

**PUBLIC PRIVATE PARTNERSHIPS AT LOCAL
GOVERNMENT LEVEL IN MACEDONIA -
OBSTACLES AND FUTURE PROSPECTS**

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Abstract

The prevailing insufficient technical and financial capacities on the side of the public sector to meet citizens' needs and preferences has led to the necessity to involve private companies in the provision of public services. The idea is by now an established concept in the field of New Public Management, universally known as Public Private Partnerships (PPPs). Macedonia, the country on which the thesis is focused, has also been captured by the wave of PPPs. The PPPs fall under the general economic and public administration reforms carried out in the country, aiming at elevating public service provision to a higher level of quality.

The aim of this thesis, structured and built on a problem-solving oriented approach, is to identify the problems which obstruct the successful implementation of PPP projects in Macedonia, with particular focus on those at local government level. More concretely, it analyzes the emerging practice of public service provision of this type and the effect that it has achieved to date. The identified obstacles are followed by concrete recommendations addressed to the relevant authorities. Another important aspect of this thesis is that it is considered as one of the initial bricks in building an academic debate central to PPPs. Hence, it tends to enrich the presently limited academic literature on PPPs in Macedonia, and initiate more academic debate central to this field of research.

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Chapter 1: Introduction

Meeting citizens' expectations as regards the quality of the public services they receive by the public sector represents an immense challenge for governments around the world. This challenge is becoming more and more expressed given the fact that citizens' preferences are subjected to a continuous change as regards the quality of the received services, expecting public sector organizations to provide them with services of a highest achievable quality. On the other hand, the capacities of public sectors to cope with the changing preferences in terms of the expected quality of services are usually insufficient, putting them into an awkward position and forcing them to find ways to satisfy community's needs.

The occurring discrepancy between what citizens expect and what the authorities can offer has resulted in the necessity to innovate new ways and approaches that would aim at narrowing down the prevalent gap. As pointed out by UNDP (2004), "it is becoming increasingly clear that governments cannot meet the continually growing demand for services by acting alone, and that there is a need to look for support from other sectors of society." Thus, given the prevailing insufficient capacities on the side of the public sector, be it of technical or financial nature, an idea that started to proliferate globally, with the United Kingdom as a point of departure, was the involvement of private subjects in the provision of public services.

The initially launched idea represents, by now, an established and wide spread concept in the field of New Public Management, universally known as Public Private Partnerships (PPPs). PPP is one of the most promising forms of such collaboration. It is based on the recognition that both the public and private sectors can benefit by pooling their financial resources, know-how and expertise to improve the delivery of basic services to all citizens (UNDP, 2004). While some examples of PPPs go back decades or more, there can be little doubt that interest grew rapidly in the 1990s (Bettignies and Ross: 2004). Thus, as an illustration for the rise of the number of PPP projects, during 2008 only in UK, there have been 625 PPP projects, with a total

value of £58.87 billion (Osborne, 2008: 151). Concerning Macedonia, the country on which the thesis is focused, what is an obvious truth as regards its PPP experience is that PPPs are a relatively unexplored area in terms of academic research and debate. Despite this fact, the country is also captured by the wave of PPPs. The first remarkable PPP project was initiated in 2006, and as of 2006 onwards, continuous attempts for PPP project initiation are being recorded.

PPPs represent a form of “alternative service delivery” (ASD), which as defined by Bettignies and Ross (2004), refers to the full set of alternative arrangements that can supply goods and services that would otherwise have been provided by public enterprises alone. The idea behind PPPs involves cooperation between the public sector – at both levels, central and local, and a private partner i.e. profitable company that possesses capacities that the public sector is lacking. Usually, forms of this type of partnerships are seen in large infrastructural projects such as: health infrastructure, education, environment, road infrastructure, water supply, social care etc.

The government in UK had introduced PPPs as a means of bringing in new investment into the development of public sector infrastructure and, later, the management of public service. (Mc Laughlin, Osborne, Ferlie 2002: 81). Financing such projects, understandably, requires a vast amount of funding, which more often than not, mounts way beyond the budget limit and capacity of public sector organizations. Therefore, in order to secure the necessary funds, public sector organizations decide to enter into this type of partnerships, charging the private partner with the financial burden accordingly, and allowing it to operate and gain profit throughout the duration of the partnership. On the other side, the private partner is being held responsible and accountable for output delivery, as well as for maintaining a sound quality level of the provided services. In line with the afore-mentioned, the Asian Development Bank in its PPP Handbook (2008: 1) contends that “PPPs present a framework that—while engaging the private sector—acknowledge and structure the role for government in ensuring that social obligations are met and successful sector reforms and public investments achieved.”

The rationale for the decision to initiate PPPs, as pointed out by the EC Green Paper (2004: 3), lies mainly in the budget constraints confronting EU member states, making private funding meet the needs of the public sector. An additional reason, pointed out by the Green Paper, is related to the desire of the public sector to benefit more in public life from the know-how and working methods of the private sector. However, the most widespread reason that pushes and stimulates public sector organizations to initiate PPP projects is definitely budgetary constraints. In this aspect, Niskansen (1974:58) asserts that the stimulation to consider private sector involvement in the provision of public services stems from “the increasing dissatisfaction with the performance of the bureaucracy in supplying some public services, and the demonstrated success of private institutions”.

1.1 Methodology

Based on the provided initial description of PPPs, the question that will be central to this thesis is: what are the obstacles that prevent successful PPP project initiation and implementation at local government level in Macedonia? Answering of the research question will lead to the provision of a thorough set of major problems that hinder local government units in Macedonia to conclude successful PPP deals. The identified and elucidated problems will be tackled by providing concrete recommendations addressed to the relevant authorities.

The methodology that has been applied for the writing of this thesis involves mainly a qualitative approach. It utilizes various types of data, ranging from reviewing existing literature on PPPs (books, journals, evaluation papers), through a review of the legal framework on PPPs in Macedonia and published evaluations of the legal frame by international organizations, to interviews with central and local government representatives; interviews with organizations like NALAS, ZELS, UNDP, the World Bank, local think tank organizations, as well as local experts working on PPPs and local government issues.

The selection of the interviewees has been made based on targeting of key institutions involved in PPPs, as well as, renowned local experts on the subject. The full list of conducted interviews is on Appendix I. The utilized interviews were of semi-structured nature, using open-ended questions formulated before the interviews. Additional questions were arising naturally as the interviews were progressing. The set of questions around which the interviews were conducted may also be found on Appendix I.

