

# ID 1558 | HOW CAN PUBLIC-PRIVATE PARTNERSHIP (PPP) APPROACH CONTRIBUTE TO A DYNAMIC BUT CONTROLLED URBAN DEVELOPMENT: THE CASE OF PPP IN SLOVENIA

Matej Niksic<sup>1</sup>; Sabina Mujkic<sup>1</sup>; Miha Konjar<sup>2</sup>; Janez Grom<sup>2</sup>; Alenka Fikfak<sup>2</sup>

<sup>1</sup>Urban Planning Institute of the Republic of Slovenia;

<sup>2</sup>Faculty of Architecture of the University of Ljubljana

[matej.niksic@uirs.si](mailto:matej.niksic@uirs.si) ; [sabina.mujkic@uirs.si](mailto:sabina.mujkic@uirs.si) ;

[miha.konjar@fa.uni-lj.si](mailto:miha.konjar@fa.uni-lj.si) ; [janez.grom@fa.uni-lj.si](mailto:janez.grom@fa.uni-lj.si) ; [alenka.fikfak@fa.uni-lj.si](mailto:alenka.fikfak@fa.uni-lj.si)

**ABSTRACT:** Slovenian planning legislation states that the main objective of spatial planning is to enable coherent spatial development by the consideration and coordination of different development needs and interests and assuring public benefits, especially in the areas of environmental protection, the conservation of nature and cultural heritage, etc. Coordinated planning approaches aim to contribute to a balanced and sustainable spatial development, which is also one of the biggest challenges of contemporary urbanism. The problem in facing this challenge is in the actual realization of urban projects which is often hindered due to the financial obstacles. Lack of financial resources in both public as well as private sector contributes to an increasing necessity for collaboration between public and private investors. Not rarely only the involvement of a private partner into a project which is in a public interest makes the investment possible. If the process goes smoothly, this way the city's development needs as well as the desires of private investors are met - shared investment in the urban projects may contribute to the fulfillment of economic objectives of the private investor and spatial planning objectives of the planning authority at the same time. The PPP tool has been introduced into Slovenian spatial development practice rather recently. Most often the improvement of the quality of the living environment through brownfield redevelopment, built-structure renovation, energy efficiency improvements etc. are achieved by the implementation of PPP, which also contributes to a more controlled creation of urban space and increases the flexibility of the traditionally rather ossified planning process in Slovenia. The paper presents the most common forms of PPPs used in all eleven Slovenian urban municipalities. The ongoing research attempts to define different types of urban projects that are suitable for implementation in a form of PPP, and other different instruments that municipalities have at their disposal to facilitate the use of PPP within a specific current context of post-socialist neo-liberal system in Slovenia. Through the examination of concrete PPPs different approaches to activate land or buildings in public ownership with private capital are recognized, risks, benefits and potential problems revealed and possible solutions to overcome the obstacles identified. Different examples show the relationship between public and private partners in terms of investments, responsibilities and benefits during the realization of an urban PPP project which greatly reflect the fact that PPP as a tool has not got a long tradition yet.

## 1 INTRODUCTION

Public-private partnership (PPP) plays an important role as an instrument of planning and implementation of public infrastructural projects, including urban projects that affect the dynamics of urban development. PPP sector in Slovenia remains underdeveloped. The Public-Private Partnership Act (ZJZP, 2006) was only adopted in 2007. PPP mechanisms provide for private investments in public projects and public investments in private projects, insofar as the latter are in public interest: for instance, building, maintenance and management of public infrastructure, and, in certain cases, performance of public services or activities, insofar as those are in accordance with terms and conditions, valid for public utilities in general. The main advantage of PPP is provision of investments without or with minimal burdens for public finances. Through PPP projects, private economic initiative and its efficiency are introduced into construction and use of public infrastructure, while at the same time, usually by default, all of the costs of the public infrastructure are in a largely borne by its users, as a general rule in proportion to the frequency of use.

This paper is based on the work commissioned by Slovenian Research Agency and Ministry of Spatial Planning of Slovenia. This is an ongoing research project being implemented in a cooperation between

Urban Planning Institute of the Republic of Slovenia and University of Ljubljana – Faculty of Architecture and Faculty of Law.

The paper presents the results of the first two phases of the project. It reports the key results of interviews conducted with, first, representatives of local authorities and, second, investors. The main goal of the interviews was to determine the level of the current practices in the PPP sector in Slovenia. It furthermore identifies the models of PPP that are in use in Slovenia and proposes the needed improvements of PPP system. It also identifies possible urban development projects that can be implemented by the usage of PPP in future.

## 2 METHODOLOGY

We tried to determine the current level of PPP mechanism use in Slovenia in two ways: by assessing materials and data from publicly available data bases, and by conducting semi-structured interviews with representatives of relevant municipal departments and municipal services from all 11 Slovenian city municipalities, and with representatives of private investors.

