



PPPS AND
INFRASTRUCTURE
FINANCING: MAKING
SENSE OF CZECHIA'S
EXPERIENCE.

CHARLES UNIVERSITY IN PRAGUE

FACULTY OF SOCIAL SCIENCES

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Declaration of Authorship

1. The author hereby declares that he compiled this thesis independently, using only the listed resources and literature.

2. The author hereby declares that all the sources and literature used have been properly cited.

3. The author hereby declares that the thesis has not been used to obtain a different or the same degree.

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[Stephen Kwame Adjei]

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CHAPTER I

1. INTRODUCTION

Policy change according to the Advocacy Coalition Framework (ACF) occurs as a result of three factors: 1) interaction of competing coalitions within a policy subsystem, 2) changes external to the policy subsystem lead to policy-oriented learning and alteration within the larger policy system, and 3) the encompassing institutional parameters that constrain and bind actions of coalitions in the policy subsystem.¹ Using this idea as a framework this thesis will seek to understand the extent to which coalitions and the advocacy for the use of public-private partnerships (PPPs) as an alternative method for financing certain critical infrastructure projects have fared in the Czech Republic. This is because increasingly PPP advocates have been suggesting that it is a better method of financing critical developmental projects hence, thus the use of PPPs has become high on the agenda of many governments, development institutions, and private sector companies.² Therefore the thesis will be answering three sets of questions: first, what sort of interactions are between competing coalitions within the infrastructure financing subsystem in Czechia? Secondly, are these interactions leading to alteration of beliefs or is it that if there is policy-oriented learning it can be attributable to external environments finally, to what extent based on our findings can we predict the future of PPPs in the country? The outcome will provide us with further perspectives in contributing to the literature on the use of PPPs as an alternative method of financing certain critical public infrastructure projects.

¹ Paul A. Sabatier (1998) The advocacy coalition framework: revisions and relevance for Europe, *Journal of European Public Policy*, 5:1, 98-130, DOI: 10.1080/13501768880000051

² Romero, M. (2018). History RePPPeated - How public-private partnerships are failing. Available here: [History RePPPeated - How public-private partnerships are failing - Eurodad](#)

In the Czech Republic, just like in other countries, the use of public financing has become the most dominant means of financing all public infrastructure projects.³ This means of financing public infrastructure is a core belief that has manifested itself throughout the years among many of the policy actors in the country within the infrastructure financing policy subsystem. For instance, the 2021 state budget proposed to spend about 128.7 billion Czech crowns from only the State Fund for Transport Infrastructure for 2021 with a medium-term outlook for the 2022 and 2023 years.⁴ Also, estimates from the State Fund of Transport Infrastructure show that between the last seven years investments from only the state funds for transport infrastructure have been between 50 and 70 million Czech crowns.⁵ However, over the years there have been many reports that have shown that some of these crucial infrastructure projects often take a longer time to be completed.⁶ These challenges according to official sources are attributable to issues arising from the difficulties in securing planning decisions, construction permits, and land purchases.⁷ An example of this situation can be found in a press release by the Supreme Audit Office on the transportation sector which concluded that based on the 2014-2020 Transportation strategy 35 road projects were classified as a high priority however, based on their audit of these projects, only seven out of 35 works were completed on schedule, and six of those completed were already under construction when the schedule was established.⁸

³ [Government approves draft state budget for 2021 and takes further measures to support the economy during the pandemic | Government of the Czech Republic \(vlada.cz\)](#)

⁴ Ibid.

⁵ See figure 1 for further details. Sourced from: [Chapter 2.2.4. Investment expenditure in transport infrastructure from the State Fund of Transport Infrastructure | Transport Yearbook 2020 \(sydos.cz\)](#)

⁶ For instance, in a 2019 press release by the Supreme Audit Office on the construction of class I roads between 2013 and 2018 concluded that out of the roads examined it was realized that it took about twelve years to averagely prepare a road. This they suggested was as a result of poor planning and lack of money. (available here: [Construction of Class I roads takes an average of 12 years, with only seven completed | SAO \(nku.cz\)](#))

⁷ Ibid

⁸ [Government approves draft state budget for 2021 and takes further measures to support the economy during the pandemic | Government of the Czech Republic \(vlada.cz\)](#)

Figure 1 below depicts investment expenditure in transport infrastructure from the state Funds of Transport Infrastructure between 2015 and 2020 (mil.CZK)

	2015	2016	2017	2018	2019	2020
<i>Infrastructure type</i>						
Railway	31 784,5	18 423,7	14 773,5	19 003,3	19 581,8	29 717,8
Road	19 926,0	20 293,9	23 919,3	14 251,1	26 413,0	39 141,1
Inland Waterways	412,5	264,2	190,0	71,2	1 312,4	1 467,5
Air	0,0	0,0	7,7	27,6	14,8	165,1
Cycle lanes	141,5	97,2	131,2	146,4	253,0	396,3
Total	52 123,0	38 981,8	38 890,5	33 353,2	47 322,0	70 887,8

Note: Data represent the real financial expenditures from the State Fund of Transport Infrastructure including financing expenditures that are to be supported by the respective EU funds

Source: [Government approves draft state budget for 2021 and takes further measures to support the economy during the pandemic | Government of the Czech Republic \(vlada.cz\)](#)

And as part of the efforts to remedy this situation within this policy subsystem, in recent decades there has been some form of a campaign by some actors and international institutions who have been advocating that for certain critical projects their financing should be done with the use of PPPs. These actors are composed of international supranational organizations like the World Bank, European Investment Bank, and European Bank for Reconstruction among others with support from local coalitions.⁹ They believe that the use of PPPs to finance certain critical infrastructure projects will provide a whole life cycle financing which will lead to better value for money, proper planning, and early project completion rate which has been a weakness that has been realized with the use of public financing for certain critical infrastructure projects.¹⁰ This advocacy has been done in many forms such as: through policy conditionality, technical assistance, and tailored policy reforms.¹¹ Although these positives of PPPs are highlighted it must be stated as well that the use of PPPs is not problem free. For instance, the evidence has shown that the use of PPPs for financing certain infrastructure projects could be far more expensive than public financing, it is also suggested that PPPs are complex to negotiate and implement and it is often considered to be risky way of financing public infrastructure projects.¹² All these said it must also be emphasized that PPP in itself is very different from public financing modules since PPP contract costing includes the life