A set of main factors that may have limited the thesis to cover PPPs at local level in an extensive way, among others, includes the following: the inexistence of a detailed database with all PPP projects initiated so far, affecting the process of data collection vastly; the fact that the new Act on Concessions and other types of PPPs has been freshly introduced, setting the room for providing an analysis as regards its implementation flow so far to minimum; and last but not least, the inability to conduct interviews with civil servants from local government units throughout the country, given the short amount of time in disposal.

The thesis is structured around the following chapters: the first chapter is setting the research scene through a detailed introduction. Chapter two focuses on the literature review aimed at defining the position of PPPs in the current academic arena. The succeeding chapter addresses the PPP introduction and implementation in Macedonia at local government level, with a particular focus on the PPP legal framework and PPP dedicated unit. In addition, it provides a set of randomly selected PPP cases in Macedonia. Chapter four brings into focus the current problems that obstruct PPPs' initiation and implementation at local level in Macedonia. Finally, chapter five sums up the entire work of this thesis and offers concrete recommendations that would aid in resolving the identified problems.

Chapter 2: PPP in the Literature

2.1. How are PPPs defined?

The literature on PPPs provides various definitions which clearly witness the elusive idea of providing an all-endorsed or consensual definition of the PPP concept. OECD's definition is one of the mostly utilized definitions in the study of PPPs. It defines PPPs as:

An agreement between the government and one or more private partners (which may include the operators and financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives of the government are aligned with profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners (OECD, 2010: 18).

Complementary to this definition, the OECD Sigma Report (2011: 7) as regards PPPs gives the following definition: “a PPP can be described as any form of co-operation between contracting authorities and private sector economic operators, often with the aim of ensuring the funding, construction, renovation, management and maintenance of infrastructure (works) and/or the provision of a service.”

Besides international organizations that work on PPPs, there is as well a large plethora of authors that focus their work on studying and analyzing PPPs. For instance, Osborne defines PPPs as “institutionalized cooperative arrangements between the public sector and private sector actors. (Osborne, 2008: 149). He further notes that “governments have used PPPs to build relationships with the private sector and to reach public goals through private means.” Miguel Pérez-Ludeña (2009: 4) considers PPPs as “an agreement between the public and the private sector for the construction of public infrastructure or the delivery of a public service in which resources, risks and responsibilities are shared among both partners. The partnership can take different forms, with the risks (and potential rewards) distributed according to the capacity of each partner to bear them.” He further adds that “PPPs are a way of combining the social

responsibility and public interest of the Government with the efficiency, management and financial resources of the private sector.” (Miguel Pérez-Ludeña 2009: 21)

Another definition of PPPs is provided by the EC Green Paper (2004: 3), which states that “the PPP term refers to forms of cooperation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service.” Asian Development Bank in its PPP Handbook (2008:1) states that “public–private partnership describes a range of possible relationships among public and private entities in the context of infrastructure and other services.” In the context of PPPs being implemented in Central and Eastern Europe, Gabor Peteri (2010: 4), contends that “a project or service can be regarded as a public-private partnership scheme when the construction risks, plus either the demand or availability risks, are managed by the private sector”. Finally, an expert on PPPs in the context of the Central and South East Europe region, Karoly Charles Jokay, in his chapter in the book “Public-Private Partnerships, Successes and Failures in Central and South Eastern Europe” referring to the ambiguity that accompanies PPP projects states that “many projects that were heralded as examples of PPP in the 1990s and early 2000s have to be “relabelled” as quasi-disguised public debt or simple purchases of long-term services under a variety of financing schemes” (Karoly Jokay, 2010: 79).

A challenge in the entire theoretical frame of PPPs is the clear distinction between PPPs and concessions. In this regard, OECD (2010: 21), points out that a differentiation between PPPs and concessions is rather difficult to define. However, in its attempt to draw a line between the two concepts, it stresses that:

Under a concession agreement, instead of the government paying the private operator for services delivered, the private operator pays the government for the right to operate the asset. Furthermore, the transfer of risk to the private partner is generally considered to be higher than that of a PPP because concessions usually depend on user charges paid by direct beneficiaries of the service.

Macedonia's concept of what represents a PPP is derived based on its PPP legal frame. In its context, there is a somewhat clear distinction between PPPs and concessions as they are regulated separately. The detailed definitions are provided under Chapter 3 focusing vastly on the PPP legal frame.

2.2. Advantages of PPPs

In the current literature on PPPs, there are dozens of studies and reports that focus on identifying advantages and benefits arising from successful implementation of PPP projects (see OECD, World Bank, Osborne, EBRD, ZELS Manual on PPPs, etc.). Some of the advantages, encountered most frequently in the literature, and originating from the EC (2003) Guidelines for Successful Public-Private Partnerships, are as follows:

PPPs lead to public services of higher quality: based on international experience, the EC Guidelines highlight that the level of quality of public services achieved under PPPs is way higher than that of services provided by the public sector. The underlying reasons for this, among others, include: the better integration of services with supporting assets, improved economies of scale, the introduction of innovation in service delivery, or the performance incentives and penalties typically included within a PPP contract.

PPPs stimulate faster implementation of projects – transferring responsibilities like design and construction to the private partner and providing payment for the service once the service has been made available, stimulates the private partner to conclude projects within shorter timeframes.

In PPPs risk is allocated appropriately: risk allocation in PPPs is a core principle. Ideally, it is being allocated to the partner best able to manage it at reasonable cost. Risks are described in a more detailed way in the section dedicated to PPPs' features.

PPPs improve infrastructure – through PPPs governments can invest in infrastructural projects such as roads, energy, telecommunications, thus, enhance their economic capacity. In

less developed countries, PPPs are utilized for construction of social infrastructure (schools, hospitals, kindergartens etc).

PPPs lead to wiser and more efficient use of public resources: the EC Guidelines point out that, based on experiences of privatisation, many activities, including those carried out by the public sector, can be executed in a more cost effective way through the involvement of a private partner's capital and know-how.

The provided advantages have led to the PPPs becoming popular and widely endorsed by governments throughout the world. Their popularity is has been growing steadily, besides the fact that the disadvantages they are characterized with are also large.

