

PPP FOR SCHOOLS Experience of Lithuania

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PPP LIETUVA
CENTRINĖ PROJEKTŲ
VALDYMO AGENTŪRA



Kuriame
Lietuvos ateitį
2014–2020 metų
Europos Sąjungos
fondų investicijų
veiksmų programa



PPP competence center - our tasks



**METODOLOGIES,
WORKING TOOLS,
STANDART DOCUMENTS**



**CONSULTANCY AND
ADVISE FOR PROJECTS
OWNERS**



**TRAINING FOR PROJECTS
OWNERS, FINANCING
INSTITUTIONS, EVALUATORS,
CONTROL BODIES**



**INITIATIVES AND
PROPOSALS FOR
IMPROVEMENT OF THE
INVESTMENT AND PPP
ENVIROMENT**



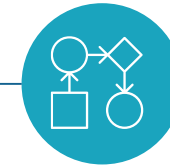
Development steps

Law on Concessions introduced,
many small concessions in
municipalities



1996
CONCESSION LAW

2009
PPP LAUNCHING



PPP (PFI) introduced, government
has designated to CPMA functions
of the national methodological and
consultancy center for PPP and
concession projects. PPP Capacity
building initiative was launched

PPP competence center received
additional functions to act as to
methodological and consultancy
center for all public investment
projects