⁹ Romero, M. J. (2015) What lies beneath? A critical assessment of PPPs and their impact on sustainable development. European Network on Debt and Development

¹⁰ See for instance: Hall, David, (2015). "Why Public-Private Partnerships Don't Work: The many advantages of the public alternative", Public Services International Research Unit, University of Greenwich, UK,

Cavelty, Myriam Dunn and Manuel Sute, (2009). "Public-Private Partnerships are no silver bullet: An expanded governance model for Critical Infrastructure Protection", International Journal of Critical Infrastructure Protection, Vol. 4, No. 2, pp. 179-187,

Whitfield, Dexter. (2010) Global Auction of Public Assets: Public sector alternatives to the infrastructure market and Public Private Partnerships, Spokesman Books, Nottingham

¹¹ Romero, M. J. (2015) What lies beneath? A critical assessment of PPPs and their impact on sustainable development. European Network on Debt and Development

¹² Ibid.

cycle cost of the projects while the costing of publicly financed projects only estimates the construction of the projects.

Based on the foregoing arguments, it will be appropriate to presume that there exist two main beliefs/perspectives that are driving policy within this policy subsystem. To this end, these differences in beliefs have created competing coalitions where their shared beliefs are serving as the rallying point to influence policy decisions within the agenda-setting process in the infrastructure subsystem. Interestingly over the years, the coalitions that propagate the use of PPPs have been seeking to influence policy change in the financing of crucial infrastructure projects in Czechia. However, their efforts have not seen many successes because in the Czech Republic at the national level public financing of infrastructure continues to be used for all infrastructure projects.

With all these premises laid the paper will proceed to define certain key concepts used in this thesis to guide the discourse. To begin with, the term infrastructure will be defined as “the totality of all earning assets, equipment and circulating capital in an economy that serves energy provision, transport service, and telecommunications; conservation of natural resources and transport routes in the broadest sense and buildings and installations of public administration, education, research, health care, and social welfare”.¹³ The concept of infrastructure that forms the basis of this discussion will be narrowed to transport infrastructure just for this paper. Also, the term has been used narrowly in this paper in this sense because transport infrastructure development in any economy is one of the essential facilities for the country’s growth,¹⁴ especially in recent times where it has been estimated

¹³ Jochimsen, R., Ed. (1966). *Theorie der Infrastruktur: Grundlagen der marktwirtschaftlichen Entwicklung*. Tübingen, J.C.B. Mohr in Gianpiero, T. (2009) Public Infrastructure: definition, classification and measurement issues. MPRA Paper No. 12990, posted 25 Jan 2009 06:11 UTC. Available at: <https://mpra.ub.uni-muenchen.de/12990/>

¹⁴ Gianpiero, T. (2009) Public Infrastructure: definition, classification and measurement issues. MPRA Paper No. 12990, posted 25 Jan 2009 06:11 UTC. Available at: <https://mpra.ub.uni-muenchen.de/12990/>

that since 2007 that there are more people are livings than rural areas globally.¹⁵ This shows that many states will continuously need new transport infrastructure projects to complement demand, especially in urban centers. Therefore, this paper will consider the PPP advocacy within the transport sector in Czechia.

The term PPPs can also be defined as a form of cooperation between public authorities and the world of business that aims to ensure the funding, construction, renovation, management, and maintenance of an infrastructure or the provision of a service. The public financing model can simply be defined as the use of state funds to sponsor the construction, renovation, management, and maintenance of an infrastructure or the provision of a service. The main difference between these two forms of financing is that risk is shared between the state and the private entity or the concessionaire.¹⁶

Over the years although PPPs have been advocated as one of the means of attaining the Sustainable Development Goals (SDGs), global data on the use of PPPs as a means of financing critical public infrastructure projects shows a wavy trend. For instance, in the years 2004 and 2012 investments in infrastructure by PPPs increased by a factor of six, from 22.7 billion dollars to 134.2 billion dollars globally.¹⁷ However, after that period recent data from the European Investment Bank shows that within Europe alone in the last decade apart from the year 2014 where investment in PPPs generally increased to about 3 billion Euros, from the years 2015 to 2021 investments in PPPs have been fluctuating between 1.5 billion Euros and seven hundred million Euros.¹⁸ Equally data from the world bank shows that PPP

¹⁵ Deloitte Center *for* Government Insights (2018). Using public-private partnerships to advance smart cities.

¹⁶ Grimsey, D. and Lewis, M.K. (2005) Are Public Private Partnerships value for money? Evaluating alternative approaches and comparing academic and practitioner views. Elsevier Ltd.doi: 10.1016/j.acfor.2005.01.001

¹⁷ ¹⁷ European Commission. (2004). *Green paper on public-private partnerships and community law on public contracts and concessions*

¹⁸ [PPPs financed by the European Investment Bank from 1990 to 2021 \(eib.org\)](https://www.eib.org/en/press/2022/ppps-financed-by-the-european-investment-bank-from-1990-to-2021)

investments in both emerging markets and developing economies have also been dwindling over time.¹⁹

Figure 2 depicts PPP investments in emerging markets and developing economies globally.



Source: [PPI 2020 AnnualReport.pdf \(worldbank.org\)](#)

This data tells us that indeed PPPs do not dominate in the infrastructure financing subsystem and in the case of the Czech Republic available data on completed PPP transport projects at the national level is a handful. To this end, the country is categorized as an intermediate-level provider of PPP supporting arrangements. The first of such projects were attempted in 1996 for the construction of the D47 highway which was unsuccessful and was later completed with the use of public funds.²⁰ Thereafter, other attempts at the national level have been made by piloting certain PPP projects which all of them, unfortunately, did not see the light of day

¹⁹ See figure 2 for details.