2.3. Features of PPPs

Some of the most common features of PPPs include the long period of the PPP contracts, risks - mainly of political nature, and low transparency of PPP deals given the terminology used is specific, thus very difficult for the general public to understand. The set of PPP features provided below, accompanied by brief descriptions of each feature separately, aims at clarifying some of the common attributes of PPPs:

- ***PPP deals are characterized by the long duration of concluded contracts:*** the deal between the public and private partner is concluded for a longer period of time, usually more than 30 years.
- ***PPPs are characterized by various types of risks:*** Risks, as divided by OECD (2010), may either be endogenous versus exogenous; or political versus commercial risks. Risks falling under endogenous are controllable by the partners, whereas exogenous ones, involving natural disasters, wars and civil disorders, are not controllable by the partnership. Political risks are a consequence of government actions such as changes in

government or changes in legislation. Commercial risks, on the other side, entail risks related to the availability and cost of inputs, technical and production process etc.

- ***PPPs are very complex deal:*** It is widely known that a major challenge in governing through PPPs is their complexity. As regards their complexity, Osborne contends that “PPPs have come to be seen as increasingly complex deals. PPPs are long term contracts, so they are shielded by sudden political interference. They are as such mainly accessible to experts in finance and law, and can be very difficult for lay people to understand.” (Osborne, 2008: 153).
- ***PPPs are not transparent:*** this feature of PPPs describes how PPPs obstruct the general public to scrutinize the entire process of negotiation and contract conclusion. As pointed out by Osborne, 2008, the deals and contracts are not documents that engage publics in debates over the future governance challenges. There are complex negotiations leading up to a PPP contract, and there is very seldom a process of inviting the public or other stakeholders to have their say in the process. (Osborne, 2008: 153).

Complementary to the features presented above, the essential characteristics of PPPs, as presented by Kort and Klijn (2011: 620) are the bundling of expertise and resources by the public and private partners, the explicit organizational form to organize the cooperation process; and the risks that are shared by both partners.

2.4. Models of PPPs

In practice, PPPs may take various forms of implementation. These models are mainly derived from the context under which they are set up, as well as from the preferences of the public partner. The most known and widely applied models, as defined by UNDP (2004), are as follows:

Service contracts: represent simple contracts awarded to private companies for particular tasks, such as installing or reading meters, monitoring losses, repairing pipes or collecting accounts. A key feature of service contracts is that they normally last short - six months to two years. The public partner keeps full responsibility for coordination of activities arising from this partnership.

Management contracts: are more detailed and sophisticated as compared to service contracts. Under this type of a contract, the public partner assigns full or partial management responsibility of operations to the private partner. The simplest management contract is the payment of a fixed fee in exchange for performing managerial tasks. Contract extension depends largely on meeting performance criteria. The private partner, though, is not asked to make investments in infrastructure.

Lease contracts: Under a lease contract, the public partner leases the full operation and maintenance of its facilities within an agreed geographic area to a private partner for a certain period of time. The private partner pays a lease fee to the public partner, but on the other side, it acquires income from the collected tariffs. Thus, the profit of the private partner depends on its strategy to reduce costs, without affecting the quality standard of the provided service. As in the case of Management contract, the responsibility for financing and planning investment remains on the public partner.

Build-Operate-Transfer (BOT) contracts: under BOT schemes, the private partner undertakes the responsibility to design, construct and operate an asset, and transfer the asset to the public partner once the contract has expired. BOT-type contracts allocate a larger amount of risk to private companies rather than public partners.

Concession contracts: under concession contracts, a private partner is granted the responsibility to provide a public service and collect the fees, for a longer period of time. The private partner is given a contractual right to use existing infrastructure assets to supply

customers and to finance and manage all capital extensions and upgrades to the existing services supplied. A concession gives the private partner responsibility for investment, as well as operation and maintenance of the utility. Assets remain with the government. The full assets, including any built by the private partner, go back to the government when the concession ends, usually after 25–30 years.

Divestiture: under full divestiture, the private partner enjoys full responsibility for operating, maintaining and investing in an existing asset or infrastructure. It differs from concessions in the fact that the ownership of assets is transferred to the private partner. The public partner retains its responsibility for regulation. Thus, the company is responsible for managing its assets, whereas the public partner requires from the private partner to report how its assets are being used.

Chapter 3: PPP Introduction and Implementation in Macedonia

3.1 PPP Concept in the Current Macedonian Context

PPPs in the Macedonian context, as defined by the current Act on Concessions and other Types of PPPs ¹(henceforth: Act on PPPs) represent a form of long term agreement between the public and the private partner. The Act also defines terms such as public partner and private partner. Thus, a public partner is the juridical person that allocates PPP contracts, referring to: the Republic of Macedonia; municipalities, City of Skopje and the municipalities in the City of Skopje; public enterprises, trade associations established in the Republic of Macedonia; and other juridical persons which execute public authorizations in accordance with the law. On the other hand, a private partner is a domestic or foreign juridical or natural person; or a consortium with which the public partner concludes a contract for the purpose of establishing a PPP.

The private partner takes responsibility to secure a public service for the end users in the areas where the public partner is competent. In achieving the afore-mentioned, the private partner may take responsibility to:

- Finance, design, build and/or reconstruct/renovate an object of public infrastructure;
- Operate and maintain a new object and/or reconstruct or renovate an object of public infrastructure;
- Use, administer, and maintain an existing object of public infrastructure; or
- Whichever combination of the above mentioned responsibilities as soon as the combination is aimed at achieving the aim of public service provision to end users.

(Article 5)

¹ Act on Concessions and Other Types of PPPs, Official Gazette of the Republic of Macedonia, no. 6/2012

The types of applicable PPPs in the Macedonian context are defined depending on the following two elements: the use of resources for the compensation by the public partner for the provision of public works and/or public services; and the allocation of existing key risks in a PPP. Thus, taking the two elements into consideration, the Act stipulates the following types of PPPs:

- Concession for public works;
- Concession for public services;
- Contract for public procurement of works;
- Contract for public procurement of services.²

As it could be grasped from the PPP definition provided above, concessions are occupying a large space within the Act and they are regarded as a distinct type of PPPs. The current Act on PPPs strives to regulate all types of concessions without taking into consideration their size and level of complexity, greatly complicating its practical implementation. Thus, through the same Act both large infrastructure projects and simple forms of concessions shall be regulated.

3.2 Insights on PPP Introduction and Implementation

PPPs undoubtedly represent a valuable and alternative opportunity for local government units in Macedonia as regards public service provision. As pointed out by Georgievski (2009), “the way PPPs are regulated in the Act is rather important for local self-government in the Republic of Macedonia. Most Macedonian municipalities are given limited ability to finance and manage infrastructure and public services through traditional financing, bearing in mind though that PPPs are neither a “magic stick” nor an instrument a priori more favorable for local development than traditional means.”

