

# TWINNING FINAL REPORT



EUROPEAN COMMISSION

## **TWINNING PROJECTS FINAL REPORT**

**Project Title: Assistance with the Assessment of Public Private Partnership (PPP) projects**

**Partners: the Czech Republic, the Netherlands**

**Date: 2007**

**Version: Final (of draft 5 2/9/2007)**

**Twinning Contract number: CZ/2004/IB/FI/02-TL**

Approved:

Date:

Mr. W.A. van Zijst  
MS Project Leader

Date:

Mr. B. Hejduk  
BC Project Leader

**Section 1: Project data**

|                                      |  |
|--------------------------------------|--|
| <b>Twinning Contract Number</b>      | CZ/2004/IB/FI/02-TL  |
| <b>Project Title:</b>                | <b>Assistance with the assessment of Public Private Partnership (PPP) pilot projects'</b>                                    |
| <b>Twinning Partners (MS and BC)</b> | MS: the Netherlands, Ministry of Transport, Public Works and Water Management<br>BC: the Czech Republic, Ministry of Finance |
| <b>Report Number:</b>                | 2 (final report)   |
| <b>Period covered by the report:</b> | 16 November 2006-15 July 2007  |
| <b>Duration of the project:</b>      | 8 months   |
| <b>Rapporteur:</b>                   | Wouter van Zijst (MS Project Leader)   |

**Legend of abbreviations used in this report:**

|            |  |
|------------|--|
| Activities | The Twinning activities as stated in the Twinning contract   |
| BC         | Beneficiary Country (i.e. the Czech Republic)  |
| BC expert  | Expert of public institutions in the Czech Republic, which is involved with the implementation of the Twining Activities |
| CFA        | Centre for Foreign Assistance  |
| CFCU/AO    | Central Finance and Contracts Unit/Administrative Office.  |
| CR         | the Czech Republic   |
| MoF        | Ministry of Finance of the Czech Republic  |
| MoJ        | Ministry of Justice of the Czech Republic  |
| MoT        | The Ministry of Transport of the Czech Republic  |
| MS         | Member State (the Netherlands)   |
| MTE        | Medium Term Expert   |
| NL         | The Kingdom of the Netherlands   |
| PL BC      | The Project Leader of the Beneficiary Country  |
| PL MS      | The Project Leader of the Member State   |
| PPP        | Public Private Partnership   |
| PSC        | Project Steering Committee   |
| PT         | Portugal   |
| STE        | Short-term expert  |
| TL         | Twinning Light Project   |

## **Executive Summary**

### **Introduction:**

The Twinning Light project 'Assistance with the assessment of Public Private Partnership (PPP) projects' officially started on 16 November 2006 and finished on 15 July 2007. Twinning partners were the Dutch Ministry of Transport, Public Works and Water management and the Czech Ministry of Finance.

### **Project purpose:**

The purpose of the project was to assist the Czech public administration (and especially the Czech Ministry of Finance (MoF)) with certain aspects of the assessment of PPP pilot projects. To this end a Dutch Medium Term Expert (MTE) was based at the Czech MoF for the duration of the project and has cooperated with the MoF counterparts to carry out the project. In addition experts from The Netherlands and Portugal have contributed to the project.

### **Project activities:**

The project was divided into two Components and has focussed on assistance on three specific topics:

#### ***Component 1: PPP Pilot Projects Assessment criteria***

- *Identifying, managing and monitoring of fiscal risks<sup>1</sup> in PPP projects*

#### ***Component 2: Fiscal and Budgetary treatment of PPP pilot projects***

- *Budgetary treatment of PPP Projects*
- *Eurostat treatment of PPP Projects*

During the course of the project the available information and documentation on 4 selected pilot projects have been taken into account. In view of the fact that not all the projects were in a stage that is suitable for assessment, it was decided to focus the project activities mainly on one project: **the Ministry of Justice: Courthouse Usti nad Labem project**. This adopted approach does not play down whatsoever the outputs / recommendations and training of the project, since the methodology used and know-how transferred are generally applicable and will be utilised within the PPP concept.

The project can be divided into three stages:

#### ***First stage: fact finding***

As a first activity for each Component a fact finding mission was carried out in Prague. The Dutch and Portuguese experts assessed the available documentation and conducted interviews

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<sup>1</sup> The term 'fiscal risk' in this context refers to potential adverse impacts on the financial position of a public entity as a result of factors that affect the performance of a PPP project.

to gain insight in the current practice and workings of the Czech system. This activity has resulted in two assessment reports in which recommendations for improvement were made.

***Second stage: Provision of recommendations/advice***

After the fact finding stage the MS and BC counterparts have worked together to provide additional information and fine tune the recommendations provided. Detailed information on Portuguese and Dutch practice was shared and discussed with the Dutch and Portuguese experts during a one day meeting experts in the Czech Republic. The MoF has during this period started working on implementing some of the recommendations into Czech policy.

***Third stage: Provision of training***

As a last stage three workshops have been organized on the topics mentioned above. In these workshops the selected topics were extensively discussed and Dutch and Portuguese experiences were shared.

In addition to MoF officials representatives from Line Ministries, the Czech Statistical Office and the Supreme Audit Office were present.

**Project results:**

The MoF has used the results of the project activities to draft an improved version of budgetary tables that deal specifically with PPP projects. Line Ministries are obliged to fill in these budgetary tables for each budgetary year. The information that will be acquired with these amended tables will for the first time be annexed to the State Budget for 2007-2008.