Our goal was to test developmental needs and plans of city municipalities, their up-to-date experiences with the PPP model (their preference or non-preference for the mechanism in principle, problems encountered in the use of the mechanism, etc.), and both the plans and needs of the municipalities, connected to PPP mechanism project implementation in the future.

For each interviewed group we set up the questions on the basis of a prior review of literature and sources and available data on existent PPP practices in Slovenia. The basic structure of the questionnaires was tested through informal talks with representatives of local public administration, state public administration, and investors. On the basis of informal talks we were able to establish common features, valid for the majority of the city municipalities, such as: key motivations for the application of the PPP mechanism; assessment of the suitability of the legislative framework; key obstacles to the implementation of PPP; financial aspects of the implementation of PPP and forms of incentives for a larger participation of private capital; key open questions and dilemmas; guidances for improvement of the existing PPP system.

Interviews with private investors provided insight into their perspective on PPP: why they opt or refuse to opt for participation of this sort; their proposals for changes of the existing PPP system in Slovenia; the types of PPP-model urban projects of interest to private investors; the types of PPP-model projects they are already involved with. We were also interested in the types of goals pursued by private investors involved in PPP-model project, and whether those were markedly different from the goals pursued in projects lacking a public partner; the reasons for absence from participating in PPP-model projects; the needed changes on the part of the public partner (state, municipality, etc.) in order to be able to realize more PPP-model urban projects, as well as on the part of the private investors; financial and other mechanisms that should be established in Slovenia in order to allow private investors to realize PPP-model projects in an increased and simpler way.

Interviews with the representatives of city municipalities were conducted in the period from November 2016 to December 2016, and those with the representatives of the private investors in May and June 2017, for the most part at the headquarters of institutions involved. On the basis of the results and informations we gained, we were able to identify the PPP-model-based urban projects that can, and the ways in which they are able to, contribute to dynamic and controlled urban development.

## 3 EXAMPLES OF RELEVANT PRACTICE

According to Corrigan et al. (2005) a successful PPP depends on ten crucial steps: 1) consistent development of a public-private partnership, 2) creating common vision, 3) mutual understanding of partners and key shareholders, 4) clear definition of both risks and rewards for all shareholders, 5) establishing a clear and rational process of decision-making, 6) ensuring fulfillment of obligations of all shareholders, 7) ensuring consistent and safe project management, 8) frequent and early communication, 9) arranging a fair structure of negotiation, 10) establishing mutual trust as a basic value (eg Corrigan et al., 2005). Scholars (Tasan-Kok and Zaleczna, 2010; Kościelniak and Górkab, 2016; Moskalyk, 2011)

point out main benefits for the public partner involved in the PPP-mechanism-based projects: engaging private partners provides part-financing of the project, thus shifting financial burdens away from the public budget. Furthermore, private capital limits and reduces the risk of bringing implementation or construction of a project to a halt, thus increasing the possibility of infrastructural improvement. Cooperation with a private partner enables and enhances the use of the latest advanced technologies, transfer of knowledge and exchange of experiences. Efficient management of projects and human resources reduces the time necessary for the investment performance and significantly lowers the costs involved. Participation of the private sector lowers the risk of political pressures. Market benefits include both efforts of local administrative services in locating private investors and thus outside sources of financing, and promotion of cooperation with the private sector. On the other hand, benefits for the private sector, involved in PPP-based projects, include: potential high rates on return on the investment and furthermore, cooperation with the public sector may result in a transfer of knowledge and experiences, all of which both partners may find useful in future projects. Last but not least, long-term investments into these kinds of projects provide security for the private capital, which may also count on various market benefits (Kościelniak and Górkab, 2016).

Kościelniak and Górkab (2016) also give a good example of a successfully managed and realized PPP-based set of urban projects. They address projects such as investments into transport infrastructure, environmental protection, and development of residential renewal. Furthermore, they write about projects, directly affecting basic needs of the population: environmental management, public transport and communications, sports, tourism, recreation, residential construction, revitalization of degraded areas, development of science and technology. These reflects a wide range and variety of possible urban projects to be implemented by PPP.

Another increasingly important aspect of managing the contemporary city life is its branding. In European context this is often related to the issue of cultural heritage preservation and development and PPP mechanisms offer some useful approaches. Zhao (2015) cites the example of Chinese cities that have, in dire need of renewal of their architectural heritage, found the necessary funds – and consequently faster ways of project realization – in a linkage with the private capital. The private sector has been allowed to directly market the heritage. Since the private capital was directly interested in the success of the projects involved, both marketing and »city branding« proved to be extremely effective, leading to the establishment of a financial current with positive effects.

Global practice has developed numerous types of PPP models. They are useful for different types of projects. Their differences consist of the following (internet sources 1 and 2):

- 1 what type of relationship exists between the parties involved in the PPP (grantor of concessions – public partner, concessionaire – private partner);
- 2 who is responsible for the design and the preparation of project documentation;
- 3 who finances the implementation of different phases of the projects;
- 4 who implements the construction, renewal or other forms project implementation;
- 5 who manages or who is responsible for the operation and maintenance of the completed project;
- 6 who and when becomes the final owner of the completed project.