²⁰ Witz, p. (2013) Central Public Transport depot of the city of Pilsen Czech Republic. In: Cost Action TU1001 Public Private Partnerships in Transport: Trends and Theory (P3T3) 2013 Discussion Papers Part II: Case Studies. Cost European Cooperation in Science and Technology

except the Central Public Transport Depot of the city of Pilsen.²¹ However, a more recent example of a PPP concession contract has been concluded for the construction of the D4 motorway between Příbram and Písek.²² This contract which is steadily progressing is expected to be commissioned in December 2024. Despite all these failures, there are continuous attempts to ensure that PPP projects will be well formulated and implemented although the outcomes do not match the intent and efforts. For instance, in 2004 the Social Democratic government established a dedicated PPP unit established at the Ministry of Finance to prepare guidelines for PPP projects.²³ However, after a few years, the unit has become non-existent.²⁴ Although these initiatives have failed there continue to be many attempts at advocating for the use of PPPs for financing certain critical projects over the past two decades.

This continuous advocacy raises an intellectual concern where there is the need to engage in stock taking into the events that are driving interactions and the subsequent quest for policy change within this policy subsystem. This is because despite all the efforts by coalitions and international multinational organizations within this subsystem (especially the PPP coalitions) there seem to be no major changes in policy outcomes at least at the national level. Thus, using the history of PPP projects in the country the thesis will seek to understand from the perspectives of selected experts in the field what they think is leading to this outcome within this transport infrastructure subsystem in Czechia. This will bring to light certain perspectives that could ensure the successful implementation of PPP policies going forward.

²¹ Ibid

²² [D4 PPP | PPP D4 reached Financial close | D4 PPP](#)

²³ Witz, P (2013) Czech Republic. Cost Action TU1001. Public Private Partnerships in Transport: Trends and Theory (P3T3). 2013 Discussion Papers. Part I country profiles.

²⁴ Ibid

The contribution that this work seeks to make is that it departs from the previous studies that focus on either Western or Anglo-Saxon societies where the use of PPPs has developed very well. It rather focuses on the PPP experience in Central and Eastern Europe where there has not been much discussion on the PPP experiences. For this reason, the paper will be using the Czech Republic as its case study. The work further departs from other studies on PPPs in the region as well. For instance, Witz et al (2016) discussed the PPP experience among eight Eastern and Central European countries and it was mainly aimed at explaining the extent to which PPPs are endorsed within these countries and the factors that have influenced their implementation.²⁵ Other works that discussed the PPP experiences within this region have also mainly discussed the general PPP experience of individual countries by discussing the history of events, and legislative frameworks for PPPs among others.²⁶ The contribution that these works seek to make is that it attempts to use the ACF as a theory to make sense of Czechia's experience in its quest for policy change in the use of PPPs to finance certain crucial infrastructure projects in the country. This process is aimed at teasing out the perspectives of experts who have been in the policy subsystem over the years to know their diagnosis of the situation that exists. Hence the study will help broaden the literature by using the experiences of experts to bring to light the extent to which coalitions within this policy subsystem are interacting and how these interactions are leading to changes in beliefs or otherwise. This is because over the years efforts have been channeled into these issues and there is the need to assess the extent to which the quest for policy change has fared in this

²⁵ Witz et al (2016) Transport PPP east of the Elbe Destined to succeed or doomed to fail? In Public Private Partnerships in Transport. Trends and Theory. COST European Cooperation in Science and Technology. Routledge

²⁶ See for instance individual country cases of PPP experiences that discuss PPPs within these countries by considering the history of the model in these countries.

Lukasiewicz, A (2014) Poland. Cost Action TU1001. Public Private Partnerships in Transport: Trends and Theory (P3T3). 2014 Discussion Papers and country profiles and case studies.

Witz, P (2013) Czech Republic. Cost Action TU1001. Public Private Partnerships in Transport: Trends and Theory (P3T3). 2013 Discussion Papers. Part I country profiles.

Szekeres, K. (2013) Slovak Republic. Cost Action TU1001. Public Private Partnerships in Transport: Trends and Theory (P3T3). 2013 Discussion Papers. Part I country profiles.

Juhasz, M. and Scharle, P. (2014). Hungary. Cost Action TU1001. Public Private Partnerships in Transport: Trends and Theory (P3T3). 2014 Discussion Papers and country profiles and case studies

country. To this end, this thesis will seek to contribute to the literature by helping to tease out from practitioners within the policy subsystem what they think are the issues that explain the situation that persists in Czechia.

The methodological approach that this thesis will adopt is an exploratory qualitative method. This methodological choice is going to help in investigating this subject area for a decade that is between the years 2011 and 2021. Hence this method comes to complement the theoretical framework of this study. In so doing, the study will rely on interviews of actors in the transport policy subsystem through the process of snowballing as well as relying on in-depth documentary analysis. This is what will help bring out expert opinions about this subject.

Therefore, the paper will be divided into five sections including the introduction and conclusion. The second section will discuss the theoretical framework that will guide the research. This section will discuss the theory of advocacy coalition framework and the concept of PPPs in infrastructure development. The third section will be composed of the methodology that this study will rely upon. This section will demonstrate the various approaches that were employed as well as the strengths and weaknesses of the method. The fourth section which is the centerpiece of this study will discuss the data collected where the research questions and hypothesis will serve as the context that will be used for the analysis to come to the conclusions needed to respond to these research's objectives.

CHAPTER II

2. *THEORETICAL FRAMEWORK*

The concept of infrastructure development is essential for the economic and human development of any society. This is because infrastructure serves as a means of sustaining crucial and competitive state-of-the-art services for countries' economic and social development.²⁷ For this reason governments all over the world attempt to provide these infrastructure facilities for their citizens using public financing. However, because public budgets are not sufficient there has been the need to look for alternative means of financing these projects which have been private financing. This situation can partly be attributable to the increasing urbanization and fiscal decentralization which have shifted much of the burden from central governments to local entities but the fact remains that these shifts in responding to these local entities have not been met in terms of infrastructure development because of the limited revenues of these local entities.²⁸ Also, issues around the jurisdictional concern of many of these municipalities and other local entities make central governments often step in to address certain vital infrastructure needs.²⁹ Additionally, public financing of infrastructure is often characterized by issues like poor planning and project selection, inefficient or ineffective delivery, and inadequate maintenance of projects.³⁰

These are challenges that governments face in their quest to provide the infrastructure that has made international supranational organizations often advise governments to opt for the use of PPPs as an alternative means of financing certain critical public infrastructure

²⁷ Roumboutsos, A. (2016). Introduction. Public Private Partnerships in Transport. Trends and Theory. COST European Cooperation in Science and Technology. Routledge

²⁸ World Bank Group, (2014). OVERCOMING CONSTRAINTS TO THE FINANCING OF INFRASTRUCTURE Success Stories and Lessons Learned: Country, Sector and Project Examples of Overcoming Constraints to the Financing of Infrastructure.