In addition the MoF has used the extract of the recommendations provided in the project activities within the special commentary procedure for the Board of Economic Ministers to prepare a first official opinion of the Minister of Finance on the OBC of the Courthouse Usti Nad Labem project.

The implementation of the TL results is an on-going activity. The MoF will continue to use the information and recommendations provided after the Twinning Light Project is finished. In addition where relevant the outputs of the Twinning Light project will be taken into account while carrying out the activities in the –closely connected- Twinning project ‘ Implementing Public Private Partnership (PPP) Policy in the Czech Republic’ especially while drafting the manuals as part of the Twinning Component 1: Value for Money and 4: Process Guidance.

## **Section 2: Content**

- 2A- Background**
- 2B- Achievement of mandatory results**
- 2C- Activities in the reporting period**
- 2D- Timing and Delays**
- 2E- Assessment**
- 2F- Steps taken to ensure visibility of EU financing**
- 2G- BC Co-Financing**

### **2A - BACKGROUND**

#### **Czech Context:**

In 2004 the Czech Government adopted Resolution No. 7 of 7 January 2004 which concerns the adoption of a PPP policy in the Czech Republic, and declared the development of a PPP market in order to increase the efficiency of public investments in the infrastructure and public services, one of its priorities.

In order to facilitate the introduction of PPP concept it was necessary to establish a legally coherent framework for PPP activities, amend the appropriate legislation and to develop a manageable number of potential pilot PPP projects. Since then – inter alia- a Concession Act (Act No. 139/2006 Coll., on Concession Contracts) and an act on Public Contracts (Act No. 137/2006 Coll., on Public Contracts) have been adopted and existing legislation has been amended to include PPP contracts; for example Act No. 218/2000 Coll., on Budgetary Rules.

In 2004 and again in 2005 so called PPP pilot projects were selected and approved by Government. These PPP projects cover the following sectors: Transport, Defence, Judiciary and Prison services. In total 10 projects were approved and were subsequently launched. At present 7 of these projects are being developed, the other are frozen for the time being, or cancelled.

The Department for Regulation of PPP Projects within the MoF has been established in order to coordinate and facilitate the various PPP approaches pursued by line ministries and municipalities. The PPP Centrum has been established with the aim to advise the MoF on key PPP decisions and to advise on the coordination of preparation and implementation of the PPP projects.

This TL project was meant as an immediate assistance for the MoF in the area of PPP which is required for the completion of the PPP pilot projects under consideration and for the comparison and specification of the respective assessment & evaluation criteria.

The purpose and objectives of the project (as stated in the Detailed Project Fiche) are stated below in Table 1.

**Table 1. Purpose and objectives of TL Project CZ/04/IB/FI/02-TL**

|   |   |   |   |
|---|---|---|---|
| Project Title: Assistance with the assessment of Public Private Partnership (PPP) pilot projects  |   | Programme name and number:<br><b>TF CZ 2004/006-237/09.01.09</b>  |   |
|   |   | Total Budget: M€<br><b>0,200</b>  | TF contribution:<br><b>M€ 0,200</b>   |
| Overall Objective   | Objectively verifiable indicators   | Sources of verification)  |   |
| <b>Existence of functioning market economy, ability to face competitive pressure and market forces within EU</b>  | <b>EC recognition</b>   | EC Report<br>Reports issued by the IFI  |   |
| Project Purpose   | Objectively verifiable indicators   | Sources of verification   | Assumptions   |
| <b>To assist the Czech public administration with the assessment of PPP pilot projects and to suggest the corresponding assessment and evaluation criteria</b>  | <b>Centralized functional system of PPP structures and procedures</b><br><br><b>0,5 – 1 billion Euro of private capital is expected to start being procured into the public procurement in the next 2 years in the Czech Republic (2006-2007)</b><br><br><b>up to 1.6 billion Euro of private capital is expected to start being procured into the public procurement once the municipalities will be involved</b><br><br><b>10 - 15% of all public procurement is expected to be realized by PPP methods when the system is fully functional</b> | Changes in the Czech legislation in compliance with the EU requirements (Directive 2004/18/EC and the Directive 2004/17/EC) | Continuous support and commitment at relevant levels of Public Administration   |
| Results   | Objectively verifiable indicators   | Sources of verification   | Assumptions   |
| 1. The selected pilot projects approved by the Czech Government assessed according to the stipulated criteria.<br><br>2. Recommendations of assessment / evaluation criteria and procedures for PPP projects (English and Czech identical versions).<br><br>3. Trained professionals in PPP in the sphere of criteria assessment (approx.2 days, 15 officials, MoF, PPP Centre, other ministries involved in PPP pilot projects); | The upgraded criteria for assessment of projects ready and approved by the Minister of Finance.<br><br>Professional staff duly trained in the criteria assessment – staff of the Dpt. for the Regulation of PPP, the PPP Centre and other ministries involved in the PPP  | Final report of the project<br><br>Web pages of the MoF and the PPP Centre  | New regulations will enhance the transparency of the state and municipal liabilities records<br><br>Know-how and expertise about the PPP process will be transferred to the country |