² See Article 4 of the Act for the definitions of all PPP types separately.

What is an obvious truth as regards Macedonia's experience with PPPs is that PPPs are a relatively unexplored area in terms of academic research and debate. The reasons behind this lie in the fact that Macedonia's initial serious efforts to introduce the practice of private sector involvement in the provision of public services date only from 2006 onwards. The concept of PPPs started to circulate intensively and extensively throughout discourses of political authorities prior to the initiation of the procedure for the approval of the Act on Concessions and other forms of PPPs (2008). In fact, what pushed the government towards the approval of the PPP Act is, mainly, the country's strategic orientation for acquiring a full fledged EU membership - with PPPs representing an EU imported economic and public sector type of a reform, and a modern age instrument.

Besides EU as a guiding force, an additional stimulus for considering the involvement of private companies in the financing of infrastructural projects or provision of other public services stemmed from the high financial burden and budgetary constraints, largely prevalent in the public sector, at both central and local level. As is the case with other countries, Macedonian local governments do not possess sufficient capacities – technical or financial, to provide all types of public services and ensure a high quality level. Therefore, including a private partner in the service provision is thought to lead to services of higher quality. As pointed out by Georgievski (2009), “at the local self-government level, PPPs have offered a great potential for promoting local development, especially in the underdeveloped municipalities with scarce budgetary resources.”

The introduction of PPPs has enjoyed maximum political support of the highest level, particularly during the initial period of their introduction. After the approval of the PPP Act in 2008, a key political figure involved with economic reforms had contended that “PPPs have a bright perspective, both in the world and in Macedonia. This model in Macedonia, as is typical for other countries too, will be mainly applied in the construction of energetic objects, road infrastructure, hospitals, and schools” (Stavreski, 2008). Praising the newly approved legal frame

on PPPs, he claimed that the new Act on PPPs enables realization of a larger number of foreign investments and utilization of EU pre-accession funds.

After a considerable time since the Act was in place, the initially large attention and focus attributed to PPPs recorded a remarkable decline, causing a considerable fade away of its popularity. As witnessed by a ZELS³ representative during the interview conducted for the purpose of this paper, “the low capacity of local government units to enter into this type of partnerships, notwithstanding their willingness and determination to do so, made us rethink the attention we were attributing to PPPs. After a published PPP Manual and a series of trainings on PPPs organized for the municipalities, ZELS decided to shift its focus towards helping municipalities deal with their currently most pressing problems, which require immediate actions; and get back to PPPs once certain key preconditions for their successful implementation were met.”

Looking at what has been achieved so far as regards the initiation of PPP projects, it is easy to conclude that the situation is by no means bright. The very first project implemented at local level i.e. in the municipality of Strumica involved the construction of a shopping mall in the city center with an integrated multi-storey car park. Unsurprisingly, the project was accompanied by continuous political battles among main political opponents VMRO DPMNE which is in power and the SDSM in opposition, resulting in the mayor of the municipality Zoran Zaev, belonging to SDSM, being arrested.

The arrest was conducted under accusations of abuse of public office by the mayor during the entire procedure of the approval of the PPP project. Although both the Administrative Court and the Supreme Court of the Republic of Macedonia in the end ruled in favor of the mayor, proving that the legality of the procedure has not been breached, it is obvious that the unpleasant occurrence influenced the future of PPPs at local level in

³ Association of Self Local Government Units of the Republic of Macedonia - ZELS

Macedonia. Obviously, the message directed to other mayors that were planning PPP projects for the future is an extremely discouraging one. In order for the irony to be higher, the arrested mayor is the only mayor in Macedonia who was acknowledged by the Council of Europe with a best practices award for the implementation of the first public-private partnership project in the Republic of Macedonia, in the construction of the shopping mall “Global”. The prevalent fear of PPPs’ political risks, quite usual in a politically unstable environment, due to the case of Zaev, was even more intensified and embedded in the mindset of municipal leaders. Thus, the case only illustrated the potential of political risks in wavering municipal leaders’ determination to initiate PPPs.

The political risks, illustrated through the case of Zaev, along with a variety of deficiencies that will be elaborated in the next chapter, have led to a relatively inert behavior of local government units as regards PPP project initiation and implementation. In line with this statement, the FOSIM 2010 Report on Decentralization Monitoring in Macedonia contends the following: “considering the municipalities’ great need for capital investments and that the private sector provides an opportunity for securing financing needed, distressing is the lack of interest on the part of local authorities to build their project implementation capacities by means of public - private partnerships.”

The non-preparedness of local government units to establish PPPs is clearly witnessed through the OSCE Decentralization Assessment Report 2006 – 2011, which as seen from *Table 1*, states that “despite the fact that public–private partnerships are widely recognized local economic development tools in other modern democratic market-oriented societies, this is the least employed investment promotion activity in the country. Even more disappointing is the declining trend in using this tool.”

Table 1: Activities implemented to Improve Local Economic Development in Macedonia

Activities Implemented to Improve LED (Number of Municipalities)	2007	2008	2009	2010
Improved local infrastructure	61	53	65	59
Promotion of economic potentials	52	38	55	53
Improved and standardized administrative procedures	36	24	36	31
Lowered municipal taxes and fees	16	17	-	25
Established public private partnerships	10	8	-	6

Source: OSCE Decentralization Assessment Report 2006 – 2011

The modest number of established PPPs is a strong evidence for the existence of this practice in Macedonia, although they are not collected in a PPP database, as required by law. Yet, given the fact that a commonly spread consensus among experts dealing with PPPs had to do with the insufficient capacities of local government units to establish PPPs on their own, the sporadic partnerships are apparently established via foreign donor assistance. This assumption is based on the statement contained in the Report of the Evaluation Mission of the Public Procurement System in Macedonia, contending that:

There are examples of PPP projects. Some of them are impressive, but such projects are mainly financed through international finance institutions and mainly have to do with large infrastructural projects. Effective and efficient PPPs which are prepared and implemented by public institutions in Macedonia and which are supported with privately owned capital and financed through debts taken from commercial banks, represent an activity that is to be undertaken in the future.