Below we will mention a few examples of PPP models currently in use in Slovenia.

#### **4 COMMON FORMS OF PPP IN SLOVENIA**

The most common types of urban projects, implemented by PPP mechanism, that we have encountered in conducted interviews, are the following:

- 1 construction of sheltered accommodation for the elderly (mobilization of publicly owned land through private capital being the most common form);
- 2 construction of educational facilities (for instance, kindergartens);
- 3 implementation of urban infrastructural projects (construction and maintenance of roads, construction of markets, etc.);

- 4 upgrading of energy infrastructure in publicly owned facilities (schools, kindergartens, health clinics, administration buildings, sports facilities, cultural facilities; often part-financed by cohesion funds);

Speaking of PPP projects in economic sense, there are several different relations between public-and private-law entities. Below we cite some examples of the PPP models, encountered in our interviews. Hopefully they will at least partly illuminate the complexity of the PPP phenomenon in Slovenian practice. It needs to be noted that in some cases combinations of models exist in practice.

#### **4.1 MODEL DFBOT (DESIGN-FINANCE-BUILD-OPERATE-TRANSFER)**

This model is used for energy-efficient sanitation of public facilities, owned by the City Municipality of Ljubljana, including construction, technological and energy sanitation of facilities, with the goal/consequence of improving energy efficiency of said facilities and thus lowering energy use. Sanitation encompasses 125 municipality-owned buildings of the following types: kindergarten, school, health centre, administration building, sports facility, cultural facility. Concessionaire (being a natural or legal person) will, as stipulated in the agreement, contractually provide energy performance services, implement measures to achieve energy performance and manage energy maintenance services (internet source 3).

#### **4.2 MODEL DFBTO (DESIGN-FINANCE-BUILD-TRANSFER-OPERATE)**

Should realization of certain objects of energy-efficient sanitation in certain facilities prove to be either economically unviable or impossible to conduct according to the model DFBOT, model DFBTO will be implemented. If use of neither model proves to be impossible, a combination of both will be used. Energy-efficient sanitation of public utilities owned by the City Municipality of Celje is planned in a similar fashion and will be implemented in kindergartens, schools, business premises, cultural facilities, sports facilities, health facilities, public-law institutions (internet source 4). Energy-efficient sanitation of 23 facilities in the City Municipality of Novo mesto, energy-efficient sanitation of public facilities of the City Municipality of Koper and in other cities are to proceed in a similar way.

#### **4.3 MODEL DBOT (DESIGN-BUILD-OPERATE-TRANSFER)**

A successful example of this type of PPP model is construction of kindergartens in the City Municipality of Slovenj Gradec. In this particular case, existing buildings are to be demolished and new ones to be built, maintained, insured, operated in an energy-efficient manner and finally transferred into public ownership. The private partner provides for the obtaining of the building permit and for the construction project. The private partner also assumes responsibility for all risks connected to the demolishing of the existing and the construction of the new buildings, as well as those connected to operating the facility. The private partner has the right and the obligation to perform the services of acquiring the building permit, of demolishing the existing buildings, of construction of the new buildings, of ongoing maintenance, of insurance, of energy management and of charging users of the building. The private partner charges the users for the use of the facilities for the period of 15 years. After the expiration of the concession contract all buildings are to be transferred – without compensation – into the ownership of the city. The concessionaire covered 60% of the costs of construction, while the municipality as the grantor of concessions covered the remaining 40% (with 15% of its own participation and 85% co-financed by the EU). Implementation of the PPP model in the construction of the kindergarten enabled the municipality to save 30% of the cost. The whole process from designing the project to its implementation to 15-year maintenance is to be provided by the concessionaire.

#### **4.4 MODEL BOT (BUILD-OPERATE-TRANSFER)**

This model was used in the construction of the market place in the City Municipality of Celje. The market place was built by the private partner. On the basis of the concession contract for construction, operation and maintenance the private partner was to operate the market place for the period of 10 years. However,

after 5 years the private partner went bankrupt. The municipality solved the problem by buying a share of the liquidation proceeds and continued to operate the facility on its own.

#### **4.5 COMBINED MODELS**

Sometimes two or more models are combined. Two models have been used in the construction of the sheltered accommodation for the elderly in Ljubljana (more on that below); namely for the public part of the project the construction concession model DFBTO (Design-Finance-Build-Transfer-Operate) and for the private part of the project the construction concession model DFBOO (Design-Finance-Build-Own-Operate). The private partner has been granted the right to operate and provide care for the entire complex of sheltered accommodation for the elderly (both the public and the private part) in ways and under conditions stated in the PPP contract. Division of the project into public and private part was agreed upon by the public and the private partner during the private-partner-selection process.