2014
METHODOLOGICAL SUPPORT CENTER
FOR ALL IP

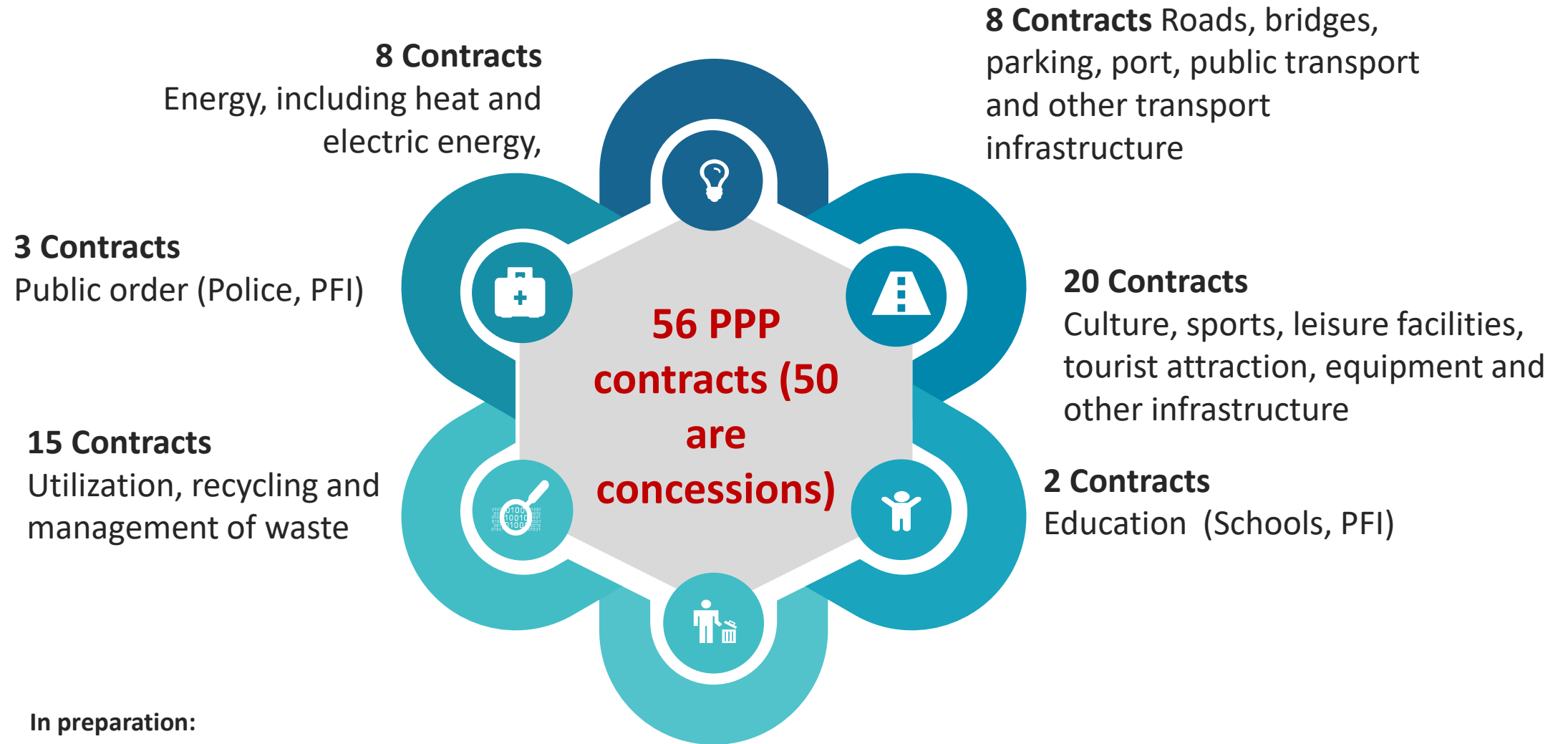


LR Parliament designated additional
function: to assess all PPP projects
and provide the conclusion on their
social economic impact to society
and added value of partnership

2017
INDEPENDENT PROJECT ASSESSMENT



PPP statistics in Lithuania



In preparation:

State level: 3 national defence, 1 police headquarter,

Municipal level: 2 street lighting, 1 energy efficiency in 3 schools, 1 education infrastructure optimisation, 3 sport and tourism infrastructure, 1 parking



PPP in schools construction and modernisation



01

2009 – first PPP school project and actually first PPP project in Lithuania

02

2019 - Complex approach, PPP project for the group of schools in one district (modernisation and ENEF)

03

2021 – schools modernisation program for entire city, including PPP option

04

National – wide PPP schools program?



Balsiai district primary school and pro-gymnasium

Public Organization: Vilnius city Municipality

Approach: Stand alone project

Vilnius since 1990 has experienced intensive development of suburban districts of individual houses, remoted from the city and almost not connected by public transport to the city. Many people, especially young families with small children, moved to new houses, and now are facing the problem of accessible social and educational services at the places of living. Balsiai district was similar to all recently developed suburban districts, and experienced lack of the accessible educational and community services. During the 20 years of development the Balsiai district did not have any school, although the population was approaching 10 000 inhabitants. New school project was initiated by the Balsiai habitant society, who promoted and negotiated the PPP idea to Vilnius municipality.

Project was developed in 2007; PPP tender was announced in 2009, December

PPP agreement was signed in 2010 July, School was opened in 2011, September

Construction and maintenance period – 25 years

The contractual capital value is 10,5 million Eur

Annual payment: 2 260 445 Euro



Balsiai district primary school and pro-gymnasium



Balsiai school project has received the golden medal award “Lithuanian construction project 2011” from the Industry confederation and became the winner of the Sustainable development competition, organized in 2012 by Real estate development association of Lithuania



Challenges and lessons learned

Very expensive project

Since it was the very first PPP project of this kind, banks were not ready for financing. The developer initially financed the investment by its own capital, later was refinanced by bank.

Subordinated debt (40 %) and Bank loan (60 %).

Weak demand planning

Demand for services and tendencies were not assessed properly at planning stage – the facilities were planned for to fit 950 pupils, now fitting up to 1500 pupils.

High value at risk

Too complex services were transferred to the private partner, including all relevant costs (water, energy) for utilities, that affected very high value at risk

Added value of project:

The popularity of new Pro-gymnasium in Balsiai, the variety of additional non-formal training services, social activities, cultural activities, sport activities and services for children and adults developed and offered in and around the school building demonstrates the high demand for such services in the new growing communities. School is closely cooperating with local community, hosts the Community center premises, Community library and Community events.



Education, sport and leisure facilities in Kaunas district



Public Organization: Kaunas district Municipality

Approach: Group of projects: Reconstruction, expansion and modernization of two schools, swimming pool and construct a new school building and sport facilities.

The first PPP project for school renovations in Lithuania and first combined PPP project for school renovations and new school building in different Kaunas district areas, first „bundled“ The project aims to improve the accessibility and quality of pre-school, primary and secondary education and non-formal education services, increase the energy class of the existing school buildings as well as to expand and modernize the sport facilities in three small towns. Newly built school will have a A++ energy class and will create an additional capacity for serving 500 pupils in the 3 neighbor districts, allowing local children to avoid daily commuting to faraway schools.



