
				Mean	Interva	l of the						
					Diffe	rence						
					Lower	Upper						
Pair	6.1. Public s.	0 36667	1 25146	0.024674	0 12708	0.87131	1 486	20	0.149			
1	6.1. Private s.	0,30007	1,55140	0,024074	-0,13798	0,87131	1,400	29	0,140			
Pair	6.2. Public s.	1 80000	1.06250	0 10/17	2 10712	1 40288	0.270	20	0.000			
2	6.2. Private s.	-1,80000	1,00550	0,19417	-2,19/12	-1,40200	-9,270	29	0,000			
Pair	6.3. Public s.	0 23333	1 30472	0.23821	0.25386	0 72052	0.080	20	0 335			
3	6.3. Private s.	0,23333	1,30472	0,23621	-0,23380	0,72032	0,980	29	0,335			
Pair	6.4. Private s.	0.96600	1 21721	0 22223	1 /2118	0 51215	4 350	20	0.000			
4	6.4. Public s.	-0,90000	1,21721	0,22223	-1,42110	-0,31213	-4,550	29	0,000			
Pair	6.5. Public s.	-0 13330	1 /3108	0.26144	-0.66804	0.40138	-0.510	20	0.614			
5	6.5. Private s.	-0,15550	1,43190	0,20144	-0,00804	0,40130	-0,510	29	0,014			
Pair	6.6. Private s.	0 36667	1 00807	0.20048	0.04336	0 77660	1 820	20	0.078			
6	6.6. Public s.	0,50007	1,09807	0,20048	-0,04330	0,77009	1,029	29	0,078			
Pair	6.7. Public s.	0.80000	0.00655	0 18104	0 12788	1 17212	4 207	20	0.000			
7	6.7. Private s.	0,80000	0,99033	1,1/212	4,377	29	0,000					
Pair	6.8. Private s.	0 42222	1 10/22	0.20162	0.02007	0.84570	2 1 4 0	20	0.040			
8	6.8. Public s.	0,45555	1,10433	0,20102	0,02097	0,04570	2,149	29	0,040			

Table12. Two Sample Test of Legal Environment

#### 7 How would you rate project selection and contracting?

7.1 Transparent procedures specified for all stages of the PPP process,

7.2 Project feasibility studies undertaken for larger proposals,

7.3 Environmental and social impact assessment required,

7.4 Bidders given proper information, including requirements for submitting proposals,

7.5 Conflict of interests results in exclusion from contracting,

7.6 Objective criteria for project sponsor selection are known and applied.

		7.1. Public sector	7.1. Private sector	7.2. Private sector	7.2. Public sector	7.3. Public sector	7.3. Private sector	7.4. Private sector	7.4. Public sector	7.5. Public sector	7.5. Private sector	7.6. Private sector	7.6. Public sector
	Valid	30,00000	30,00000	30,0000	30,00000	30,00000	30,0000	30,0000	30,00000	30,00000	30,00000	30,00000	30,00000
Ν	Missing	0,00000	0,00000	0,0000	0,00000	0,00000	0,0000	0,0000	0,00000	0,00000	0,00000	0,00000	0,00000
Mean		2,30000	2,36670	3,5667	4,16670	4,00000	3,4333	2,3333	3,96670	3,60000	1,40000	1,56670	2,63330
Median		2,00000	2,00000	4,0000	4,00000	4,00000	3,5000	2,0000	4,00000	4,00000	1,00000	1,00000	2,50000
Mode		2,00000	2,00000	4,0000	4,00000	4,00000	4,0000	2,0000	4,00000	4,00000	1,00000	1,00000	2,00000
SD		0,79438	0,85029	0,8172	0,94989	0,78784	0,8172	0,7581	0,96431	0,77013	0,62146	0,72793	0,85029
Variance		0,63100	0,72300	0,6680	0,90200	0,62100	0,6680	0,5750	0,93000	0,59300	0,38600	0,53000	0,72300
Skewness		0,27400	0,26800	-0,2290	-1,64800	-0,90700	-0,1770	0,3580	-1,41300	-0,60200	1,33000	1,47700	0,81400
Std. Error													
Sk	ewness	0,42700	0,42700	0,4270	0,42700	0,42700	0,4270	0,4270	0,42700	0,42700	0,42700	0,42700	0,42700
Kurtosis		-0,09800	-0,33400	-0,2690	3,54500	1,28700	-0,4210	0,1160	2,46400	0,13800	0,83100	2,91000	0,83400
Std. Error													
of	Kurtosis	0,83300	0,83300	0,8330	0,83300	0,83300	0,8330	0,8330	0,83300	0,83300	0,83300	0,83300	0,83300
Range		3,00000	3,00000	3,0000	4,00000	3,00000	3,0000	3,0000	4,00000	3,00000	2,00000	3,00000	4,00000
Minimum		1,00000	1,00000	2,0000	1,00000	2,00000	2,0000	1,0000	1,00000	2,00000	1,00000	1,00000	1,00000
Maximum		4,00000	4,00000	5,0000	5,00000	5,00000	5,0000	4,0000	5,00000	5,00000	3,00000	4,00000	5,00000