### **5 MOBILIZATION OF PUBLICLY OWNED LAND THROUGH PRIVATE CAPITAL**

We will now have a detailed look at one of the most common current forms of use of PPP mechanism in urban development in Slovenia, e.i. mobilization of publicly owned lands through private capital. This chapter presents an example thereof in the case of construction of sheltered accommodation for the elderly and problematizes this sort of contribution to a controlled and dynamic urban development.

This particular urban project using the PPP mechanism concerns the establishment and construction of two buildings, intended for sheltered accommodation for the elderly, and the operation and supply of the established sheltered accommodation facilities through the partnership period. The private partner had two years to prepare the project documents, gain the building permit, construct the buildings and finally transfer the apartments to the public partner. The complex in question is Sheltered Accommodation Apartments Mijaks (internet sources 5 and 6), in the Šiška-Dravlje part of Ljubljana. 54 housing units were built in 2016, with total GFA measuring 4,477.76 m<sup>2</sup>. All apartments have already been sold. Apart from the construction of the sheltered accommodation the contract also stipulates arrangement of 46 exterior parking spaces and of surrounding environment, as well as provision of supply and arrangement of management for the entire part. The value of the entire project is 5,498,684 Euro (excluding VAT). The PPP model implemented in this particular project is the construction concession model DFBTO (Design-Finance-Build-Transfer-Operate) for the public part and the construction concession model DFBOO (Design-Finance-Build-Own-Operate) for the private part of the project. The public partner of the project is the Public Housing Financing Fund of the City Municipality of Ljubljana. The following criteria for the selection of the private partner were used: the total area offered of sheltered accommodation apartments that was to become part of the public part of the project and was to remain in the ownership of the public partner; the share of the rented apartments offered in the private part of the project; the market rent on sheltered accommodation apartments offered in the private part of the project; the sales price of sheltered accommodation apartments offered in the private part of the project.

For the purpose of the realization of the project the public partner granted to the private partner the building right for the area, the extent of and duration of which had been agreed to during the process of selection of the private partner. The City Municipality of Ljubljana is the owner of the land area of roughly 4,045 m<sup>2</sup>, invested into the project and exclusively intended for the purpose of construction of sheltered accommodation. Total financial contribution of the public partner amounts to 1.153,900 Euro (excluding VAT) and includes the land area, the building right, and the communal tax. As well, the public partner puts at the disposal of the users of the sheltered accommodation the shared use of the public park, which they will be able to share with the care recipients of the Šiška Elderly Home that stands in the vicinity of the project. In accordance with the contract of public-private partnership the public partner has to establish mechanisms that will ensure efficient protection of public interest.

The private partner finances the project in its entirety and is responsible for the design, land preparation and construction of the two buildings, intended for the sheltered accommodation, acquires the building permit and other corresponding administrative permits, necessary for the transfer and functioning of the sheltered accommodation apartments, such as the operating license. The private partner has been granted the right to operate and arranges supply for the entire building complex (both the public and

private part) for the entire concession period in the way and under the conditions, stipulated in the PPP contract. The private partner also assumes the larger part of business risks involved with the implementation of the PPP, risks connected with financing the entire project, risks connected with designing the project, acquiring the building license and construction and all other connected risks. The City Municipality of Ljubljana acquires 10 sheltered accommodation apartments that represent the public part of the project, together with the corresponding share of common spaces. The public and the private partner sign a contract on division of floor property of the constructed buildings (which has in principle already been agreed upon during the private-partner-selection process). Based on the contract on division of floor property the public partner transfers the agreed-upon share of the property rights in the part of the land and buildings, corresponding to the private part of the project, to the private partner. The share of land and buildings, corresponding to the public part of the project, remains the property of the public partner.

The private investor has therefore found a »market niche« in the project of construction of sheltered accommodation and successfully established cooperation with the public sector, aimed at improving living conditions and quality of life for the elder population of Ljubljana. The city gains a complex of sheltered accommodation, adapted to persons in the »third age« of their lives who are thus provided with a new, higher quality of living. At the same time, the burden on retirement homes is lessened and the active part of the elderly population can age more comfortably. Sheltered accommodation apartments are one of the important aspects of improved quality of life. The public sector and the private sector have jointly, the former through ensured unding and investment, the latter with its own means, contributed to the accomplishment of those goals. Construction of sheltered accommodation apartments in Ljubljana, implemented through the PPP mechanism, is a good example of a dynamic, controlled urban development.

## 6 FINDINGS

This chapter, based on conducted interviews and research of sources, will present the main characteristics of the implementation of projects, based on the PPP mechanism. It will discuss the motivations and advantages of such urban projects, main risks and key obstacles, and proposals for improvements of the existing system. The chapter will also introduce a typology of urban projects that can be achieved through the use of the PPP mechanism, in order to ensure dynamic and yet controlled urban development.