| Activities   | Means  | Assumptions  |
|--|--|--|
| <p>1. Analysis of assessment criteria of selected PPP pilot projects.</p> <p><u>Fiscal Impact Analysis</u></p> <p>Analysis of PPP projects from the following points of view: impact on the public finance, public debt, state assets, tax implications etc.</p> <p>2. Drafting recommendations<br/><b>With regards to the evaluation of the pilot projects, the recommendations for the setting up the criteria and evaluation procedures will be drafted and translated into Czech)</b></p> <p>3. Transfer of know-how</p> <p>On-the-job training focused on the preparation of the pilot project selected and approved by the Government which are in various phases of elaboration (the Ministry of Finance, the PPP Centre and other ministries involved in the PPP pilot projects). The "Board Committees" meetings held with specialists from line ministries will include discussions on the concrete projects and will be divided into parts (lasting 3-4 hours). As some of these Czech specialists are not fluent in English it will be necessary to use the services of an interpreter (appr. 10 days).</p> <p><b>Seminar/workshop on the assessment / Training about criteria assessment (approx. 2 days, 15 officials, the MoF, the PPP Centre, other ministries involved in PPP);</b></p> | <p><b>Twinning Light Contract: 0,200 M €</b></p> <p><b>1 medium-term expert – 6 months and 4 short term experts (approx. 160 days, 14 air tickets; 750 pages to be translated; 12 days of interpretation in total)</b></p> <p><b>On the job training of the relevant staff (see the PF)</b></p> <p><b>Seminar/workshop on the criteria assessment (see the PF)</b></p> | <p>PPP law/concession law is highly required to be passed to enable easier contract drafting for PPP projects. Ministry of Regional Development (MoRD) is preparing this law and its estimated term of taking effect is 1.1. 2006. This legislation change represents an important issue, but the fact that at present there is no valid concession law does not mean an actual obstacle for PPP contract conclusion. Nevertheless a "small amendment" of the Act No. 40/2004 Coll., on Public procurement was passed in May 2004 to strengthen compatibility with EU law.</p> <p><b>Other legislative amendments, which are necessary to be passed:</b></p> <p><b>Act No. 219/2000 Coll., on the State property – MoF responsible</b></p> <p><b>Act No. 218/2000 Coll., on State budget law – MoF responsible</b></p> <p><b>Act No. 40/2004 Coll., on Public procurement – MoRD responsible</b></p> <p>All these amendments are expected to be effective from 1.1.2006</p> <p>At present the absence of these legislative changes does not mean that the preparation of pilot projects and methodology cannot continue.</p> |
| <p><b>Pre conditions</b></p> <p>N/A</p>  |  |  |

## Policy Developments

Within the period covered by this report no formal changes in the Czech fiscal and budgetary policy, related to the fiscal treatment of PPP projects have occurred.

Since the general elections in June 2006 the Czech Republic had to face a relative long period of absence of a regular government. In January 2007 a new coalition government has been established. The new government has underlined the importance of budgetary reform and will work towards future introduction of the euro in the Czech Republic. This underlines once more the importance of establishing a sound framework for the fiscal treatment of PPP projects. The Twinning Light Project assists the Czech Ministry of Finance in getting such a framework in place.

On 23 May 2007 the Government has adopted a formal resolution in which it reaffirmed its commitment to the PPP pilot project programme. This decision was based on a report which was prepared by the Czech Ministry of Finance, together with the PPP Centrum. The other stakeholders were able to comment on the report. The report recommends inter alia a greater

degree of standardisation and care in assessing potential projects before their implementation. According to this report one of the tasks of the Ministry of Finance will be to draft a Manual for Recording of PPP projects in the State Budget documentation and in the medium-term budgetary outlook by September 2007.

## TL Project Assumptions

With reference to Annex 1 to the Twinning Light Contract (i.e. the detailed project fiche and the proposal) the following remarks can be made.

According to the Twinning 2005 Manual a TL-project can be used to “tackle any self contained institutional issue provided the subject addressed is of a more limited scope than for standard Twinning, i.e. the structures needed are not complex or the existing ones need little adjustments”<sup>2</sup>. A Twinning Light project should not be used to supplement a full Twinning Project.

A Twinning Light project is of short duration (normally not more than 6 months) and should allow for a quick mobilisation of targeted public sector assistance.

Therefore there are some differences in requirements between a Twinning Project and a Twinning Light project:

- One of the distinctive features of a Twinning Light Project is **the absence of a jointly designed work plan**. The project input, output and cooperation should be defined in the detailed project fiche that is written by the BC.
- In addition, the Twinning light budget **does not provide for MS preparatory visits** prior to signing the Contract. The MS thus has only the detailed project fiche to go by when preparing the proposal for a Twinning Light project.

These factors require that the detailed project fiche addresses the definition of the required input, output and cooperation quite precisely, and accurately.

The detailed Project Fiche for Project CZ04/IB/FI/02-TL has been prepared by the Czech authorities in 2005 but was not issued until February 2006 (first release). In the period of time between the preparation of the Project Fiche and its date of first release some developments in the Czech Republic have occurred which were not reflected in the published version of the Fiche. Likewise, at the start of re tendering of the TL project (May 2006) the Project Fiche was not updated on some policy developments because the problems related to these policy developments were expected to be solved soon . At the start of the TL project reality turned out to be different from some of the assumptions made when drafting the proposal:

- The institutional framework facilitating the CR PPP Centrum to participate in the Twinning Light Project was not in place. The representatives of the Department 114 expected that the management of MoF would take a decision concerning the status and the exact purpose of the PPP Centrum in a short time.
- In the TL project fiche it is stated that the selected PPP pilot projects were assessed according to certain assessment criteria and it is implied that the Czech authorities have already gained some experience in working with these assessment criteria. The fact is that the criteria are rather limited as well as the practical experience of the MoF in working with these criteria.
- The Twinning Light project was originally meant to act as a path finder project, preceding the Twinning Project CZ/2005/IB/FI/04. In reality both Twinning and TL-project are being carried out

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<sup>2</sup> Twinning manual 2005, Section 8, paragraph 8.1,



simultaneously. MS management of both projects is in the hands of the Dutch Ministry of Transport.