²⁹ Ibid

³⁰ Gianpiero, T. (2009) Public Infrastructure: definition, classification and measurement issues. MPRA Paper No. 12990, posted 25 Jan 2009 06:11 UTC. Available at: <https://mpra.ub.uni-muenchen.de/12990/>

projects.³¹ This is because PPPs are different from total privatization and some of the common forms are: Design, Build, Finance and Operate (DBFO) and Build Operate and Transfer (BOT). In the case of the former, the concessionaire is mandated to design, build, finance, and operate the infrastructure project for some time and subsequently transfer it back to the public entity while the latter is the form of concession where the concessionaire will only build, operate and transfer the infrastructure for the specified period in the contract.³² It must be further noted that private involvement in the financing of public infrastructure through PPPs cannot be said to be new to the development trajectory of many polities.³³ However, over the last 30 years, there have been a lot of PPP projects which have been implemented across the globe. For instance, between 1990 and 2013 it was estimated that 1600 PPP contracts were signed within the European Union alone with a capital value of three hundred billion Euros.³⁴ Also, the 2020 report on PPP investment across the globe stood at 45.7 billion US dollars.³⁵

International multilateral organizations like the European Commission, International Monetary Fund (IMF), World Bank, and other like-minded multilateral development institutions in recent times have promoted the use of PPPs as a financing measure in infrastructure development. These have been done through the setting up of initiatives to promote changes in national regulatory frameworks to allow for PPPs, as well as to provide advice and finance for PPP projects mainly in low and middle-income economies.³⁶ These

³¹ Verhoest et al, (2016). Introducing the National Context of PPPs- elements and dimensions. In *Public Private Partnerships in Transport. Trends and Theory*. COST European Cooperation in Science and Technology. Routledge

³² Merickova, B. M., Muthova, N., and Holubek, M. (2018) Public-private partnership projects in transport infrastructure in the Slovak Republic - opportunities and threats. Proceedings of the 1st International Conference Fiscal Dialog 2017. College of Regional Development and Banking Institute – AMBIS

³³ Romero, M. (2018). History RePPeated - How public-private partnerships are failing.

³⁴ World Bank Group, (2014). OVERCOMING CONSTRAINTS TO THE FINANCING OF INFRASTRUCTURE Success Stories and Lessons Learned: Country, Sector and Project Examples of Overcoming Constraints to the Financing of Infrastructure. At page 19

³⁵ The World Bank. (2020). Private Participation in infrastructure. 2020 Annual Report. Available at: [PPI_2020_AnnualReport.pdf\(worldbank.org\)](https://www.worldbank.org/ppi-2020-AnnualReport.pdf)

³⁶ World Bank Group, (2014). OVERCOMING CONSTRAINTS TO THE FINANCING OF INFRASTRUCTURE Success Stories and Lessons Learned: at page 4

initiatives aim at combining the relative strength of government and private provision to be able to respond to the existing market failure by minimizing the risk of inefficiencies that often characterizes public financing of infrastructure projects.³⁷ This is because PPPs are anchored on the principles of New Public Management reforms and market liberalization which seek to correct the inefficiency in the public sector.³⁸ These principles also aim at addressing the fiscal constraints, and policy and legal bottlenecks that are considered to be hampering the government's ability to meet its infrastructure needs. Therefore, at the global level, for instance, the World Bank is playing a leading role in advocating for the use of PPPs, and at the regional levels institutions like the European Bank for Reconstruction, the African Development Bank, and the Asian Development Banks have been introducing specific strategies and programs to promote the use of PPPs through policy conditionality, technical assistance, and tailored policy reforms.³⁹

The Czech Republic is an example of one of the countries that have been attempting to implement some of these PPP policy initiatives as a means of bridging its infrastructure financing deficit. These policy initiatives were first introduced in the country in 2004 by the Social Democratic government which tasked the Ministry of Finance to coordinate with the Ministry of Regional Development to formulate the appropriate guidelines and methodology for the implementation of PPP projects.⁴⁰ This led to the establishment of the PPP Centrum which was a unit within the Ministry of Finance with the responsibility of preparing PPP guidelines.⁴¹ All this was done because it is considered that PPP projects are likely to be successful when there is a dedicated institutional framework.⁴² Since these initiatives began

³⁷ Ibid

³⁸ Ibid at page 12

³⁹ Romero, M. J. (2015) What lies beneath? at page 17

⁴⁰ Witz, p. (2013) Central Public Transport depot of the city of Pilsen Czech Republic. at page 268

⁴¹ Ibid.

⁴² Soeipto et al (2020) 'Diverging PPP Policies, regulations and Supporting arrangements? In Public Private Partnerships in Transport. Trends and Theory. COST European Cooperation in Science and Technology. Routledge

there have been many piloted but failed PPP projects in the country with a recent example being the failed attempted construction of the D3 motorway from Prague to the South Bohemia region which was later completed with the use of public finance.⁴³ Also, the PPP Centrum that was established failed to live up to its expectation. However, despite these PPP policy shortfalls there continue to be other attempts to implement PPP policies in the country with a recent project which is currently under construction being the D4 motorway between Příbram and Písek⁴⁴ as well as the D35 motorway which is currently being prepared for construction.⁴⁵

This quest for policy change in the infrastructure financing subsystem in Czechia to the use of PPP as an alternative method for financing certain crucial projects over the past decades has not seen many successes.⁴⁶ In light of this, the thesis will employ the ACF as a theory to explore the processes surrounding these policy initiatives that have been championed by these coalitions. This is because ACF predicts three assumptions that can be used to explore the issues that form the core of this issue. However, before proceeding to contextualize the arguments for this paper it is important to situate the argument within the broader narrative that has existed within the PPP literature.