### 6.1 MOTIVATIONS AND ADVANTAGES OF PPP MECHANISM IN CITY MUNICIPALITIES

Based on an overview of PPP projects that have been (or have failed to be) carried out and semi-structured interviews at city municipalities, we have established that two main motivational factors are important in order for the public partner to resort to the use of PPP mechanism:

- 1 overcoming financial capabilities and constraints encountered by the municipalities and
- 2 achieving objectives within shorter delays, meaning that the municipality no longer needs to wait to accumulate enough financial means in order to undertake the project on its own.

The bigger the investment, the higher the motivation for the use of PPP, since bigger investments usually mean a combination of several forms of financing, such as budget resources, EU grants, resources of private partners. In this way the municipality appears less indebted, its administration is relieved of the additional bureaucratic burden, and the municipality can divert its resources into other developmental projects that cannot be implemented through PPP mechanism, while at the same saving money at the PPP-based projects which might not be otherwise directly economically viable. All of the above may also contribute to developments in the urban space and, consequently, to faster growth, since financing or cofinancing various developmental project also encourages municipal economy. Furthermore, in this way private capital means are directed towards public benefits and improvements in quality of life of the local population (such as construction of sheltered accommodation, kindergartens, etc.). Private investments into, for instance, construction of kindergartens can thus quickly positively contribute to city life and to satisfaction of the population (instant rectification of deficiencies, better working conditions, more economically efficient structures, etc.). Participation of private capital in public projects can lead to fast and efficient developmental interventions. PPPs often mean a search for alternative, smart solutions, but also a more rational approach to solving the urban developmental challenges (since projects are approached in

an economically more reflective fashion). Participation of the private sector, pursuing its own interests, is an additional testimony to the commercial viability of the scheduled projects. PPP mechanism represents both a more rational approach to financing and to risk sharing. PPPs are a good economic model for project cases with financial effects and therefore assured economic viability. One of the incentives for the PPP-based projects is the possibility of absorption of the EBRD funds. EBRD cofinances projects through consulting and other services up to the execution of the project itself. In this way a municipality can, for instance, order project documentation, expanded energy inspections and investment documentation for all facilities and buildings it wishes to make more energy-efficient without implementing its own resources.

## **6.2 RISKS AND GENERAL OBSTACLES IN THE IMPLEMENTATION OF PPP-BASED URBAN PROJECTS IN SLOVENIA**

Private partners involved with PPP-based urban projects often assume several risks, such as the risk of financing the entire project, designing, land preparation, acquiring the building permit, the risk of construction/demolishing buildings and associated risks. They have to acquire additional administrative permits, necessary for the transfer and operation of already constructed objects, such as the operating license. Then there are risks connected to object maintenance – energy-efficient sanitation can, for instance, easily lead to a too large consumption of energy products. In short, private investors may face a myriad of risks.

Constraints and problems faced by the municipalities in the implementation of PPP-based urban projects include (but are not limited to): systemic obstacles, inappropriate organisation of municipal administrations, lack of cadres and knowledge, unrealistic expectations on part of either the public or the private partner, possible unreliability of the private partner (for instance, bankruptcy). There is a lack of knowledge and information on what, with whom and on which contents PPP-based projects should be concentrated, so as not to try and implement them with public resources alone. There is little successful practice; insofar as it exists, it is not being well-promoted. There are doubts about the PPP-based projects, usually based on negative stories or negative public opinion. PPP has acquired a generally negative connotation, no doubt partly for the fear of connection between PPP and corruption (since PPP represents a junction between the public and the private). Fears are often based on the long-term perspective of PPP contracts. There is too little cooperation between smaller municipalities in solving spatial and urban challenges, as well as too little action towards common projects that might be PPP-based. Partly to blame is the legal basis. Currently existing Public-Private Partnership Act was tailored for larger projects and larger city municipalities equipped with administrative services, strong project offices with several employees, etc., while the current state of affairs of PPP-based project implementation in Slovenia would require smaller projects. On the other hand is the act too complicated, often requiring minute details, and too demanding in certain segments. Since every PPP-based project is a specific one, such stickling for detail makes the implementation very difficult. Potential private partners often express strong mistrust. Any review of the state of affairs must necessarily point out several open questions and dilemmas, connected to the financial implementation of PPP-based projects on municipal level: combinations of financial resources and insurance, financial risk-taking (vulnerability of the public partner), expediency of combining different sources of financing, ambiguities in connection with the use of cohesion funds and CTN mechanisms, implementation of larger projects with a larger number of shareholders, and other dilemmas.