Table13. Evaluation of Project Selection and Contracting

			Pair	t	df	S			
		Mean	SD	Std.	95% Co	nfidence			
				Error	Interval of the				
				Mean	Difference				
					Lower	Upper			
Pair	7.1. Public s.	0.06667	0.08027	0 17807	0 42270	0 20037	0 372	20	0.712
1	7.1. Private s.	-0,00007	0,98027	0,17697	-0,43270	0,29937	-0,372	29	0,712
Pair	7.2. Private s.	0.60000	1,19193	0,21762	-1,04507	-0,15493	2 757	20	0.010
2	7.2. Public s.	-0,00000					-2,131	29	0,010
Pair	7.3. Public s.	0 56667	0,97143	0,17736	0,20393	0,92940	3 105	20	0.003
3	7.3. Private s.	0,30007					3,195	29	0,005
Pair	7.4. Private s.	1 62222	1,35146	0,24674	-2,13798	-1,12869	-6,620	29	0,000
4	7.4.Public s.	-1,05555							
Pair	7.5. Public s.	2 20000	0,88668	0,16189	1,86891	2,53109	12 500	20	0.000
5	7.5. Private s.	2,20000					15,590	29	0,000
Pair	7.6. Private s.	1.06667	0.08027	0 17807	1 42270	0 70063	5 060	20	0.000
6	7.6. Public s.	-1,00007	0,98027	0,17897	-1,45270	-0,70003	-3,900	29	0,000

Table14. Two Samples Test of Project Selection and Contracting

# 8 How, in your opinion, should experience with PPP projects be shared between state bodies?

- 8.1 Experienced consultants should be engaged,
- 8.2 A unified center should be created for PPP support and development at the federal level,
- 8.3 Conferences and seminars should be held,
- 8.4 Experienced public officials from other regions or agencies should be involved in PPP projects,
- 8.5 No sharing of experience is required.

		8.1.	8.1.	8.2.	8.2.	8.3.	8.3.	8.4.	8.4.	8.5.	8.5.
		Public	Private								
		sector									
	Valid	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000	30,00000
Ν	Missing	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000	0,00000
Mean		4,30000	3,60000	4,30000	4,43330	3,10000	4,30000	2,13330	4,40000	1,36670	1,26670
Me	edian	4,00000	4,00000	4,00000	4,50000	3,00000	4,00000	2,00000	5,00000	1,00000	1,00000
Mode		4,00000	4,00000	4,00000	5,00000	3,00000	4,00000	2,00000	5,00000	1,00000	1,00000
SD		0,65126	0,96847	0,74971	0,62606	0,66176	0,59596	0,86037	0,77013	0,71840	0,69149
Variance		0,42400	0,93800	0,56200	0,39200	0,43800	0,35500	0,74000	0,59300	0,51600	0,47800
Skewness		-0,38500	-1,27900	-1,09400	-0,63500	-0,10700	-0,18900	0,77400	-1,33900	2,29800	2,94300
Stc	l. Error										
of											
Sk	ewness	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700	0,42700
Ku	rtosis	-0,60900	2,00600	1,62100	-0,45300	-0,55700	-0,48200	0,42400	1,87400	5,67200	8,87800
Stc	l. Error										
of	Kurtosis	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300	0,83300
Ra	nge	2,00000	4,00000	3,00000	2,00000	2,00000	2,00000	3,00000	3,00000	3,00000	3,00000
Mi	nimum	3,00000	1,00000	2,00000	3,00000	2,00000	3,00000	1,00000	2,00000	1,00000	1,00000
Maximum		5,00000	5,00000	5,00000	5,00000	4,00000	5,00000	4,00000	5,00000	4,00000	4,00000

Table15. Evaluation of Sharing of Experience Between State Bodies

			Pair	t	df	S			
		Mean	SD	Std.	95% Confidence				
				Error	Interval of the				
				Mean	Difference				
					Lower	Upper			
Pair	8.1. Public s.	0 70000	1 1/021	0.20082	0.27088	1 12012	2 2 2 6	20	0.002
1	8.1. Private s.	0,70000	1,14921	0,20982	0,27088	1,12912	5,550	29	0,002
Pair	8.2. Public s.	0 13333	1,00801	0,18404	-0,50973	0,24307	0.724	20	0.475
2	8.2. Private s.	-0,15555					-0,724	29	0,475
Pair	8.3. Public s.	1 20000	0.71/28	0 130/13	-1 46676	0.03324	0 200	20	0.000
3	8.3. Private s.	-1,20000	0,71430	0,15045	-1,40070	-0,95524	-9,200	29	0,000
Pair	8.4. Public s.	2 26667	1 20153	0.21037	2 71533	1 81801	10 333	20	0.000
4	8.4. Private s.	-2,20007	1,20133	0,21937	-2,71555	-1,01001	-10,333	2)	0,000
Pair	8.5. Public s.	0 10000	0 10000 1 02880		0 28/10	0.48410	0.532	20	0 500
5	8.5. Private s.	0,10000	1,02009	0,10/03	-0,20419	0,40419	0,332	27	0,399

Table16. Two Samples Test of Sharing of Experience Between State Bodies