A glance through the PPP literature shows that the discussions have centered on the national implementation context, the decision-making models, the performance of PPP projects, and issues of efficiency and value for money. With regards to the national context, discussions have been on the appropriate regulatory and supporting institutions required for the uptake of PPPs. Thus, the argument has been on the sort of nationally driven elements that are vital for

⁴³ Witz, p. (2013) Central Public Transport depot of the city of Pilsen Czech Republic

⁴⁴ [D4 PPP | PPP D4 reached Financial close | D4 PPP](#)

⁴⁵ See this page for details: https://www.google.com/url?q=https://zdopravy.cz/vlada-zacne-resit-zda-d35-postavi-na-hypoteku-hotovo-ma-byt-do-roku-2029-112956/&sa=D&source=docs&ust=1658799843002823&usq=AOvVaw2XxqEiOjC6_Zhpbt0VYK-w

⁴⁶ Success in this context as used in this thesis implies the completion of a project for use.

the development or otherwise of PPP policies. In this respect, Verhoest et al (2020) using cross-country data argued that the outcome of a PPP project in a country is a result of the roles played by both institutions at the supranational and subnational level.⁴⁷ Therefore they have suggested that for PPP policies to be successful a certain institutional framework must exist to ensure the required outcome. In so doing multinational organizations that advocate for the use of PPPs have also suggested that there should be a dedicated PPP unit that will see to the formulation and implementation of these PPP policies.⁴⁸ Based on these recommendations in 2004 the Czech government established a dedicated PPP unit to see to the formulation and implementation of PPP policies in the country for the successful implementation of PPP projects in the country.⁴⁹ However, although this unit was established, PPP projects in the country have still not seen much success as predicted and the unit that was established is now non-existent.

Also, Soecipto et al (2020) considering the decision-making models that help in the successful implementation of PPP policies used comparative analysis to cluster countries according to the decision models that were used by these governments to support PPPs, especially through the launch of dedicated policies, regulations and institutional units for the development of PPPs.⁵⁰ To this end, they concluded by categorizing countries into four clusters: providers of comprehensive PPP supporting arrangements, strong providers of PPP supporting arrangements, intermediate level providers of PPP supporting arrangements, and providers of no or limited PPP supporting arrangements.⁵¹ The Czech Republic in this context was categorized as an intermediate provider of PPP arrangement which represents the situation.

⁴⁷ Verhoest et al, (2016). Introducing the National Context or PPPs- elements and dimensions.

⁴⁸ Ibid.

⁴⁹ [D4 PPP | PPP D4 reached Financial close | D4 PPP](#)

⁵⁰ Verhoest et al, (2016). Introducing the National Context or PPPs- elements and dimensions

⁵¹ Ibid.

Moreover, Carbonera et al (2020) using a decision-making model tree discussed guidelines to identify the main decisions to be taken during a PPP project, the actors that should be involved in each stage, and the main instruments and methods that are supposed to be used to support them.⁵² This study showed how decisions that are made during the life cycle of the PPP project impact the eventual success or failure of the policy. Through the Decision Support System, it can provide answers to three basic questions that form the basic component of the PPP decision-making process.⁵³

Although these works have suggested that the institutional set-up, as well as the decision-making models to be used, is important and such initiatives have been implemented in Czechia the country still cannot for years not boast of many successful PPP policies or projects at the national level despite these efforts. Hence this work employing the advocacy coalition framework will seek to understand this situation by considering the interactions of actors within this policy subsystem. This is because this study will seek to fill the gap in the literature where there has been no study that has sought to ascertain how the establishment of some of these policy reforms has impacted coalition interactions within the policy arena. Hence this study will depart from the existing literature in the sense that it is seeking to compare the efforts with the outcome. This study also differs from other studies in the sense that it will be a qualitative study that will mainly draw out the experiences of practitioners in the field through interviews to make sense of the current situation. Hence the study intends to bring to light perspectives from experts who understand the situation and their suggested solutions to the situation going forward to give meaning to the situation.

⁵² Carbonera et al (2020) Improving PPP decision-making Processes. A Decision Support Framework. In Public Private Partnerships in Transport. Trends and Theory. COST European Cooperation in Science and Technology. Routledge.

⁵³ Ibid.

Hence the theoretical choice of this study can be justified by the fact that the theory first assumes that to understand the processes of policy change one must know that policy change occurs as a product of the processes of ‘policy-oriented learning where learning in this sense implies understanding the processes of policy change through policy-oriented learning over a period usually for a decade or more. This implies that policy change is a product of policy-oriented learning which originates from long processes of policy analysis where actors within the policy arena must continuously analyze the input and outcomes of policies. Based on the outcome new knowledge will emerge upon that there would be the alteration of beliefs. This process of try and error is what brings about new knowledge and it is through the process of policy-oriented learning. Hence actors within the infrastructure subsystem will adopt different forms of decision-making models and policy frameworks in implementing PPP policies based on the existing conditions and an analysis of the inputs and the outcomes over a period will determine their policy decisions going forward. Likewise, coalitions in their attempt to influence policy will change their strategies and approaches based on the outcome of previous strategies. Therefore, the outcome will justify the methods used.

Secondly, the theory makes us understand how we can fully understand the processes of policy change by studying the changes that occur in a policy arena over a period by focusing on the ‘policy subsystem’ which is the primary arena where actors within the policy space interact among themselves. This implies that for one to understand the policy changes that have occurred over a period the focus must be on the policy subsystem. The subsystem is the unit where all the actors involved in the policy arena interact. This unit of analysis does not cut across just a single governmental agency but a cross-sectional category of people and institutions that share common responsibilities in the realization of the goal of the policy. So, in this case, where our focus is the transport infrastructure financing, it is incumbent to focus on the transport infrastructure subsystem as the unit for our analysis. This will enable us to

consult all the necessary stakeholders like the Ministry of Finance in Czechia, the Ministry of Transport, and other stakeholders like think tanks, and researchers who usually advocate on issues of public transport infrastructure financing. This will enable us to track those who have in-depth experience with the issues involved, the strategies that they use over the period, the conditions that exist within the subsystem, as well as the influencing factors.