- In the TL project fiche 4 PPP pilot projects were selected for assessment (i.e. The MoT D-3 Motorway project and the MoJ projects Courthouse Usti nad Labem, Courthouse branch Karlovy Vary and the prison in Rapotice). Three out of four of these selected projects have encountered considerable delays and have not been (fully) available for the assessment within the Twinning Light project. This issue was addressed during the Steering Committee that took place on 26 March 2007 and it was concluded that this would not pose a big problem as the documents available for the Usti nad Labem would provide all the information needed.

At the start of the TL project none of the selected pilot projects had reached the OBC (Outline Business case) stage, which is suitable for assessment. In January 2007 the courthouse project Karlovy Vary has been cancelled due to perceived lack of value for money. For the MoJ project Courthouse Usti nad Labem a draft OBC that was suitable for assessment became available for the project at the end of March 2007. In the relevant period the OBC for the MoJ project prison Rapotice was not yet in a final stage and the OBC for the D3 project has not been produced during the implementation period of the TL Project.

The fact that the selected PPP pilot projects progressed more slowly than expected was mainly due to more complicated preparation phase of the projects than expected, especially in the area of the property of new assets, tax issues and accounting issues.

At the time of drafting the project fiche the PPP Centrum had been established to support the Department for the Regulation and Methodology of PPP projects. But later on some obstacles appeared especially in the financing of the PPP Centrum resulting in partially disrupted cooperation mainly in the area of methodological support. These problems have not been solved during the implementation period of the Project.

The above mentioned aspects have made it necessary at the start of the TL project to look closely at the actual fulfilment of the assumptions stated in the TL Project Fiche, and how the prescribed activities should be performed taking into account the current need of the MoF and the capacity of the MoF to participate in the TL project. With reference to the Mandatory Results stated in the Project Fiche a thorough assessment of the project had to be carried out. The MTE has worked on this specification of the scope of the TL project. An important element in the discussions was to define a dividing line in the scope of the TL and the above mentioned Twinning project, in order to avoid an undesirable overlap. This process was carried out in close cooperation with the MoF and the RTA for the Twinning project. The agreed upon outcome of the actualization of the project scope were laid down in a starting document dated 7 December 2006 (see **Appendix 1**).

The content of this document was approved by the MoF on 13 December 2006 and was also annexed to the First Quarterly Interim Report. Based on the scope definition contained in this starting document the TL activities have been carried out.

A first extension of the period for performing project activities until 31 May 2007 was requested by Side letter nr. 2. On 18 April 2007 CFCU officially approved this extension.

A further extension of the period for performing project activities until 15 July 2007 was requested by Addendum nr. 1. On 16 May 2007 CFCU officially approved this extension. This means that the period for performing project activities ended on **15 July 2007**.

## **2B - ACHIEVEMENT OF MANDATORY RESULTS**

An overview of the activities been carried out, and their relation to the Mandatory results is provided in Table 2.

**Table 2. Activities performed in relation to the stated Mandatory Results**

| Comp. | Activity (number and abbr. Title)   | Intermediate result per activity & specific Benchmark per Activity  | Intermediate result completed: | Stated Mandatory results in Contract Benchmark  | Overall in & Mandatory Result achieved |
|-------|---|---|--------------------------------|---|--|
| 1     | 1.1 PPP pilot project assessment criteria   | Analysis of assessment criteria selected PPP pilot projects (inception report)  | Report approved 26 March 07    | The selected pilot projects approved by the Czech Government assessed according to stipulated criteria  | Partly <sup>3</sup>                    |
| 1     | 1.2 A Provision of amendments / advice to enhance the quality of the BC assessment methodology for PPP projects<br><br>1.2 B Remote assistance                      | Recommendations of assessment / evaluation criteria and procedures for PPP projects   | 15 July 2007                   | The upgraded criteria for assessment of projects ready and approved by the Czech MoF<br><br>Trained professionals in PPP in the sphere of criteria assessment | Yes (ongoing)                          |
| 1     | 1.3 provision of training/transfer of know how  | Training provided   | 13 June 2007                   |   | Yes                                    |
| 2     | 2.1 Assessment of the current BC fiscal and budgetary system and its impact on PPP projects   | Analysis of PPP projects from the following points of view: impact on the public finance, public debt, state assets, tax implications, etc (inception report) | Report approved 20 April 2007  | The selected pilot projects approved by the Czech Government assessed according to stipulated criteria  | Partly <sup>4</sup>                    |
| 2     | 2.2. A Provision of amendments / advice to enhancing the quality of the BC system on fiscal and budgetary treatment of PPP projects<br><br>2.2. B Remote Assistance | With regards to the evaluation of the pilot projects, recommendations for the setting up the criteria and evaluation  | 15 July 2007                   | The upgraded criteria for assessment of projects ready and approved by the Czech MoF  | Yes (ongoing)                          |
| 2     | 2.3 provision of training/transfer of know how  | Training provided   | 11 and 12 June 2007            | Trained professionals in PPP in the sphere of criteria assessment   | Yes                                    |

<sup>3</sup> Although the selected pilot projects have been approved in the initial stage (as was required in the project fiche), the Government has not formally approved the start of the tender procedure in any of the selected projects during the Twinning Light project as the projects have not reached that stage during the period in which the TL project activities were carried out. These delays are caused by factors external to the Twinning Light Project. The fact that no formal approval is given by Government on any of the selected projects during the Twinning Light implementation period is therefore outside of the influence sphere of the project (see also clarification on page 11: clarification on Mandatory Result/Benchmark 1.