Macedonia lacks a PPP roadmap in the form of a strategic document that would set the goals and long term objectives of the country as regards involvement in PPP projects at both central and local level. Advantages and benefits arising from this document are undoubtedly huge, given it would mark both the achievements and the setbacks, and based on this it would set a frame on how to develop the PPP concept and idea further. As provided by the Report of the Evaluation Mission of the Public Procurement System in Macedonia, the prospective strategy should, among others, include: previous situation – what is the document about; declaration on what the authorities are interested in; description of the benefits that the economy may have; description of possible risks of policies, and plans on managing such risks; institutional

arrangements for implementing policies and projects; principles which should be adopted for the aims of developing further policies in the field of PPPs; and the way PPP procedures are going to be selected and implemented. Logically, the document would be dedicated to potential investors, civil and public servants, media, and most importantly, to the citizens.

The inexistence of a systematized and regular practice of trainings for civil servants, at both levels, represents another issue that is inter-linked with the low capacities of local government units to conclude PPP contracts. Apparently, the trainings offered currently are not making any positive impact in upgrading and soliciting the skills of civil servants. As pointed out by Daneva, currently “there is no specialized academy that would be dedicated to the professionalization of civil servants. Trainings organized by the Agency of Administration are still being carried out on *ad hoc* basis, and are not need-driven. If there can be an Academy for Training of Judges and Prosecutors, why wouldn’t this, as well, be the case with civil servants?”

3.3 Examples of PPP Projects and Attempts in Macedonia

In order to get acquainted with the real implementation of PPPs in Macedonia, Box 1 provides a few, randomly selected cases of PPP projects and attempts launched in the country. The sample includes two projects that illustrate how the low interest of the private sector leads to failure (City of Skopje; Gjorche Petrov). The succeeding two cases are considered as successful, given the assets have been constructed and the partnership is still ongoing (Airports of Skopje and Ohrid; Municipality of Strumica). The list concludes with a last case which is related to a newly initiated project, whose epilogue is to be seen in a near future (Municipality of Bitola).

Box 1: Randomly Selected Cases of PPP Projects/Attempts in Macedonia

City of Skopje: a project of building an Amusement Park (Luna) through PPP. The call for receiving bids for this project was initially launched in December, 2009 (Announcement number 159/2009). After two and a half years, the project is still figuring only on paper. The representative of the City of Skopje, contacted for the purpose of this thesis claimed that “the City of Skopje has not finished any of the initiated procedures on PPPs so far, thus we do not have any experiences as regards PPP implementation in practice. Currently, there are some announcements and procedures on PPPs, but given they are still ongoing, I won’t be able to disclose any information.”

Municipality of Gjorche Petrov: new municipal building through PPP – bidding process failed due to lack of interest from the private partners. The municipal officials informed the media that until the date of opening of bids, there was only one bid received. Besides this, the submitted documents package resulted to be incomplete and not fulfilling the basic criteria as set in the call. Hence, the municipality is obliged to cancel the call.

Airports in Skopje and Ohrid (*at central level*), considered a positive example of a PPP project, run at central level. The project was introduced in 2008, when the Government of Macedonia signed a 20-year long contract with the Turkish company Tepe Akfen Ventures (TAV). The project involved building of a new terminal in the existing Skopje Alexander the Great International Airport, and in renovating the Ohrid St. Paul the Apostle. The new terminal in Skopje airport was successfully inaugurated in September 2011, marking one of the biggest achievements in the field of PPPs.

Municipality of Strumica: as provided above, involved construction of a shopping mall in the city center with an integrated multi-storey car park. Without taking the political controversies into consideration, this project is considered as one of the most successful of this type in the country.

Municipality of Bitola: a project on placement of 101 bus stops in the area of the municipality of Bitola. The deadline for bidders to submit their bids was only on May 19th, 2012, thus the epilogue of this procedure is to be seen in the upcoming weeks.

3.4. PPP Legal Framework in Macedonia

The proliferation of the PPP concept has made governments put in place regulation that regulates the entire matter of PPPs. Given its complexity, resulting mainly from the long duration of the PPP projects, the vast amount of funding involved, and from the fact that public and private actors with diverse interests come together, regulating the PPPs through special laws has become beyond question. The necessity to enact an appropriate legal frame that regulates the PPPs at national level has been acknowledged by Mitra, (2002: 4780) who contends that “the preconditions for effective public-private partnership for the provision of civic services, include among others, a strong presence of an „enabling” regulatory framework coupled with a reasonable degree of flexibility of the market.” In this regard, various reputable international organizations like the World Bank, OECD or EBRD, are dedicating a special focus of their work to the PPPs in general, and particularly in assessing the legal frame that is put in place in countries across the world.

The Report of the Evaluation Mission of the Public Procurement System in Macedonia recommends that during the process of PPP legal framework preparations, the authorities should aim at drafting a PPP act that would allow for: the implementation of PPP projects; the

integration of explanations in relation to the conditions and principles based on which PPP contracts are allocated; the quality of the proposed project; the description of the procedure that will be adopted during the process of public procurements and the method for the allocation of contract; and reviewing questions and needs for further clarifications asked by the private partners i.e. investors.

Table 2: Some of the European countries with an enacted special legal frame on PPPs

Country	Enacted PPP Legal Frame
France	Partnership Contract (L'Ordonance n°2004-559 of 17.6.2004), Concession contracts.
Poland	Act on Public Private Partnerships of 17.6.2005
Germany	Act on PPP Advancement of 2005
Greece	Act on PPP (3389/2005 from September 2005)
Italy	DBF scheme (Codice dei Contratti Pubblici di Lavori, Servizi e Forniture, 2006)
Macedonia	Act on Concessions and other types of PPPs, Official Gazette of RoM, no. 6/2012

Source: Oder (2007)

Macedonia, as illustrated in Table 2, belongs to the group of European countries that have enacted a special law on PPPs. The Act on Concessions and Other Types of PPPs⁴ of 2008 represents a clear milestone in setting a legal framework on PPPs in Macedonia. It was drafted in a way that it would enhance the EU integration process of the country; whereas on the other side, it would pave the way towards a smoother private sector involvement in the construction of various infrastructure objects. The rationale, as is the case in all countries that have introduced PPPs, lies in making use of private sector capacities in providing public services of higher quality to the citizens.