Finally, the theoretical choice of this study is justified as a result of the fact that the theory suggests that public policy can be understood or conceptualized as ‘belief systems’ which is simply a set of value orientations of actors in a policy arena about how issues should be addressed.⁵⁴ This is because the theory assumes that shared beliefs are the principal glue of politics.⁵⁵ Therefore, it assumes that people who share similar beliefs come together on an issue to share their perspectives on the means of addressing the issue. The concept of belief as used in this theory is simply the diverse orientations that actors have towards a subject. For instance, when it comes to financing infrastructure different actors consider different methods the best. This difference in perspectives is based on the differences that originate from divergences in value orientation and on the conception of problems and their solutions. Thus, this belief of actors within this policy subsystem will form the premise upon which these experts will be categorized to assess these beliefs to ascertain how it influences the policy outcome in Czechia.

With regards to beliefs as used in the theory, they are categorized into three types: deep core belief, policy core belief, and secondary aspect.⁵⁶ The deep core beliefs are considered the general normative and ontological beliefs that cut across different policy subsystems. For

⁵⁴ Sabatier, P.A. (1988) An Advocacy Coalition Framework of Policy Change and the Role of Policy-Oriented Learning Therein. *Policy Sciences*, 1988, Vol. 21, No. 2/3, Policy Change and Policy-Oriented Learning: Exploring an Advocacy Coalition Framework, pp. 129-168. Available at: <https://www.jstor.org/stable/4532139>

⁵⁵ Ibid.

⁵⁶ Zafonte, M and Sabatier, P (2004) Short-Term Versus Long-Term Coalitions in the Policy Process: Automotive Pollution Control, 1963–1989. *The Policy Studies Journal*, Vol. 32, No. 1, 2004.

instance, the orientation of whether the market or the state should take center stage in the distribution of production. The policy core beliefs consist of important normative and perceptual beliefs that span an entire policy subsystem. And the secondary aspects are the important decisions and information that are necessary for the implementation of the policy's core beliefs. For instance, the value for money analysis of the project as well as the date for project completion is particularly important secondary aspects that are considered in the choice of the financing model for infrastructure projects. And these aspects are influenced by external conditions that exist outside the subsystem. For instance, public opinion on contract cost has implications on the financing method a government might choose, likewise the economic conditions within the country as well as globally also imply the policy decisions. Thus, the theory also predicts that policy change will occur within a policy subsystem because of major changes that are external to the policy subsystem which will consequently lead to changes in the resources and beliefs of coalitions.

The difference between the ACF and other works for studying policy change like that of Hecló's conception of policy change is that where in his case he considers policy change to be a function of both: 1) large-scale social, economic, and political changes and 2) the strategic interaction of people within a policy community where there is competition for power and efforts to develop more knowledgeable means of addressing policy problems. In the case of ACF as described by Sabatier is that the theory focuses on broader perspectives by considering how policy oriented-learning within the whole policy-making process impacts actors by analyzing how different coalitions gradually alter their beliefs over time as a result of formal policy analysis and by trying and error learning.⁵⁷ On this score, the ACF is based

⁵⁷ Sabatier, P.A. (1988) An Advocacy Coalition Framework of Policy Change and the Role of Policy-Oriented Learning Therein. *Policy Sciences*, 1988, Vol. 21, No. 2/3, Policy Change and Policy-Oriented Learning: Exploring an Advocacy Coalition Framework, pp. 129-168. Available at: <https://www.jstor.org/stable/4532139>

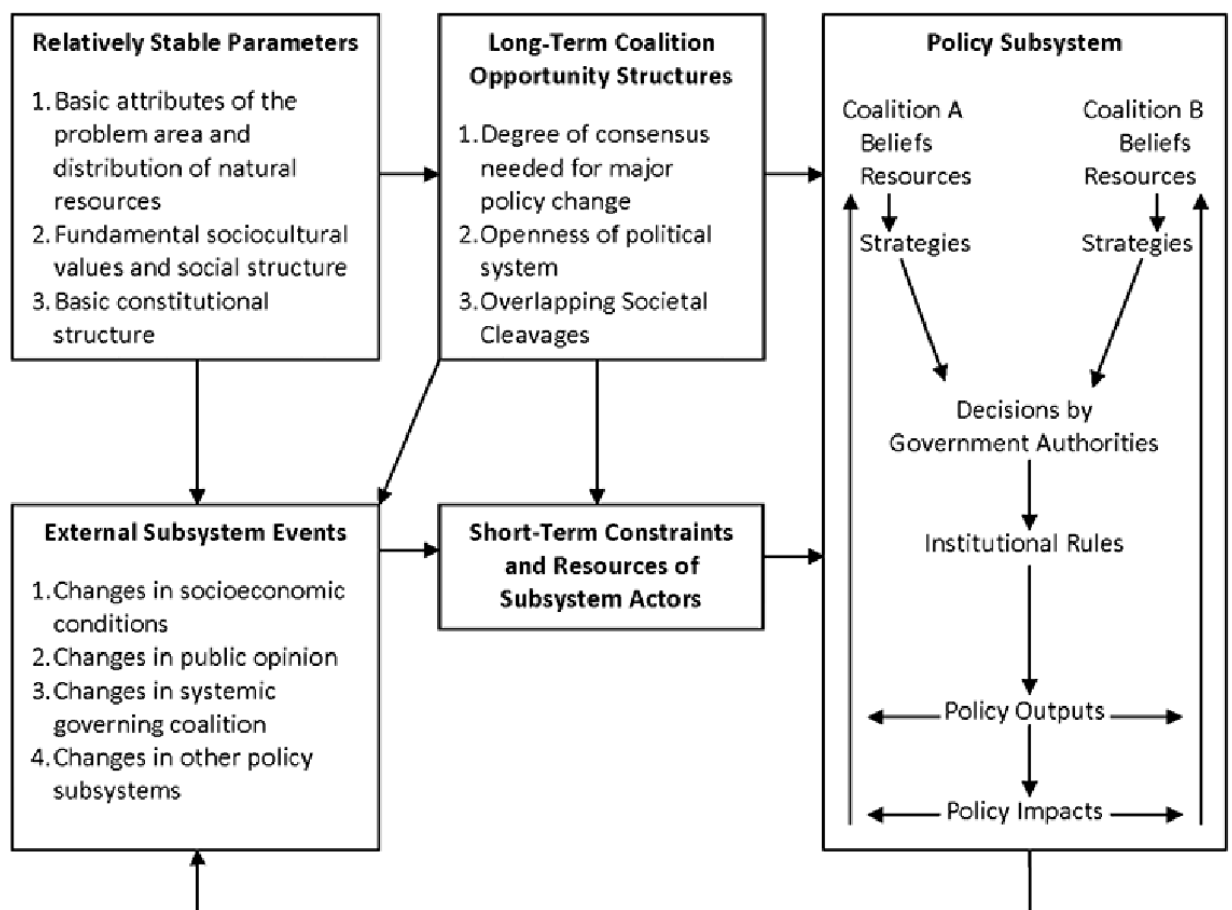
on three concepts: policy-oriented learning, policy subsystems, and beliefs which must be studied over some time to understand issues that are causing policy change within a subsystem.

