No PPP in the world can rescue a poorly planned infrastructure project

Infrastructure schemes – whether PPPs or not – often suffer from governance problems including poor planning, low administrative capacity of public officials to oversee projects, and lack of transparency. PPPs can make these problems more difficult to uncover and resolve because of their complexity and lack of transparency. This problem is worse in central and eastern Europe but examples [LINK to case studies page – most of the case studies illustrate these problems] from the EU’s more western member states also shows that they are not immune to such problems either.

Many projects in central and eastern Europe consist of resurrected plans from several decades ago when neither value for money nor nature protection was an issue and the geopolitical landscape looked entirely different from today. While there are some improvements, even those projects conceived more recently are often not the result of systematic and participatory planning but a combination of clumsy and unimaginative thinking, lobbying, and personal interests. Many officials are insufficiently committed to wide consultation and consideration of all alternatives. Public access to information is often poor and consultation processes are invariably carried out as a formality, at a late stage, and with no real intention of taking public opinions into account. Corruption remains a problem in the region, and tender processes – when they are carried out at all – continue to be far from satisfactory. Examples of suspected corruption in PPPs include the Trakia Highway in Bulgaria, and the Moscow–St. Petersburg motorway in Russia.

The novelty with PPPs is that they can, when handled badly, multiply the usual problems that plague infrastructure construction.

Due to the complexity of PPP arrangements and contracts, and the possibility of hiding behind ‘commercial confidentiality’ as an excuse for failing to provide public information, there is very little space for public scrutiny during the preparation of the projects. Where there have been successes in stopping poor deals, such as the D1 motorway in Slovakia, the Trakia Highway in Bulgaria and the Horgos–Pozega motorway in Serbia, these have mostly taken place after the contracts have been signed, representing a waste of time and money for everyone.

Even in countries with a more developed freedom of information culture than exists currently in CEE, information about PPPs is hard to come by. The UK Commons Select Committee on Health has recommended that:

“While there clearly exists a tension between the imperatives of commercial confidentiality on the one hand and openness in the decision making process on the other, we believe that the Government has to give the lead here and insist that, in privately financed but publicly funded projects with such long–term revenue consequences, the balance should
be tilted firmly in favour of greater openness”.

Too often public officials lack experience with balancing the wishes of the private sector with the best interests of taxpayers. As a result the costs of projects often rise. Administrative capacity in CEE countries is generally considered to be low, yet trained and knowledgeable staff within public authorities are essential for developing and managing PPP schemes. Low capacity results in failure to protect the public interest, lack of ability to enforce contractual provisions and in the end lower quality of services provided under the PPP scheme. Yet this problem is not confined to central and eastern Europe. In 2009, a UK House of Commons Public Accounts Committee report on central government’s management of service contracts found that:

“38% of contract managers did not always apply financial penalties where suppliers underperformed. The extent to which central government tests the value for money of ongoing services and contract changes is variable. For example, 41% of contract managers had not tested the value for money of new services purchased under an existing contract.....Less than half the organisations surveyed.... had an individual with overall responsibility for contract management, and there was no documented plan for managing 28% of contracts.”

Considering the often hundreds of millions of Euros involved in such contracts, such omissions can cost the public sector extremely dearly.