## **6.3 PERSPECTIVES OF THE PUBLIC PARTNER ON THE PPP-BASED PROJECTS: OVERCOMING THE BARRIERS ON THE PART OF CITY MUNICIPALITIES**

Having reviewed the information passed on by the city municipalities, we must conclude that simplifications of certain segments of legislation and simplifications of procedures are sorely needed. The existing Public-Private Partnership Act from 2006 is outdated and deficient, and in certain segments written too broadly. Provisions for a more detailed definition of the preliminary procedure are lacking. Such provisions would contribute to a preparation of better materials, suitable to informed and responsible assessment in municipal councils. Also needed is a database with a proper selection of good examples of implemented projects and/or cases from past practice. The PPP system has to be corrected and adjusted to the level, suitable for the Slovenian environment. A division/distinction between larger and smaller

projects, adjusted for specifications of each, is necessary. The government needs to take a more goal-oriented approach towards PPP and provide better administrative support, which in practice means a stronger role for individual government ministries. Establishment of a new authority (for instance, a regional authority, that would conduct supervision, promote examples of successful practice and provide integration of projects from municipalities with similar challenges) could be a major answer to problems encountered by smaller municipalities with meagre cadres. Our municipal interlocutors have also expressed a desire for the establishment of a management body that would, together with competent ministries, form »rules of the game« necessary for adequate absorption of funds, intended for financing urban development projects. Also needed are additional financial instruments and incentives on the basis of concursus. The question of the absorption of European Cohesion and the current status of its use needs to be solved in the light of State aid. Development of financial instruments for a better absorption of EU resources deserves a special emphasis. Also needed are support mechanisms for cases in which one of the partners (usually the private one) is unexpectedly unable to meet its obligations and the responsibility for the further development of the project falls on the shoulders of the other partner (usually the public one).

Other suggested measures include: development of »know-how« through promotion and exchange of experience and information on good practices in Slovenia, training of professionals in municipal administrations, development of study programmes with specific emphasis on PPP. Furthermore, professional support institutions (from competent ministries) should provide unambiguous answers to municipalities as far as problems and unclear cases are concerned. The municipalities have expressed a strong desire for the establishment of an advisory body that could help them with questions regarding the implementation of PPP-based projects.

#### **6.4 PERSPECTIVES OF THE PRIVATE PARTNERS ON THE PPP-BASED PROJECTS**

Having reviewed the information from investors, we can conclude that private businesses are strongly interested in PPP-based urban projects and that they in that regard possess directions, useful to the potential public partners. Investors that we have interviewed have been carrying out the following projects: construction of residential neighbourhoods, construction of sheltered accommodation apartments, central activities, renewals of degraded urban areas, construction inside cities. Investors submit their willingness for cooperation and implementation of all types of PPP-based projects that would contribute to the quality of urban space and individual groups, communities, neighbourhoods and inhabitants, projects that would raise competitiveness of cities or parts of cities or towns, and projects that would result in an adequate above-average financial gain. Such projects include: renewals of residential neighbourhoods, new energy-efficient types of apartments, commercial buildings and facilities, service activities (better logistics, work organization and lower management costs), shopping malls, logistics of centres, warehouses, etc. One of the investors submits to have worked on several projects but no on PPP-based ones; he blames the frequent passivity of the public sector. The investor claims that while the public partner was invited to participate, there was complete lack of interest on part of the latter. The same investor cites several possible programmes that might be of interest to public partners: university programmes, public administration, services in the broad city area, parking houses for public programmes. Lack of interest on part of the public partner simply means that potential private investors carry all risk. Private investors are the most interested in projects in which the public investment comes in form of the land. Several different PPP-based projects have already been realized in this fashion (the case of sheltered accommodation apartments). However, according to private investors, the public partners are often prone to overvaluing their lands.

Private businessmen involved in PPP-based projects pursue different goals. Judging by the interviews, investors are often pledged to achieving public good, not the least because it is good for their public image. Such goals are achieved through participation in projects that contribute to the development of the city and its functions – aspects usually associated with the public sector. Naturally they also follow the motive of making a profit which should generally be much higher than bank interests or in accordance with the risks involved (5–15%).

Investors see a major problem in lack of suitable land or lack of their mobilization, often due to questions of ownership. Another important factor for lack of interest on part of investors is modest or slow return on invested capital. They see possible incentives in subsidies for private partners who would thus, based on



previously fixed percentage of profit, be able to decide on cooperation even on less attractive, more peripheral locations. They also propose simplifications of laws and rules governing the implementation of PPP-based projects. Private investors also emphasize successful implementation of PPP-based projects requires market-based equal rules and duties for both public and private partners. They emphasize the importance of trust and equality in relations between the partners. They wish for more safety and reduced risks, provided by reasonable deadlines for documentation certification and project implementation. In this sense, the system of public service contracts needs to be improved, as well.