This framework used for this study emphasizes long-term studies which are what is required for gaining an understanding of the policy change processes. This is because the framework draws inspiration from Weiss (1977a, b) who has shown that focusing on the short-term policy decision-making process vitiates the essence of the policy analysis research. After all, this kind of research is used to alter the perceptions and conceptual apparatus of policymakers over time.⁵⁸ So in this case the long processes of past actions and beliefs of actors as well as the conditions that existed within the subsystem will be investigated to know the extent to which these factors have been altered over the years. The theory as well focuses on policy subsystems because it assumes that actors from a variety of both public and private institutions who are concerned about a policy problem and change are not only those actors in governmental institutions but all actors who are active in policy formulation and implementation as well as researchers, journalists, and policy analyst who often play very important roles in the generation, dissemination, and evaluation of policy ideas. The theory's further use of beliefs suggests that the sui generis of a policy is to prescribe the means of achieving certain goals, where these means of attaining these goals are fueled by perceptions of the world states, causal relationships, and the efficacy of the instruments being used. Therefore, these beliefs provide the vehicle for assessing the influence of actors on a policy over time.

⁵⁸ See in: Weiss, Carol (1977a). *Using Social Research in Public Policy Making*. Lexington: D.C. Heath.
Weiss, Carol (1977b). 'Research for Policy's Sake: The Enlightenment Function of Social Research,' *Policy Analysis* 3 (Fall): 531-54

The figure below describes the framework in detail for the discussion. The top left hand of the diagram depicts a situation where the theory describes relatively stable parameters. These conditions in a society often do not change over a brief period. For instance, a country's constitutions are usually stable, and a society's value structure does not also easily change. And coalitions live within these conditions thus it also impacts their beliefs. Hence the work will be discussed within these parameters to contextualize the argument.

Figure 3. ADVOCACY COALITION FRAMEWORK (OVERVIEW)



Source: Veselý, A., Z. Drhová, M. Nachtmannová. 2005. *Veřejná politika a proces její tvorby. Co je „policy“ a jak vzniká*. Studie CESES, č. 8. Praha: CESES FSV UK.

Another parameter in the diagram is the issue of external subsystem events. These are conditions that have a sway on the success or otherwise of a policy within a particular period.

For instance, since the subject of this study is the financing of infrastructure projects, the advocacy will be on issues like socioeconomic conditions within the country, the governing coalitions in government, and public opinions, among others. This is because these issues either have positive or negative implications on the kind of policy choice which will be suitable. Likewise, those in the decision-making system will also either change their policy directions when certain events occur outside of the subsystem. The framework creates a space for long-term opportunity structures which suggests that sometimes despite the issues in the external subsystem certain opportunities can create an opportunity for a coalition's beliefs to be accepted. Therefore, all these issues have an impact on the policy subsystem.

The theory further assumes that within the policy subsystem are actors who constitute an advocacy coalition made up of people from diverse backgrounds but because of their shared beliefs, they come together to work in concert. So, in the infrastructure subsystem lies different people from different institutional backgrounds and orientations but have come together to advocate for a shared belief. In the cause of the advocacy within the policy subsystem since there exist competing views there will also exist 'policy brokers' who in the cause of conflict help to find a compromise among parties. In the process of advocacy depending on the outcomes of governmental decisions, and impacts of earlier policy decisions and the emergence of current information actors within a coalition may alter their beliefs or even sometimes change their strategies.

Therefore, considering the premises of the theoretical justification for this study the hypothesis that will be used for this study are as follows:

H1: Interactions of competing coalitions within the policy subsystem will lead to policy-oriented learning which will subsequently lead to altering of beliefs of actors in the subsystem.

H2: Policy change will occur within a policy subsystem because of major changes that are external to the policy subsystem.

Based on these hypotheses three questions will be answered to confirm or deny the hypothesis for the study. These questions are:

- A. To what extent are the interactions between the competing coalitions within the infrastructure subsystem causing policy change in Czechia?
- B. Are there changes leading to alteration of beliefs and can they be attributable to external events outside the policy subsystem?
- C. To what extent going forward can we predict the future of PPPs in the country?

CHAPTER III

3. *METHODOLOGY*

The research investigates the PPP experience of Czechia by using the events that have occurred in the transportation sector as its case study. The paper will be drawn from existing literature by applying the exploratory research method which will be using Czechia as its single case study to provide an understanding of the issues that are hindering the quest for policy change in the infrastructure subsystem in Czechia. This is because usually exploratory studies attempt to formulate problems, clarify concepts, and form hypotheses.⁵⁹ Therefore this study following the methodology's footprint will seek mainly to provide clarification on the PPP experience in Czechia. Additionally, this method focuses on collecting either secondary or primary data which is going to be the kind of data that this paper will seek to collect.⁶⁰ This study will use both unstructured formal and informal procedures to interpret the data that will be collected.⁶¹ Moreover, this method will enable this study to gather information directly from actors within the policy subsystem of the study through interviews. This is being done as part of the process to look for individuals who are knowledgeable about this topic or process and it is usually done mainly through interviews. This is because since this study is a qualitative study that aims to gather the experiences in a policy field to explain a certain situation that persists within the policy arena those involved must be consulted to know their experiences. For this reason, the snowballing method will be used where an actor will be identified and interviewed, and that actor will as well after the interview directs us to another person who is well recognized in the policy arena for their expertise. Through this