<sup>4</sup> See footnote 3

**Clarification on Mandatory Result/Benchmark 1** The selected pilot projects approved by the Czech Government assessed according to stipulated criteria:

The Concession act<sup>5</sup> provides for two formal decision moments in the preparation phase of a project in which the Czech government has to approve the 'go ahead' of a project. These formal decision moments should take place in the following stages of the preparation of a project:

- after drafting the OBC, before issuing a tender,
- before closing the PPP contract.

All the PPP selected pilot projects are directly or indirectly subject to the Concession Act procedure. However, because these projects are pilot projects, the preparation phase for these particular projects is subject to an *earlier (third)* decision moment: The Government had to approve the start of the preparation phase of these projects. It was originally expected that the Twinning Light Project would coincide with this initial approval stage for the selected pilot projects.

Due to the fact that the Twinning Light Project started in November 2006 with a considerable delay (it was originally foreseen that the project would be carried out in 2005) some developments in the Czech Republic have taken place which were not foreseen in the published project fiche. In the period before the start of the project the selected pilot projects *were* approved in the first stage by Government <sup>6</sup> which means that the projects could enter into the preparation phase. All the selected projects have since then proceeded into preparation stage and are currently in different stages of preparation:

- ❖ A first draft OBC for the D 3 project is expected in the second half of 2007,
- ❖ the OBC for the project Courthouse Usti nad Labem is expected to be presented to Government for approval in July 2007
- ❖ the Project Guarded prison, supposed to be constructed in Rapotice, the OBC expected to be presented to Government for approval in July 2007

Although the selected pilot projects have been approved in the initial stage (as was required in the project fiche), the Government has not formally approved the start of the tender procedure in any of the selected projects during the Twinning Light project as the projects have not reached that stage during the period in which the TL project activities were carried out. These delays are caused by factors external to the Twinning Light Project. The fact that no formal approval is given by Government on any of the selected projects during the Twinning Light implementation period is therefore outside of the influence sphere of the project.

However, the BC (MoF) will of course use the recommendations and knowledge that were provided by the MS experts during the Twinning Light Project and the subsequently developed criteria for the preparation of the MoF point of view on the projects, when the projects OBC's are presented to Government for approval.

**Clarification on Mandatory Result/Benchmark 2:** The upgraded criteria for assessment of projects ready and approved by the Czech MoF:

Based on desk-research and interviews being held with BC experts the MS experts acquired a basic picture of the current ability of the Cz MoF to assess a PPP pilot project.

After carrying out two fact finding missions in January and February assessment (inception) reports were drafted by the MS (attached as **Appendix 2 and 3**). In these reports

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<sup>5</sup> Act No. 139/2006 Coll., on Concession Contracts

<sup>6</sup> D3 Project: Approved by Czech Government resolution No.1017/ 17 August 2005

Courthouses Usti Nad Labem and Karlovy Vary: Approved by Government resolution No. 1017/ 17 August 2005

Guarded prison supposed to be built in Rapotice: Approved by Government resolution No. 1017/ 17 August 2005

recommendations were made for improving existing practice in the Czech Republic. In the next phase of the project information was provided by the MS on the Portuguese and Dutch context. A list of the documents that were provided to the MoF is annexed to this report. **(See Appendix 4)**. During this project phase there has also been email contact between the MoF and the experts on specific topics.

The MoF had the possibility to discuss the recommendations and information provided by the MS experts in greater detail in two missions that were organized as part of the activities 1.2 and 2.2 (provision of recommendations/ advice for the setting up or upgrading of criteria). As a result of these meetings some of the recommendations have been fine-tuned. The result of this activity: a list of main recommendations and conclusions is annexed to this report. **(See Appendix 5)**.

Furthermore, as agreed in the assessment report for Component 1, the MS experts have assessed the OBC of the Courthouse Usti nad Labem project in order to assist the MoF with the assessment of that document. The findings of the MS experts have resulted in a list of possible questions regarding the content of the OBC. This list of questions has been discussed with the MoF and is annexed to this report. **(See Appendix 6)**.

The MoF has used the results of the activities 1.2 and 2.2 to draft an improved version of the budgetary tables that deal specifically with PPP projects. Line Ministries are obliged to fill in these budgetary tables for each budgetary year. The information that will be acquired with these amended tables will for the first time be annexed to the State Budget for 2007-2008.

In addition the MoF has used the extract of the recommendations provided in the activities 1.2 and 2.2 within the special commentary procedure for the Board of Economic Ministers to prepare a first official opinion of the Minister of Finance on the OBC of the Courthouse Usti Nad Labem project.

It should be noted the implementation of the TL results is an on-going activity. The MoF will continue to use the information and recommendations provided even after the Twinning Light Project is finished. The MoF is required to draft a Manual for Recording of PPP projects in the State Budget documentation and in the medium-term budgetary outlook by September 2007. When drafting this manual the recommendations made during the Twinning Light Project will be taken into account. In addition where relevant the outputs of the Twinning Light project will be taken into account while carrying out the activities in the –closely connected- Twinning project ‘Implementing Public Private Partnership (PPP) Policy in the Czech Republic’ especially while drafting the manuals as part of the Twinning Components 1: Value for Money and 4: Process Guidance. These manuals are expected to be finalized in October 2007.