When it comes to the development of financial and other mechanisms that would enable more simple and more frequent private participation in the realization of PPP-based projects in Slovenia, private investors see a positive sign in ongoing battles between banks and insurance companies. Insurance companies offer better conditions than banks. Municipalities should not meddle with particular project but merely fulfill their end of the bargain. Subsidies for private businesses are necessary. Greatly desired is stability of the scale of public service contracts – the state, cities and municipalities should have a roughly equal yearly number of such contracts, instead of perpetuating delays and five-year gaps. Banks should provide credit to private investors without extreme interruptions. Banks should support such investments and private investors. Private businessmen should be adequately qualified and, above all, professional. Investors should not be politically involved. The availability of land and the preconditions for construction should be better regulated. There is a lack of developmental and implementation mechanism as well as a lack of professional analytic documentation and studies of potential locations (a number of untapped potentials that might be of interest to private investors). Frequent problems leading to implementation difficulties include fragmented ownership and lack of proper documentation. A proper solution would be a combination of positive components of both partners: for instance, a city might possess a strategy but is operatively weak, while the private partner knows how to operatively implement a project. Fast-operating private investors are contrasted with alleged slowness of the public sector.

## **6.5 POSSIBLE PPP URBAN PROJECTS FOR A DYNAMIC AND CONTROLLED URBAN DEVELOPMENT**

The future planned development of urban municipalities in accordance with their specific characteristics could implement several urban projects, based on the PPP principle, which would – through use of appropriate models – contribute to a more dynamic and controlled urban development. Based on the review of the development plans of Slovenian city municipalities, as well as the outcomes of the interviews with relevant stakeholders, here below we propose some possible spheres of future urban development based on PPP:

1. Revitalization of historical urban centres: comprehensive refurbishment of public and private building fund (housing, public buildings...), including upgrading of energy infrastructure, stationary and architectural renewal, and organized maintenance and management of building stock, public and trafficked areas, etc.
2. Revitalization of degraded industrial areas: development of existing degraded industrial areas, renewal of infrastructure and development of models of infrastructural management, renewal of industrial buildings, etc.
3. Residential housing: construction of residential buildings, solving the housing problem (residential cooperatives, housing schemes for younger and elderly citizens, flat-sharing communities, intergenerational centres, etc.), sheltered accommodation for the elderly, construction of affordable accommodation of all types, establishment of day centres / intergenerational centres, programmes for persons with difficulties in finding accommodation, and provision of suitable accommodation units.
4. Public space development: renewal of urban open public spaces – public squares and streets, parks and green spaces, platforms, playground and multi-purpose facilities, meeting places, etc.; modernization and upgrading of public infrastructure and footpaths; supplementing equipment and regulation of open public spaces – greening measures, public street lighting, installation of urban furniture and other urban equipment, information and orientation markings, facilitation of accessibility for persons of reduced mobility, etc.; public park arrangements, tree rows, sports parks, urban lawns.

5. Traffic: provision of alternative parking spaces for residents and users (construction of underground parking garages, management of parking platforms/public parking spaces; management of public traffic, comprehensive management of roads, bicycle lanes and pavements.
6. Tourism: land use planning conducive to comprehensive tourism products, development of youth tourism, revitalization of castles, thematic paths.
7. Urban marketing: promotional activities, construction of markings and comprehensive graphical presentation, information portals for residents and visitors, etc.; design and marketing of tourist attractions and products, managing urban infrastructure for public events.
8. Education: upgrades and extensions of spatial capacities of school and kindergartens and their energy networks; construction of campuses, technological parks, business incubators; management of coworking spaces.
9. Sports facilities and areas: systemic renovation and upgrading of sports and recreational areas and infrastructure, management of sports halls interiors, provision of sports grounds, playgrounds, etc.
10. Infrastructural arrangements: renovation and upgrading of urban market places, renovation of water and sewerage system; waste recycling centres, etc.
11. Energy efficiency: improvements in energy efficiency of buildings, energy-efficient sanitation of public lighting network, etc.

## 7 CONCLUDING REMARKS

The review of the state of the art after 10 years of PPP mechanism being introduced to Slovenian spatial development practice gives a clear evidence that public and private partners are still trying to find their common way to make best use of PPP. In order to make the PPP mechanism more widely used a number of measures have to be introduced, among others institutional support in a form of an advisory body to advice both public and private partners when they encounter unbiquities or obstacles in implementing PPP projects. Furthermore new ways of cooperation between local authorities need to be introduced if they want to implement bigger PPP projects of regional relevance in cooperation with private investors that will be eligible for cohesion funds. New financial mechanisms to support the private partners have to be developed too in order to attract private investors to less attractive locations. Another striking obstacle is of a socio-cultural nature and relates to the relatively negative public image of PPPs in Slovenia that shall be improved by presenting examples of good practices to professional and wider publics. A proper implementation of PPP tool into Slovenian urban development practice however proves to be a suitable tool for a controlled and dynamic urban development in the future.

## BIBLIOGRAPHIC REFERENCES

Corrigan, M. B., Hambene, J., Hudnut III, W., Levitt, R. L., Stainback, J., Ward, N., Witenstein, N. (2005). Ten Principles for Successful Public/Private Partnership. Washington, D.C.: ULI—the Urban Land Institute.