⁴ Official Gazette of the RoM no. 7/2008, 139/2008, 64/2009 and 52/2010

Although it was praised by government representatives, the Act did not enjoy sufficient support on the side of EU, Sigma, and PPP experts who were providing continuous criticisms regarding certain weaknesses which were obstructing PPPs to flourish. Thus, an interviewed expert in this respect pointed out that:

The government is much more engaged with itself, rather than with the improvement of the PPP market in the country. The new Act on PPPs does not directly deal with the way how PPPs should be implemented in practice. A large part of the Act focuses on the work of the Council responsible for PPPs, which is less important than finding mechanisms how to make Macedonia's experience with PPPs successful (Nikolov, 2012).

The fact that only within a time interval of 3 years consecutive sets of changes and amendments took place is the clearest of illustrations of the inability of the legislators to create a PPP Act that would be perceived as a strong PPP legal frame. After consecutive changes and amendments for three years in a row, the idea to draft a completely new Act, which primarily would aim at avoiding the identified gaps and weaknesses, was simply inevitable. The procedure was initiated by the MoE, which for this purpose had established a working group consisting of civil servants representing key ministries. As stated in the Report of the Evaluation Mission of the Public Procurement System in Macedonia, "the mission of the working group was to draft and implement a coherent, transparent and effective law which would include concessions and other forms of PPPs, while respecting international best practices and EU rules which emanate from the EU legislation."

The new Act is supposed to ease the procedures for allocation of all types of contracts for concessions, which among others include concessions for public works and concessions for services. Based on this, the working group had decided to draft a law that would:

- Regulate all types of concessions;
- Facilitate the procedure for the implementation of other forms of PPPs;
- Achieve full compatibility of the legal frame with the EU legislation;

- Amend the existing Act on Public Procurements so that it does not conflict with the new law on concessions and other types of PPPs;
- Prepare relevant by-laws;
- Achieve compatibility of all special laws interfering with the new Act on Concessions and other types of PPPs.

The new Act on PPPs entered into force on March 15th, 2012 (Article 64). Given the short period of time since its entry into force, the room for conducting an analysis as regards its implementation in practice is thus set to minimum. However, the initial assessment carried out by the EBRD (2012:39), contains a relatively high dose of appraisal in relation to the newly adopted Act. Namely, the EBRD assessment has concluded that “the Law clearly defines its scope of application, regulates the selection procedure and provides for a flexible framework for the project agreement.” However, the positive remarks contained in the assessment are followed by certain criticisms on some components of the Act, which may be very likely perceived as considerable threats towards its practical implementation. The contained criticisms mainly have to do with the facts that:

- It applies to "possessions of common interest", which is considered as an ambiguous phrase;
- It relies much on sector - specific laws for implementation purpose, complicating its implementation and requiring a modification of such laws so that they do not clash with the dispositions contained in the PPP Act;
- It does not contain clear provisions concerning government support and financial security;
- The possibility of international arbitration remains questionable except with respect to ICSID arbitration.

Generally, the PPP legal framework in Macedonia is portrayed as weak and incompatible with EU standards and international best practices. Thus, contrary to the optimistic report of EBRD, SIGMA, as one of the “loudest” articulators of the prevalent dissatisfaction with the existing PPP legal framework, in its last report on Macedonia points out that “the framework in Macedonia for concessions and public-private partnerships (PPPs) remains the most obvious weakness of the public procurement system, and further support and improvements to the legal and institutional arrangements will be necessary in order to arrive at a fully functioning system that would be comparable to the standards in many EU Member States” (SIGMA, 2011: 28). Referring to the new Act on PPPs, which at the time when the Sigma report has been prepared, was in the approval procedure, the report expresses doubts as regards the capacity of relevant institutions to carry out an effective Act on PPPs that would take in regard the remarks of European Commission, Sigma, as well as local experts. In this regard, it contends the following: “the recent history of developing the legal framework for concessions and PPPs has created an environment of doubt about the government’s capacity to successfully implement a new, effective law that regulates this area and to provide the political and institutional support that will be necessary to implement it.”

Based on the interviews with the local PPP experts, the doubts expressed by Sigma as regards government’s capacity, did prove to be true. The experts claim that they have not been consulted at all by the MoE during the drafting and adoption of the Act, thus claiming that the principle of inclusiveness and participatory policy making process have been completely disregarded. Additionally, a similar criticism is contained in the Report of the Evaluation Mission of the Public Procurement System in Macedonia, which states that even a group of civil servants involved in a large PPP project was totally not aware of the fact that a new Act on PPPs is to be approved soon. This statement reveals the inexistence of institutional coordination among key ministries and the low level of *public-public* cooperation.

The Act has envisaged an obligation to adjust special Acts regulating different matters of concessions with the dispositions of the new Act on PPPs. What is eye-striking is the time frame foreseen for the adjustment to be carried out. Namely, the Act stipulates that the entire process of adjustment will be carried out within six months, starting from the day when the Act is supposed to enter into force i.e. March 15th, 2012. This time frame is way too short and rather optimistic for such a complex and complicated process to be pushed through. Experiences of other countries that have undergone the same process witness an exhaustingly long process of adjustments, lasting several years. Thus, for instance, in 2010 the same process has been launched in Ukraine, and estimates of the experts involved in the process as regards its duration, as provided in the Report of the Evaluation Mission of the Public Procurement System in Macedonia, go up to three years!

Concerning local government units, their main remark is that the Act on PPPs is too complicated, thus, difficult to interpret and implement in practice. As indicated in the ZELS Survey on the Effects of the Economic and Financial Crisis on Municipalities (2012: 16), answering the question on what activities should be undertaken by ZELS in its rapport with the government, a municipality has responded that it expects ZELS to initiate a new, clearer and easy-implementable Act on PPPs.

3.5. Dedicated PPP Unit in Macedonia

Dedicated PPP units are more and more being seen as a pre-requisite for a successful implementation of PPP projects, as well as for establishing a functional institutional set up for PPPs. In order to clarify what such units represent, OECD (2010: 28) has provided the following definition: “PPP units are defined as any organization set up with full or partial aid of the government to ensure that necessary capacity to create, support and evaluate multiple public private partnership agreements is made available and clustered together within government”. Macedonia, as stipulated by the two Acts on PPPs (2008 and 2012), has set a dedicated PPP unit.

Initially, this unit was set under the Ministry of Finance (MoF), up until the approval of the 2012 Act on PPPs, which stipulated that the unit should be set under the MoE.

The rationale for establishing a dedicated PPP unit is to a large extent in line with the OECD arguments in favor of establishing such a unit. They range from pooling expertise and experience on PPPs within government, standardization of procurement procedures, through appropriate budgetary consideration of projects, and last but not least, to the demonstration of political commitment and dedication to establish successful PPP arrangements.