**Clarification on Mandatory Result/ Benchmark 3:** Trained professionals in PPP in the sphere of criteria assessment.

On 11, 12 and 13 June 2007 the MoF and the MTE for the TL projects have jointly organized three half day workshops on the following topics:

- Budgetary treatment of PPP projects (for MoF only)
- Eurostat treatment of PPP projects
- Fiscal risks and efficiency in PPP projects.

The participants in these workshops are employed by different Government Institutions: MoF, Line Ministries, Czech Statistical Office and the Supreme Audit Office. The number of participants varied from 14 on the 11<sup>th</sup> June to 31 on the 13<sup>th</sup> June. A list of participants in the three workshops is annexed to this report. **(See Appendix 7)**

Various MS experts shared their expertise and knowledge during these workshops in an interactive way through several presentations and case studies. The presentations and relevant

documentation is available on the Website of the MoF. The programme of each workshop is annexed to this report. (See Appendix 8)

## 2C - ACTIVITIES IN THE REPORTING PERIOD

The following project activities have been carried out in the reporting period 16 November 2007-15 July 2007:

### General:

- On 5 December 2006 both the Twinning and the Twinning Light projects were presented to the stakeholders during a project launch.
- A memo was drafted on the scope of the project (see under 2A). This memo was discussed extensively with the MoF and approved by the MoF on 13 December.
- The MTE closely cooperated and continues to cooperate with the Twinning project RTA, to address any scope issues related to both projects and to avoid overlap but create an optimum synergy between the two projects.

### Regarding Component 1

#### Activity 1.1:

A fact finding mission was prepared and arranged jointly by the MS and BC counterparts. Documents were provided to the experts for their preparation. See below for the details of the fact finding mission. Based on both desk-research and interviews being held with BC experts the MS experts acquired a basic picture of the current ability of the Cz MoF to assess a PPP pilot project from the point of view of risks with potentially major financial consequences for the state finances. This has resulted in an assessment report which contained both findings and recommendations.

|                                |   |
|--------------------------------|---|
| <b>Comp. 1:</b>                | Assessment criteria PPP pilot projects  |
| <b>Activity: 1.1:</b>          | Assessment of current assessment criteria in CR   |
| <b>MS STE involved:</b>        | Mr. Rui Monteiro (Parpublica SA PT)<br>Mr. Harry Kramer (Dutch Court of Audit)<br>Ms. Geertje van Oirschot (Dutch MoF Internal audit department)  |
| <b>BC experts involved:</b>    | Mrs. Katerina Helikarová (MoF, Dpt. For Reg. of PPP projects, Head)<br>Ms. Vladimira Trojanová (MoF, Dpt. For Reg. of PPP projects)<br>Ms. Dagmar Hrnčířová (MoF, Dpt. For Reg. of PPP projects)<br>Ms. Jolanda Sládková (MoF, Internal Audit Department, Head)<br>Mr. Josef Polák (Supreme Audit Office CR)<br>Mr. Vladimír Sloup (Supreme Audit Office CR)<br>Mr. Filip Drapak (PPP Centre, Director) |
| <b>Other experts involved:</b> | Mr. Anders Nilssen: RTA Twinning Project PFIC   |
| <b>Duration:</b>               | Two days (i.e. Thursday 8 and Friday 9 February 2007)   |

### Activity 1.2.:

The MTE and STE's have defined the areas in which assistance was being sought in close cooperation with the BC counterpart. On these topics extensive information has been provided to the MoF by the Dutch and Portuguese experts. It was agreed in the assessment report for this Component that the MS experts would assess the OBC for the Courthouse Usti Nad Labem project to assist the MoF in assessing this document. The findings of the MS experts have resulted in a list of possible questions regarding the content of the OBC (**see Appendix 6**).

On 14 May the MTE has organized a one-day meeting. During this meeting the MoF has discussed with the MS experts the information that was provided to the MoF, the Portuguese and Dutch systems and suggestions for improving the Czech system and the assessment of the OBC.

Remote assistance on the topics that are covered by the TL project has been available for the duration of the project.

The activities 1.1 and 1.2 have resulted in recommendations and conclusions which are annexed to this report (**Appendix 5**).

|                             |  |
|-----------------------------|--|
| <b>Activity 1.2:</b>        | Revision of criteria for PPP projects to enhance the quality of the BC assessment methodology for PPP projects   |
| <b>MS STE involved:</b>     | Mr. Rui Monteiro (Parpublica SA PT)<br>Mr. Harry Kramer (Dutch Court of Audit)   |
| <b>BC experts involved:</b> | Mrs. Katerina Helikarová (MoF, Dpt. For Reg. of PPP projects, Head)<br>Ms. Vladimira Trojanová (MoF, Dpt. For Reg. of PPP projects)<br>Ms. Dagmar Hrnčířová (MoF, Dpt. For Reg. of PPP projects) |
| <b>Duration:</b>            | One day (i.e. 14 May 2007)   |

### Activity 1.3:

On 13 June 2007 the MoF and the MTE for the TL projects have jointly organized a workshop on Fiscal risks and Efficiency in PPP projects. The MS experts shared expertise and their experiences through presentations and a case study. 31 Participants from different Government Institutions participated in this workshop (**see Appendices 7 and 8** for a list of participants and the workshop programme). The presentations and case study have been published on the Website of the MoF.