**Project was developed in 2018 March; PPP tender was announced in 2018, November
PPP agreement was signed in 2020 March, expected to be completed by autumn 2022 in all towns.**

Construction and maintenance period – 2+13 years

The contractual capital value is 13,5 million Eur

Scope of PPP: design, construction and maintenance of assets



Mastaičiai swimming pool and primary school

	MASTAICIAI	
	SCHOOL (NEW CONSTRUCTION)	SWIMMING POOL (RECONSTRUCTION)
Premises area, m2	2228,00	3304,00
Residual value of asset eur	-	628 298,99
	PPP contract EUR	
Capital expenditure, without VAT	3 022 639,76	2 099 159,75
Construction maintenance, without VAT		
	40 800,00	40 800,00
TOTAL without VAT	3 063 439,76	2 139 959,75
VAT, 21%	643 322,35	449 391,55
TOTAL, witch VAT	3 706 762,11	2 589 351,30



Kačerginė school, reconstruction

Premises area, m2	2690,00
Residual value of the asset, EUR	72 069,26
PPP contract, EUR	
Capital expenditure, without VAT	3 377 861,89
Construction maintenance, without VAT	81 600,00
TOTAL without VAT	3 459 461,89
VAT, 21%	726 487,00
TOTAL, witch VAT	4 185 948,89



Zapyškiai school, reconstruction

Premises area, m2	2134,00
Residual value of the asset, EUR	384 491,79
PPP contract EUR	
Capital expenditure, without VAT	2 499 255,08
Construction maintenance, without VAT	81 600,00
TOTAL without VAT	2 580 855,08
VAT, 21%	541 979,57
TOTAL, witch VAT	3 122 834,64



Challenges and lessons learned

Challenges:

- First “bundling” experience with all related risks:
 - There was no real project owner, many interests and very complicated communication (3 school directors, municipal administration);
 - Very diversified residual value risk – transfer of old buildings, even though assets were made available for assessment by private partner, open for assessment for private partner, still is the problem.
- Insufficient competence of the project team. Lack of understanding of project complexity.
- Political risk (election, functions redistribution between city and region).
- Lack of competition (2 in the beginning, 1 at end).
- Unstable tax environment – the National Tax Inspectorate change the approach for VAT treatment in PPP transactions, the transaction costs increased as the result in the end of procurement process.

Negotiations were aimed at the max results at the lowest return on investment – that was achieved

Lessons learned

- Standardized documents for school PPP projects (legal, technical and financial documents) are needed
- Centralization of Private Partner Selection Procedures could help
- Strong and permanent team is of outmost importance
- Need for project must be obvious - the idea “It would nice to try” shall be stopped, in order not to waste time and resources.



Vilnius city – program approach for modernization of education infrastructure



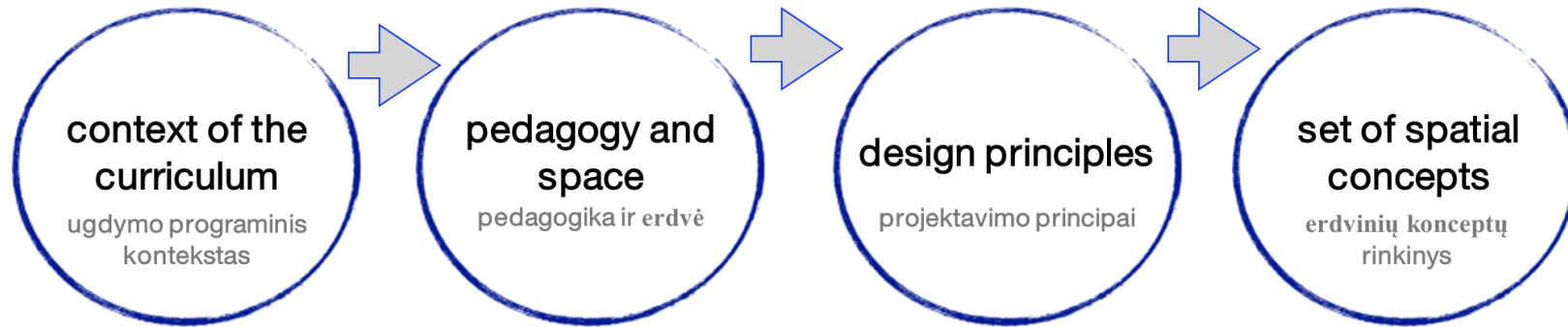
- Phase I – Creating a Modern school Model for Vilnius Schools
- Phase II – Program preparation **for 115 schools**, assessment of the PPP scope
- Phase III – Preparation of an investment projects
- Phase IV – Preparation of the Procurement Documents and execution of the Procurement