Internet source 1: Inštitut za javno zasebna partnerstva (2017). Koncesije in javno-zasebna partnerstva. <http://www.pppforum.si/podrocje/koncesije-in-javno-zasebna-partnerstva/>

Internet source 2: Toolkit for Public-Private Partnerships in roads and highways. (2017). PPP Modalities. <https://ppiaf.org/sites/ppiaf.org/files/documents/toolkits/highwaystoolkit/6/pdf-version/5-36.pdf>

Internet source 3: Official Gazette of the Republic of Slovenia. (2015). Odlok o javno zasebnem partnerstvu za izvedbo projekta pogodbenega zagotavljanja prihrankov rabe energije z namenom energetske sanacije javnih objektov v lasti Mestne občine Ljubljana. <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2015-01-2891/odlok-o-javno-zasebnem-partnerstvu-za-izvedbo-projekta-pogodbenega-zagotavljanja-prihrankov-rabe-energije-z-namenom-energetske-sanacije-javnih-objektov-v-lasti-mestne-obcine-ljubljana>

Internet source 4: Mestna občina celje. (2017). Razpisna dokumentacija za javni razpis za podelitev koncesije za izvedbo projekta "Energetska sanacija javnih objektov Mestne občine Celje". [https://moc.celje.si/images/Datoteka/JAVNI\\_RAZPISI/2017/01februar/energetska/rd1.pdf](https://moc.celje.si/images/Datoteka/JAVNI_RAZPISI/2017/01februar/energetska/rd1.pdf)

Internet source 5: Mijaks skupina. (2017). Oskrbovana stanovanja Mijaks. <http://mijaks.si/slovensko/oskrbovana-stanovanja-mijaks/dravlje-siska/>

Internet source 6: Newsletter Official Gazette of the Republic of Slovenia. (2011). Akt o javno-zasebnem partnerstvu za projekt »Oskrbovana stanovanja – Šiška. <https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2011-01-4758/akt-o-javno-zasebnem-partnerstvu-za-projekt-oskrbovana-stanovanja---siska>

Kościelniak, H., Górkab, A. (2016). Green Cities -Green Logistics for Greener Cities. 2nd International Conference 2-3 March 2016, Szczecin, Poland. Transportation Research Procedia 16, 227 – 235, Publisher information: <http://www.elsevier.com/locate/procedia>

Moskalyk, A. (2011). Public-Private Partnerships in Housing and Urban Development. The Global Urban Economic Dialogue Series. Nairobi: UN-HABITAT.

Official Gazette of the Republic of Slovenia. (2006). Zakon o javno-zasebnem partnerstvu ZJZP, Ur. l. RS št. 127/06.

Tasan-Kok, T., Zalczna, M. (2010). Public-Private Partnerships in urban development projects. Polish practices and EU regulations. Warsaw: Sprawne Panstwo.

Zhao, Y. (2015). China's leading historical and cultural city': Branding Dali City through public-private partnerships in Bai architecture revitalization. ITIES -the international journal of urban policy. [www.elsevier.com/](http://www.elsevier.com/)

## **ID 1561 | CONSULTANCY FIRMS AS INTERMEDIARIES: THEIR PERCEPTIONS ON COMMUNITY INVOLVEMENT IN URBAN DEVELOPMENT (WORK IN PROGRESS, PLEASE DO NOT CITE WITHOUT PERMISSION)**

Everardus Michiel Stapper<sup>1</sup>

<sup>1</sup>University of Amsterdam

[e.w.stapper@uva.nl](mailto:e.w.stapper@uva.nl)

### **1 INTRODUCTION**

Consultancy firms are key-players in urban development as they are knowledge depositories, and have knowledge of regulations, real estate development, and planning processes in the western world. They are intermediaries for public and private parties and can play a role in the exchange of policy ideas and views. The responsibility of translating community interests in informal and formal agreements in urban development is increasingly outsourced to consultants. As external agents, they can shortcut institutional boundaries and find new ways to engage with communities and other stakeholders in urban development projects (UDPs). This study explores the role of consultants in urban planning practices. Specifically, their role in how to involve communities in the planning processes and how to incorporate community interests in urban development. This study is part of a broader research, aimed to investigate community-linked incremental urban development and its ability to find smart solutions to address economic, social and environmental challenges. The following research question is stated: 'Which perceptions on community involvement in urban development do employees of consultancy firms have and how do they incorporate or forfeit community interests in urban development?'

To explore the role of consultants in urban development I have chosen for a single case-study. A single case study helps to explore in depth the perceptions of consultants on the involvement of community interests in urban development. I also explore the relationship of consultants with their clients. The relation between consultants and their clients is described ranging from the idea that consultants are neutral actors because they are hired by their clients to the idea that consultants are some kind of 'shadow government' or 'consultocracy' (Hodge and Bowman, 2006; Saint-Martin, 1998).

In the first section of the paper I summarize the existing literature on the role of consultants in urban development. In the second I describe the methodology I use to answer the research questions. Next, in the third section, I describe which agreements consultants can use to incorporate community interests. In the fourth section, I describe three possible perspectives consultants can have on involving communities in