|                             |  |
|-----------------------------|--|
| <b>Activity 1.3:</b>        | Revision of criteria for PPP projects  |
| <b>MS STE involved:</b>     | Mr. Rui Monteiro (Parpublica SA PT)<br>Mr. Harry Kramer (Dutch Court of Audit)   |
| <b>BC experts involved:</b> | Mr. Bohdan Hejduk: (MoF) Superior Director for the State Budget<br>Mrs. Katerina Helikarova (MoF, Dpt. For Reg. of PPP projects, Head)<br>Ms. Dagmar Hrnčířova (MoF, Dpt. For Reg. of PPP projects)<br><br>For a list of participants see Appendix 8 |
| <b>Duration:</b>            | Half a day (i.e. 13 June 2007)   |

A fact finding mission was prepared and arranged jointly by the MS and BC counterparts. Documents were provided to the experts for their preparation. See below for the details of the fact finding mission. Based on both desk-research and interviews being held with BC experts the MS experts acquired a basic picture of the current practice of Budgetary Treatment of PPP projects by the Cz MoF This has resulted in an assessment report which contained both findings and recommendations.

|                             |   |
|-----------------------------|---|
| <b>Comp.2:</b>              | Fiscal and Budgetary treatment of PPP pilot projects  |
| <b>Activity 2.1:</b>        | Assessment current fiscal and budgetary treatment of PPP pilot projects in CR   |
| <b>MS STE involved:</b>     | Mr. Rui Monteiro (Parpublica SA PT)<br>Mr. Danny Zwerk (Dutch MoF, Budget affairs department)   |
| <b>BC experts involved:</b> | Mrs. Katerina Helikarová (MoF, Dpt 114. For Reg. of PPP projects, Head)<br>Ms. Vladimira Trojanová (MoF, Dpt 114. For Reg. of PPP projects)<br>Ms. Dagmar Hrnčířová (MoF, Dpt 114. For Reg. of PPP projects)<br>Mr. Karel Tyll (Directorate 11: State Budget Directorate, Director) _<br>Mr. Martin Kolitsch (Directorate 11: State Budget Directorate)<br>Mr. Jiří Šiman (Directorate 11: State Budget Directorate)<br>Mr. Irena Válková (Directorate 11: State Budget Directorate)<br>Mr. Vilém Valenta (MoF, Department 315 Financial Policy Department)<br>Ms. Dagmar Sojčková (MoF, Department 311, Financial Policy Department)<br>Mr. Frantisek Steiner (MoJ, Deputy Minister)<br>Ms. Němečková (MoJ)<br>Mr. Jan Heller (Czech Statistical Office, Head of Department)<br>Ms. Ludmila Věbrová (Czech Statistical Office) |
| <b>Duration:</b>            | Two days (i.e. Friday 26 January and Wednesday 7 February 2007)   |
| <b>Duration:</b>            | Two days (i.e. Friday 26 January 2007 and Wednesday 7 February 2007)  |

### Activity 2.2.:

The MTE and STE's have defined the areas in which assistance was being sought in close cooperation with the BC counterpart. On these topics extensive information has been provided to the MoF by the Dutch and Portuguese experts. It was agreed in the assessment report for this Component that the MS experts would assess the OBC for the Courthouse Usti Nad Labem project to assist the MoF from the point of view of the Eurostat ruling on PPP projects. On 27 May the MTE has organized a one-day meeting. During this meeting the MoF has discussed with the MS experts the information that was provided to the MoF, the Portuguese and Dutch systems and suggestions for improving the Czech system and the assessment of the OBC. Remote assistance on the topics that are covered by the TL project has been available for the duration of the project.

The activities 2.1 and 2.2 have resulted in recommendations and conclusions which are annexed to this report (**Appendix 5**).

**Component 2:** Fiscal and Budgetary treatment of PPP pilot projects

**Activity 2.2:** Provision of amendments / advice to enhance the quality of the BC assessment

**MS STE involved:** Mr. Rui Monteiro (Parpublica SA PT)  
Mr. Danny Zwerk (Dutch MoF, Budget affairs department)

**BC experts involved:** Mrs. Katerina Helikarová (MoF, Dpt 114. For Reg. of PPP projects, Head)  
Ms. Vladimira Trojanová (MoF, Dpt 114. For Reg. of PPP projects)  
Ms. Dagmar Hrcírová (MoF, Dpt 114. For Reg. of PPP projects)

**Duration:** One day (i.e. 27 April 2007)

**Activity 2.3**

On 11 and 12 June 2007 the MoF and the MTE for the TL projects have jointly organized two workshops on

- Budgetary treatment of PPP projects (11 June 2007, for MoF only)
- Eurostat treatment of PPP projects (12 June 2007)

The MS experts shared expertise and their experiences through presentations and a case study. On 11 June 11 participants from the MoF participated in the workshop that was organized exclusively for the MoF. On 12 June 22 participants from different Government Institutions participated in the workshop. (**See Appendices 7 and 8** for a list of participants and the workshop programme). The presentations and case study have been published on the Website of the MoF.

