

PPPs in Central and Eastern European countries



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Modern waste management: key to a sustainable use of resources

AVE's PPPs in Central & Eastern Europe

- AVE runs a total of **21** PPPs in 6 countries

Country	Public Partner of AVE	no. of partner-ships
Czech Republic	Usti nad Labem, Kolin, Nasavrky, Jindřichův Hradec, Františkovy Lazně	5
Hungary	Miskolc, Tatabanya, Siofok, Heves, Debrecen, Bihar, Pecs, Gyöngyös, Kaposvar	8
Slovakia	Jasov, Tornala, Sturovo,	3
Romania	Bihar	1
Ukraine	Mukatschewo, Vinogradovo, Kolomyia	3
Moldavia	Ungheni	1
Total		21

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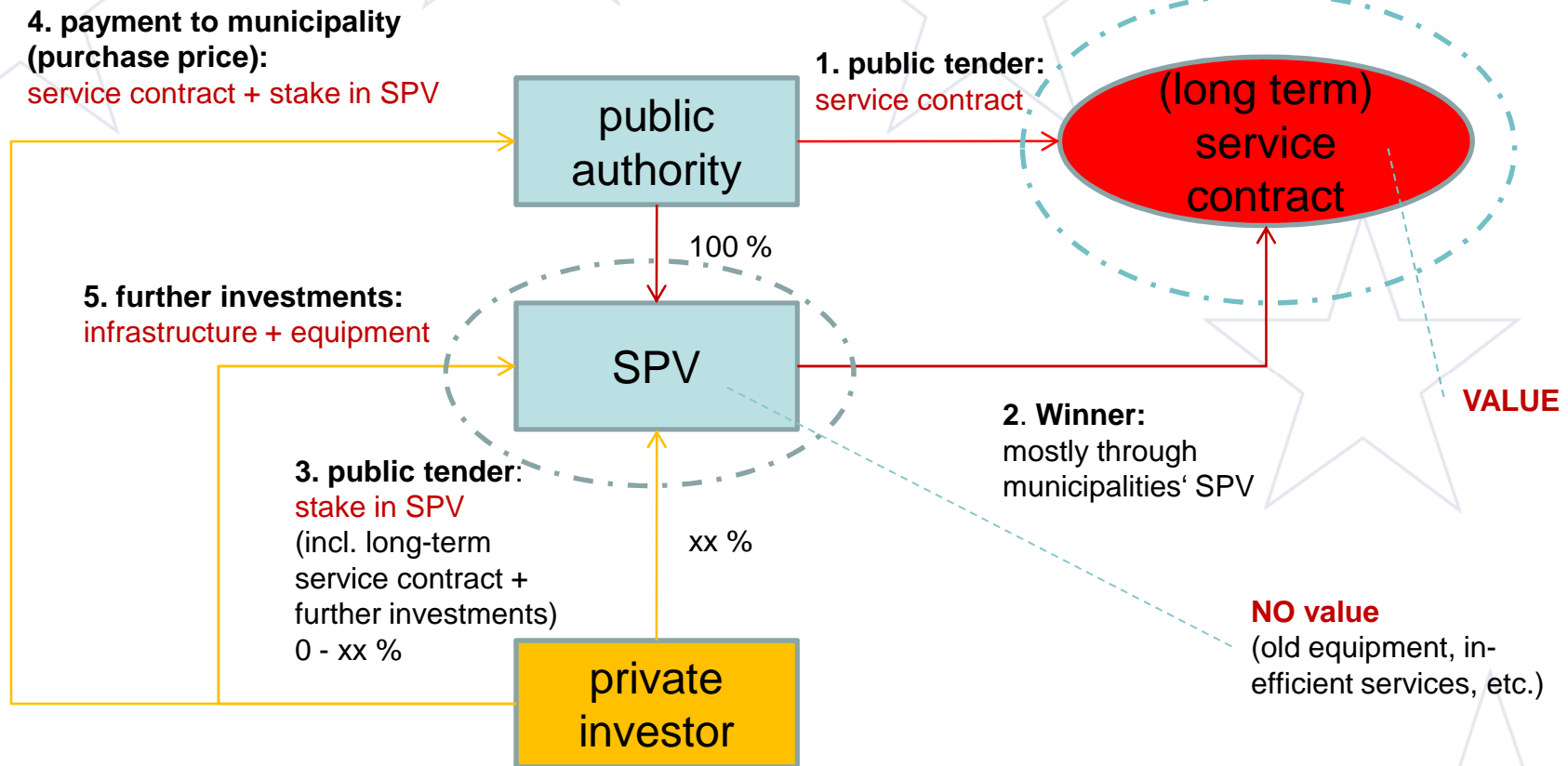
General demands for PPPs in Central & Eastern Europe