As the 2008 Act envisaged, the responsibility to guide PPP implementation in the country fell initially under the MoF – a common practice for most countries implementing PPPs. Among others, the MoF was legally obliged to:

- participate in the Council for concessions and other types of PPPs;
- prepare a methodology for evaluation of the value of concessions;
- appoint a representative in the Commission established by the conceding authority for the procedure of allocating concessions;
- receive requests for approval of budget funds, when they are needed for the implementation of PPPs;
- create and administer the Registry for allocated concessions, which should be published on the website of the Government of Republic of Macedonia;

What the experience has shown is that the MoF has largely failed in fulfilling a major part of the envisaged responsibilities. The work of the Council for Concessions and other Types of PPPs results to be among the most controversial issues as regards its legal responsibilities. Namely, as witnessed by the interviewed civil servant “during the last 3 years, the Council has barely managed to hold one meeting!” Another completely disregarded legal obligation is the setting up of an online Registry (database) of PPPs. The database has not been created at all, and

because of this, one can barely identify an institution or an expert that possesses comprehensive information as regards the exact number and financial value of allocated PPP contracts.

The approval of the new Act on Concessions and other types of PPPs in January 2012 and entering into power in March 2012, brought about a completely new institutional set up of PPPs. Thus, the responsibility to guide PPPs in Macedonia was taken from the MoF and transferred to the MoE. The change was obvious from the given fact that the new Act on PPPs was drafted by the MoE.

During the interview with a civil servant from the MoE who had been directly involved in the drafting of the Act, it was made clear that one should not have high expectations from the MoE in relation to the advancement of PPP implementation in Macedonia. The civil servant pointed out two important issues that might affect the advancement of PPP implementation in Macedonia in a negative way: firstly, the MoF has deliberately decided not shared with the MoE any data, experiences, or know-how that would ease the process of transferring of the PPP related responsibilities. This fact, once again, clearly illuminates the inexistence of an institutional coordination as regards PPPs in Macedonia. Secondly, the Legal Department under the MoE, which among others, is supposed to act as a PPP unit, faces enormous challenges in its functioning. Currently, only one person is assigned to work in this unit and it is very unlikely that its human resources capacity will be strengthened in a near future – although as set on paper, the unit should employ a team composed of: a head of the unit, two economists and two lawyers.

As witnessed throughout the chapter, PPPs in Macedonia are encountering challenges and problems of various natures – low technical capacities, low political will, and high political risks. The problems implicitly tackled in this chapter will be elucidated and elaborated in a more extensive way throughout the succeeding chapter.

Chapter 4: Obstacles of successful PPPs at local level in Macedonia

The process of establishing a successful PPP legal frame, along with a functional institutional set up, which would lead to the flourishing of PPP projects in Macedonia is obviously obstructed by various factors and obstacles. Hence, this chapter will sum up the main problems that have been identified throughout the analysis provided in the previous chapter.

Based on the provided evidence, the set of problems and deficiencies which stands on the way of successful PPP projects is rather large. However, due to the word limit, the paper will only address the following ones, considered to be of essential importance for setting PPPs on a right track:

The high politicization of the society: Politicization of the country poses huge political risks to PPP projects in Macedonia. The most renowned example, elaborated in the paper is the case of Strumica's mayor Zoran Zaev. As the paper argued the prevalent fear from PPPs' political risks is quite usual in a politically unstable environment. The case of Zaev only substantiated the fear and hesitations, embedding them deeply in the mindset of municipal leaders. The potential of political risks in wavering municipal leaders' determination to initiate PPPs can be obviously linked with the declining trend of established PPP projects in the last years. .

Inexistence of a database with all PPP projects initiated and implemented so far: Although there was a legal obligation towards the MoF to create and administer a database on PPPs, the obligation was not fulfilled. With the new Act on PPPs, the same obligation applies to the new institution responsible for PPPs i.e. MoE. Given the transfer of responsibilities is still in process, it is yet to be seen whether the MoE will comply with the legal obligations emanating from the PPP Act.

Macedonia does not have a long tradition and regular practice of carrying out PPP projects: This disadvantage clearly affects the way how PPPs are being perceived by civil servants, particularly by those at local level. A vast majority of them see PPPs as an asset (a building, a bus). They should, instead, see PPPs primarily as a service that is being offered to the citizens and work toward achieving a highest standard of services. (Nikolov, 2012). The entire concept of Alternative Service Delivery is still unexplored by municipal leaders. As pointed out by Dauti (2012) “efforts should be invested in making municipal leaders aware of the advantages that arise from the implementation of PPP projects. PPP is in no way *cure-for-all* ills, yet, its positive effects as seen from the experiences of highly industrialized countries are beyond question.”

Fears that MoE might repeat the mistakes and negligence of MoF: during the interview with a civil servant from the MoE, it was made clear that one should not have high expectations from the MoE in relation to the advancement of PPP implementation in Macedonia. The low expectations stem from the fact that the PPP unit is still under-staffed and it also lacks other essential resources.

Low capacities, primarily qualified human resources, skilled enough to conclude successful PPP deals at local level: This problem is prevalent almost in all local government units in Macedonia. As pointed out by Nikolov, what is obvious is that local governments lack professional cadres that can lead the process of a PPP project. Thus, it is way too optimistic to expect that with the current capacities, local government representatives would be able to act actively in a PPP project and prepare documents like templates for reporting, questionnaires, check-lists, let alone, deal with issues of financial and risk management. Similar views were expressed by another expert on PPPs, Gjorgji Hristov, who contends that “the current problems are mainly related to the low skills on the side of civil servants for negotiations with the private partners, in particular with partners from abroad, as well as low skills for contract management

throughout the duration of the partnership.” To conclude, the EC Progress Report on Macedonia (2011) asserts that “the administrative capacity in the field of concessions remains weak”;

Inexistence of strategic documents: An additional problem is the inexistence of strong strategic documents for PPPs, along with concrete action plans. The views of the interviewed experts on this problem are to a large extent in line with the recommendation of the Report of the Evaluation Mission of the Public Procurement System in Macedonia as regards the necessity to introduce a strategic document on PPPs. The strategy would boost the credibility and willingness of Macedonia to get involved in a larger number of PPP projects. The interviewed civil servant from the MoE stated that the Strategy on PPPs will be drafted soon, without specifying a time when this would occur.