CPMA role:

- Assessment of international experience, cooperation with the EU PPP center of excellence
- Providing the team of specialists, development of the **Modern School Model and Whole asset life cycle costs model**
- Assistance for Program preparation and assessment of the PPP possibilities
- Support in procurement and private partner selection process, development of standard PPP procurement package for schools

General functional-spatial school model structure

– connecting space with education process



teaching and learning principles
ugdymo principai

major learning directions and areas
pagrindinės mokymosi kryptys ir sritys

basic pedagogical approaches
pedagoginiai požiūriai

linking principles to space
siejant erdvę su ugdymo principais

linking pedagogical activities to spaces
siejant ugdymo veiklas su erdvės elementais

learning settings and principles
mokymosi aplinkos ir principai

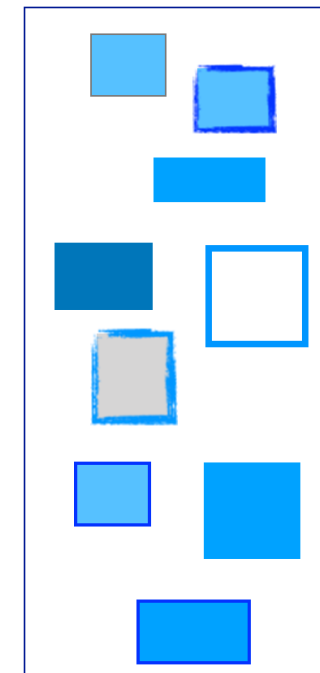
transformation time/space

clustering

“learning hub”

“learning street”

indoor/outdoor



Flexibility, transformability and intensive use of space

Methods		Official school – educational culture		Informal school		Organization		Local community
		Existing spaces	Possible spaces	Existing spaces	Possible spaces	Existing spaces	Possible spaces	Spatial needs
Observation								
Excursions	Administration							
	Secondary school students							
Interviews	Administration							
	Teachers							
Focus groups with students								
Tour-map making-interviews with primary school children								
Workshops	Secondary school students							
	Primary school students							
	Teachers							
Parents' survey								
Community involvement								

Selection Criteria for the PPP Schools Program

Criteria for Supply Assessment (for existing schools)

We assess existing situation

1. Real and predicted number of students (more than xxx percent).
2. Condition of buildings - school built / renovated no earlier than 5 years ago.
3. Is there a possibility for school development if there is a need (eg increasing number of students; additional need for sports infrastructure, etc.)?
4. The school administration has an interest in implementing the project via PPPs and has the human resources to manage the project.
5. There is a need and opportunity to have infrastructure for the community (for meetings, parties, etc.).
6. There is a possibility for a private entity to create additional infrastructure on a free plot of land that would be used for public services and / or commercial activities.

Demand Assessment Criteria (for existing and new schools)

What we want to reach

1. It is planned that the school will be adapted to the need on national minorities and Lithuanian students in general.
2. The distances between selected schools and distances to the nearest unselected schools - no more than 2.5 km and 30 min.
3. There is a possibility to temporarily transfer students to a nearby school during the construction work.
4. In addition to schools, there is an infrastructure for sport / culture (eg library, plots, etc.) outside the school, but there is a possibility for the school to use such infrastructure (distance from school to such infrastructure is not more than 1 km).
5. The school has more than 1 (one) shift. This criterion does not apply if shifts are made temporarily, eg for school repairs.
6. School does not meet ergonomic requirements.

PPP RE-THINKING IN THE PUBLIC FINANCE REFORMS CONTEXT





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