- Rapidly deteriorating public budgets have a negative impact on public services and infrastructure
- Common understanding between an (Eastern European) organised public authority and a different (Western European) thinking investor
- Investor has to be serious and competent, well reputed and especially **financial** strong
- Both sides want to create a, win-win-situation!

Major drivers for PPPs in Central & Eastern Europe

- No freely available/not enough **financial funds** for proper waste management infrastructure
- Central & Eastern Europe is facing major **investments** within the next 5-10 years due to low environmental and low service standards
- No coverage of costs because of low municipal fees or national cost-limitations:
 - e.g. **Czech Republic**: maximum fee for municipal waste disposal:
20 EUR/capita/ year
- Overstaffed departments/public authorities
- Missing/overaged treatment plants (mainly landfills)
= inefficient, expensive and low quality public services

creation of PPPs in Central Eastern Europe



Public tenders for PPPs in Central & Eastern Europe

- Typical **assessment criteria** in a public tender for selecting an adequate private partner as (the new) majority shareholder in the (former wholly-public-owned) special purpose vehicle (SPV) are:
 - purchase price
 - height of future investments
 - type of guarantee(s) for offered funds
 - references

Expectations of a private investor

- Opening of new markets/further growth
- Long-term businesses with stable profits/cash-flows of investment risks
- Access to EU fundings for waste management infrastructure
- Transparency and fair competition/equal treatment during the transaction process
- Direct access to political decision makers
- No legal barriers for private sector

Expectations of a public authority

- Freely available financial funds!
- Preservation of control
- Increase of service quality, technological & environmental standards with same or even lower prices for citizens
- Access to financial resources in order to modernise waste management infrastructure (logistics, collection yards, administrative and operative buildings, disposal and recycling plants, etc.)
- Transfer of operational risks to private partner
- Special minority rights (Management, Supervisory Board, etc.)

How to solve leadership

Private investor:

- majority in management
- minority in supervisory board

operational leadership
(finance/sales/technology)
control of re-engineering
process

Public authority:

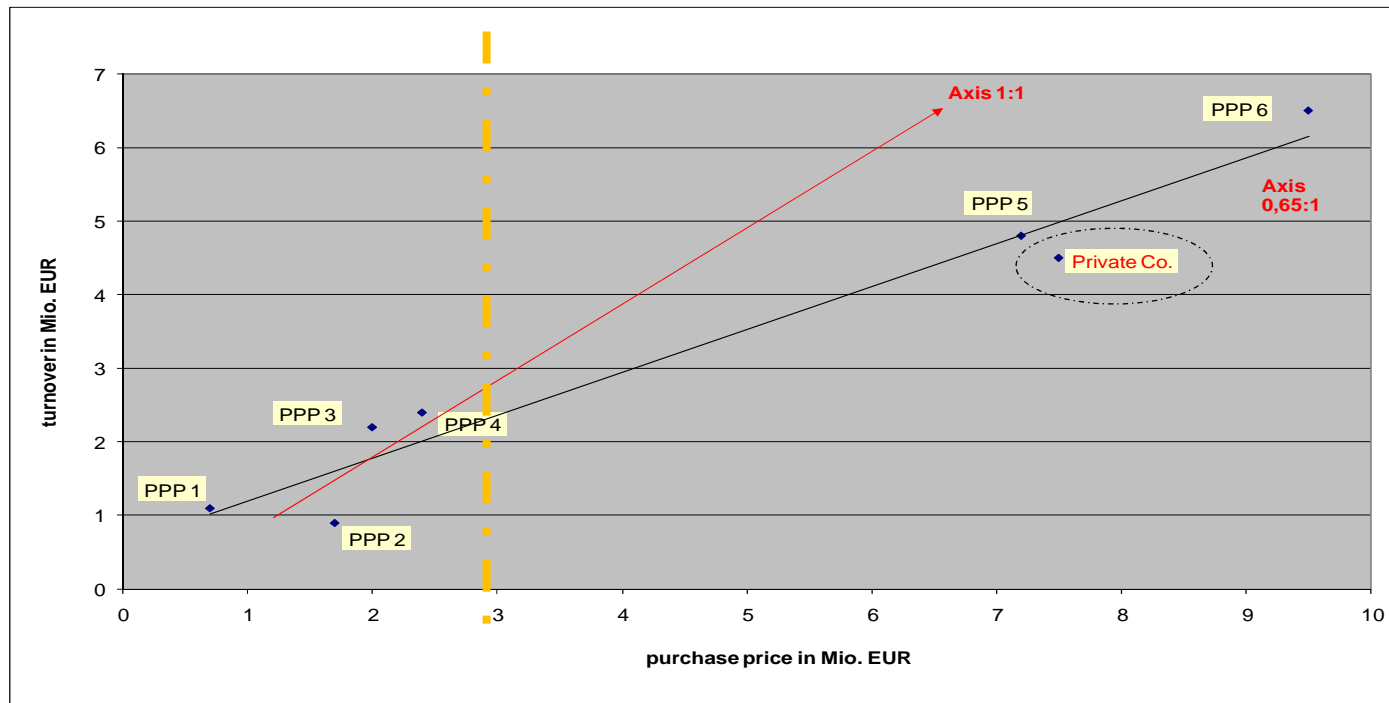
- minority in management
- majority in supervisory board

“public” control of PPP

necessary investments

1) purchase price

- turnover \leq 3 MEUR: multiples = ca.1,0
- turnover $>$ 3 MEUR: multiples = $\ll 1,0$



Necessary investments

2) further future investments

- Old equipment and infrastructure causes further high investments:

	PPP founded in year	served inhabitants	investments:purchase-price-ratio (%) ¹⁾
PPP 1	2007	96.000	0,62
PPP 2	2006	51.300	0,82
PPP 3	2006	22.500	0,72
PPP 4	2008	6.800	0,75
PPP 5	2010	5.600	1,93 (!)

1) total investments from private partner into PPP after 5 years of cooperation

Buildings & Infrastructure before/after privatisation



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Logistics before/after privatisation



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Collecting yards & sorting plants before/after privatisation



Landfills before/after privatisation



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“Wishes” towards Brussels

- Commission should remedy the obstacles facing PPPs and should promote their use/implementation
- Avoidance of arbitrarily appeals against final allocation of public service contracts
- Change of public meaning of public authorities in Western Europe, like, “*Magistratsabteilung 48*”, Vienna/Austria:
 - expects a **decrease of service quality** because of a PPP
 - counts with a **diminishing acceptance** of Vienna’s inhabitants in fact of a PPP between MA 48 and a private investor
 - calculates no added value in service-efficiency due to **massive increase** of control, regulation and guarantee efforts

Conclusions for successful PPPs in Central & Eastern Europe

- environmental sound treatment of MSW requires **high investments**
- thus **PPP-models in CEE** can help:
 - make public services more cost-effective and efficient
 - the installation of separate waste collection with modern systems and low-emission trucks
 - encourage investments in well equipped new landfills
 - encourage the pretreatment of waste for recycling purpose in order to reduce biodegradable waste for landfill
 - encourage investment into incineration plants (long-term-view)
- „**service for the public**“ is a popular but **inefficient argument** of several Western European public entities against PPPs



Thank you very much for your attention!