Low interest on the side of private sector for PPPs: The presented cases of PPPs revealed that the reason why PPP projects are fated to fail from their very initial stage is the low interest of the private sector to get involved in PPPs. A possible reason for the abstention of the private sector may be closely linked to the current financial crisis. However, political risks and low institutional capacities of local government units are obviously additional factors that make the private sector refrain from getting involved in PPPs.

Inexistence of systematic trainings for civil servants: this is an issue that is inter-related with the consensually acknowledged fact of low capacities of local government units to initiate and implement PPP projects. Obviously, training programs offered by ZELS and the Agency for Administration are not making a desirable impact. The fact that there is no specialized academy that would be dedicated to the professionalization of civil servants clearly speaks for itself. Trainings organized by the Agency of Administration are still being carried out on *ad hoc* basis, and are not need-driven.

The set of obstacles presented above strived to provide a clearer picture on the current situation as regards PPP projects in Macedonia. However, if there was more information and data available, particularly as regards the allocated PPP contracts, the set would have encapsulated some additional major obstacles. Such obstacles will unfortunately remain unknown, unless the database on PPPs is created and the relevant data are voluntarily “leaked”.

Chapter 5: Concluding remarks and Recommendations

The set of obstacles that stand on the way of PPP introduction and implementation in Macedonia, as provided in the previous chapter, is rather large. With all these problems identified, it is, literally, impossible for the PPP projects to thrive. Authorities in Macedonia, primarily the MoE as a key institution for coordinating PPPs at both levels, should seriously work towards finding ways for overcoming the identified challenges that are obstructing PPPs in Macedonia. Thus, once the political will to set the process on a right pace and track is optimized, the relevant authorities should seriously consider taking following recommendations into consideration:

- In order for the PPPs to be successful, efforts should be invested in changing the mindset of local government representatives. As pointed out by Nikolov, a vast majority of them see PPPs as an asset (a building, a bus). They should, instead, see PPPs primarily as a service that is being offered to the citizens and work toward achieving a highest standard of services.
- Local governments should be provided with stimuli from the central government in close cooperation with international organizations specialized in PPPs, through both financial and non-financial means. The assistance would mainly consist in building of their technical capacities and in inducing an in-house *know-how* on PPPs.
- The MoE, along with other institutions involved in PPPs, should, at their earliest convenience, start working on drafting a comprehensive national strategy on PPPs. The strategy would serve as a PPP roadmap. It should set the goals and long term objectives of the country as regards involvement in PPP projects at both central and local level;
- MoE and MoF should set up a more intense cooperation on any PPP related matters so that the identified lack of institutional coordination among them is overcome. A particular focus should be put on fostering institutional coordination with local

government units in order to keep them informed and active on PPP issues. A widely acknowledged fact is that establishing strong *public-public* partnerships is a prelude to successful *public-private* partnerships.

- The Council for Concessions and other types of PPPs should hold meetings regularly. It should strive to execute its duties and obligations as stipulated by law.
- The MoE, in coordination with the MoF, should gather all existing data related to PPPs in the country and publish them on its website, as a single PPP database. Once the database is set, it should be administered and updated regularly. Although the MoF did not fulfill this legal obligation, its assistance in this regard would be of crucial importance.
- The private sector should be stimulated to get involved in PPP projects. A common reason why PPPs are fated to fail, as seen from the provided cases, is precisely the hesitation of private companies to get involved in PPP projects. Therefore, including them in any debates on PPPs should be the first of initiatives to be fostered.
- The MoE, along with the Agency for Administration and ZELS should design and implement intensive PPP training programs for civil servants at local level. The first trainings should be dedicated to the novelties contained in the new PPP Act. In order for the trainings to be effective, the existing practice of *ad hoc* trainings for civil servants should be replaced with a regular, systematic and most importantly, need-driven approach.

Mayors, along with the municipal administrations, should finally see PPPs as an alternative way of financing capital infrastructure projects at local level. This has gained more relevance particularly in the current context of “a relatively low fiscal space in central and local government budgets, low domestic and foreign direct investments, donors downsizing their engagement in Macedonia, the weak capacity to utilize IPA funds”. (Nikolov 2011:2).

International organizations operating in the country (USAID, Sigma, GTZ, EC Delegation etc.) have been sufficiently persistent in raising awareness and interest on PPPs at both levels. This can be grasped through the projects and initiatives that are being launched and promoted. Thus, in the current circumstances of an inexistent national PPP vision and capacity, local government units should vastly utilize the capacities and assistance tools put in disposal by these international organizations. They should show more self-initiative and act in a more proactive way. Right now, this seems to be the only way to bring to an end the declining trend in establishing PPPs at local level.

Appendix I: List of Interviewees; Interview Questions

In order to get acquainted with the practical implementation of PPPs in Macedonia, as well as with the problems that are accompanying it, several interviews have been conducted. The selection of the interviewees has been made based on a targeting of key institutions involved in PPPs as well as renowned local experts on the subject. The full list of conducted interviews is as follows:

- Mr. Marjan Nikolov, PPP Consultant, Center for Economic Analyses, Skopje, May 2nd, 2012;
- Mr. Gjorgji Hristov, Network of Associations of Local Authorities of South-East Europe, Skopje, April 30th, 2012;
- Mr. Ilmiasan Dauti, UNDP - Local Government Expert, April 30th, 2012;
- Ms. Dushica Perishic, Executive Director – Association of Self Local Government Units of the Republic of Macedonia - ZELS, May 2nd, 2012;
- Ms. Ana Pavlova Daneva, Member of the Parliament, May 3rd, 2012;
- Interview with two civil servants, Legal Department, Ministry of Economy of the Republic of Macedonia, May 3rd, 2012;

Given the interviews were of semi-structured nature, there were several questions of a more general nature formulated. However, as the discussion was progressing, additional specific questions were popping up. The set of the questions around which the discussions were led, is as follows:

1. What is your opinion about the so far experience of Macedonia with PPP projects?
2. Do you think the legal framework is good enough to secure successful initiation and implementation of PPP projects at local government level?

3. What are, according to you, the major challenges and difficulties that obstruct PPPs at local government level?
4. Are you aware of any successful or failed PPP projects at local level?
5. How is risk allocated and managed in the context of Macedonia's PPP projects?
6. Is there a local government unit that would be counted as pioneer on PPP projects?
7. How would you rate the capacities of local government units for acting as an equal partner in a PPP project?
8. What activities have been undertaken by the organization you represent in promoting PPPs or in providing assistance to local government units on PPP projects?

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