**Component 2:** Fiscal and Budgetary treatment of PPP pilot projects

**Activity 2.3:** Provision of training/transfer of know how

**MS STE involved:** Mr. Rui Monteiro (Parpublica SA PT)  
Mr. Danny Zwerk (Dutch MoF, Budget affairs department)  
Mr. Raphael Debets (Dutch MoF, Budget affairs department)

**BC experts involved:** Mrs. Katerina Helikarová (MoF, Dpt 114. For Reg. of PPP projects, Head)  
Ms. Dagmar Hrcírová (MoF, Dpt 114. For Reg. of PPP projects)  
Mr. Pavel Snirch (MoF, Dpt 114. For Reg. of PPP projects)

For a list of participants see Appendix 8

**Duration:** Two mornings (i.e. 11 and 12 June 2007)



## 2D. TIMING AND DELAYS

### Adherence to time schedule

The table below (table 3) provides an overview of implementation of the TL Activities compared to the indicative planning as included in the Proposal, Annex 1, to the Twinning contract (as amended by Addendum nr. 1 (extension of the project)).

The submitted Proposal was written on the basis of the information provided in the TL project fiche. No preparatory visits were eligible to be funded out of the TL budget. Because of this any altered circumstances could potentially influence the time table that was envisaged at the time of drafting the Proposal. The time table that was entered into the proposal can therefore only be considered indicative.

With regard to the marking of the respective cells the following clarification applies:

|   |   |
|---|---|
|   | Activity/Action Planned                       |
| X | Activity/Action Performed                     |
|   | Activity/Action Delayed by more than 3 months |

### Recuperation of delays

In the reporting period the implementation of activities has not been delayed by more than three months. All the activities have been carried out within the project implementation period.

Table 3. Time table

|                      | 1 <sup>st</sup> Quarter |    |    |    |    |    |    |    |    |    |    |    |    | 2 <sup>nd</sup> Quarter |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|----------------------|-------------------------|----|----|----|----|----|----|----|----|----|----|----|----|-------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
|                      | 01                      | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14                      | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 |
| <b>Activities</b>    |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Kick Off             |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| <i>Component 1</i>   |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Activity 1.1         |                         |    |    |    |    |    |    |    |    |    | X  |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Activity 1.2         |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Activity 1.3         |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Remote assistance    |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| <i>Component 2</i>   |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Activity 2.1         |                         |    |    |    |    |    |    |    |    | X  |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Activity 2.2         |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Activity 2.3         |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Remote assistance    |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| <b>Reporting</b>     |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Inception report C 1 |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    | X  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Inception report C 2 |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    | X  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| QIR report           |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    | X  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Final Report         |                         |    |    |    |    |    |    |    |    |    |    |    |    |                         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |

## 2E. ASSESSMENT

### Overall Assessment of the TL Project

Taking into account the fact that the project implementation was affected by start up issues and that the selected pilot projects were not all in a suitable stage for assessment, the overall output of the project is satisfactory. Activities performed as part of the TL project have resulted in concrete results as described under 2B. The implementation of the output of the TL will be an on-going activity in the coming period as the MoF has committed itself to use the output of the TL project in the preparation of manuals that will be prepared in the next period. In addition some of the recommendations made by the MS experts might be followed up on as part of the closely related Twinning Project 'Implementation of a Public Private Partnership (PPP) policy in the Czech Republic' ensuring maximum synergy between the two projects.

### Issues

- The Czech Government has not formally approved the start of the tender procedure in any of the selected projects during the Twinning Light project as the projects have not reached that stage in time. This is due to delays that are caused by factors external to the Twinning Light Project. The fact that no formal approval is given by Government on any of the selected projects during the Twinning Light implementation period is therefore outside of the influence sphere of the project.

However, the BC (MoF) will of course use the recommendations and knowledge that were provided by the MS experts during the Twinning Light Project and the subsequently developed criteria, for the preparation of the MoF point of view on the projects when the projects are presented to Government for approval.

- In addition some of the outputs of the Twinning Light project will be taken into account by the MoF while drafting a Manual for Recording of PPP projects in the State Budget documentation and in the medium-term budgetary outlook and also very important: while carrying out the activities in the –closely connected- Twinning project 'Implementing Public Private Partnership (PPP) Policy in the Czech Republic', especially while drafting the manuals as part of the Twinning Components 1: Value for Money and 4: Process Guidance. These manuals are expected to be finalized in October 2007.

## 2F. STEPS TAKEN TO ENSURE VISIBILITY OF EU FINANCING

To ensure the visibility of EU financing, project business cards and project stickers were printed that carried the EU logo. TL Documents carry the EU logo in their headings. The EU flag was present during the workshops and the workshop documentation carried the EU logo.

## 2G. BC CO-FINANCING

The BC has contributed an amount of **3692** euro to the smooth running of this project. With this money a part-time assistant to the MTE was hired and refreshments during the workshops were paid. A BC statement of expenses is annexed to this report as **appendix 9**. It should be emphasized that this statement in **appendix 9** is not a part of the financial report that is part of this report and that only the BC can be held accountable for the rightful spending of this money.

## **List of Appendices**

**Appendix 1:** Twinning Light starting document dated 7 December 2006: Memo: Scope of Twinning Light Project

**Appendix 2:** Assessment Report: PPP pilot project assessment criteria

**Appendix 3:** Assessment Report: Fiscal and Budgetary treatment of PPP pilot projects

**Appendix 4:** List of documents provided to the MoF

**Appendix 5:** List of main conclusions and recommendations of the TL project

**Appendix 6:** Some questions on the courthouses OBC

**Appendix 7:** Programmes for the workshops on 11, 12 and 13 June 2007 (English version)

**Appendix 8:** List of participants in the workshops 11, 12 and 13 June 2007

**Appendix 9:** BC Statement of expenses BC co-financing