⁵⁹ Conducting Online surveys. Introduction. Chapter 1. Available at: https://us.sagepub.com/sites/default/files/upm-assets/44129_book_item_44129.pdf

⁶⁰ Marketing Research. Exploratory Research Design: Available at: [https://nscpolteksby.ac.id/ebook/files/Ebook/Business%20Administration/Marketing%20Research%20an%20Introduction%20\(2008\)/3.%20Chapter%20-%20-%20Exploratory%20research%20design.pdf](https://nscpolteksby.ac.id/ebook/files/Ebook/Business%20Administration/Marketing%20Research%20an%20Introduction%20(2008)/3.%20Chapter%20-%20-%20Exploratory%20research%20design.pdf)

⁶¹ Ibid.

method, the study will be able to solicit the views of qualified persons who as well have experience within the policy subsystem. In doing so the participants for the interview will vary among civil servants, who participate in this policy arena such as people from the Ministry of Finance and the Ministry of Transport. Others will include members of the association of infrastructure and other private organizations.

This study made use of many approaches in the process of collecting its data. For instance, in some situations, respondents were contacted on phone and the interviews were agreed upon and conducted on phone such interviews were recorded with the consent of the respondent and were subsequently transcribed and analyzed. Some other respondents preferred to answer the questions by asking for them via email and after responding to the questions sent back their responses. Another respondent was interviewed in person which was recorded and later transcribed to make meaning for the study. These approaches helped in the data collection process and through the snowball approach, the relevant experts were identified for the interview. It must be stated that this method was also faced with certain challenges since these respondents work in reputable institutions it was difficult to get them on time to respond to the questions for the study. Also because of the reputation of these respondents, most of the means of initial contact was either phone call or emails. In the situation where it was through email, it was easy to get a response but where it was through phone calls it was usually met with challenges since many of these organizations had receptionists who do not speak English hence there were times that I had to go there in person to get information for the interviews.

Additionally, the study made use of certain secondary sources such as online research, literature, as well as government policy documents. This was done to enable the study to gather all the necessary resources to draw its conclusions. This methodological choice of this study aims at using diverse approaches to understand the reasons that can explain the

situation that persists. This methodology has its strengths such as assisting in creating an in-depth understanding, flexibility, and low cost, however, there are also certain weaknesses of the method. For instance, this method can lead to inconclusive outcomes and biased conclusions. For this reason, this methodology's weakness will be complemented by theory to produce less biased results.

CHAPTER IV

4. ANALYSIS

This section of the study is composed of an analysis of the data from the interview to give meaning to the study. In so doing this section begins with a historical overview of the case study to provide a context to aid the analysis. All six respondents were interviewed of which two of them represented the Ministry of Finance and Transport, respectively. The others are experts from the private sector who have made significant contributions to the PPP discourse over the years. These four are from the Association for Infrastructure development, Ceska sporitelna, Price Waterhouse Coopers and Ceskoslovenska obchodni banka.

In the Czech Republic since the early 2000s, both private and public parties have been heavily engaged in the preparation of PPP packages under the guidance and influence of international actors.⁶² Over this period three PPP projects have been canceled of which one was in the advanced stage and the other was canceled after the contract was signed. This cancellation incurred penalties of about 19.5 million euros.⁶³ As part of the measures to make PPPs work in 2005, the state proceeded to establish a PPP centrum which was under the auspices of the Ministry of Finance which was charged with the responsibility of providing expert advice and experience for the formulation and implementation of PPP projects.⁶⁴ However, although this institution was well intended as a result of low demand and external pressures such as competition from private consultancies, this organization collapsed in 2011.⁶⁵

⁶² Witz, P (2013) Czech Republic. Cost Action TU1001 at page 71

⁶³ Ibid.

⁶⁴ Ibid.

⁶⁵ Witz, Petr (2013a) Central Public Transport depot of the city of Pilsen Czech Republic. In: Cost Action TU1001 Public Private Partnerships in Transport: Trends and Theory (P3T3) 2013 Discussion Papers Part II: Case Studies. Cost European Cooperation in Science and Technology

Despite these challenges in 2021 a new concession agreement was reached and signed between the representatives of VINCI Concessions and Meridiam and the Ministry of Transport represented by the then minister Karel Havlíček on 15 February 2021.⁶⁶ This concession which is another PPP initiative is expected to be completed after 44 months where the concessionaire is expected to construct and operationalize the motorway.⁶⁷ This project is currently ongoing as expected and when completed will be the second successful PPP project at the national level. Also, currently, there are discussions and preparation for another major PPP project for the construction of the D35 motorway.⁶⁸

Considering this brief history of transport PPP projects in Czechia and the number of challenges that are often associated with these projects in the country it is quite interesting to notice that there continue to be advocacies that seek to suggest that PPPs can be useful for certain critical projects. This background is what sets the tone for this paper's inquisition to make meaning of the Czech experience by consulting actors who have been involved in these processes over the years to solicit their views on what they think is contributing to the situation that exists in the country with regards to PPP projects to make projections or predictions going forward.

ACF as a theory that sets the tone for this inquisition also argues that to understand the processes leading to policy change one must focus on three things: the policy subsystem, the beliefs of actors, and policy-oriented learning.⁶⁹ For these reasons, this study focused on actors within the policy subsystem that deals with the financing of transport infrastructure. These actors are from the Ministry of Finance, Ministry of Transport, and other private parties. Although these actors have different beliefs when it comes to financing certain

⁶⁶ See this link for details: [D4 PPP | PPP D4 reached Financial close | D4 PPP](#)

⁶⁷ Ibid

⁶⁸ https://www.google.com/url?q=https://zdopravy.cz/vlada-zacne-resit-zda-d35-postavi-na-hypoteku-hotovo-ma-byt-do-roku-2029-112956/&sa=D&source=docs&ust=1658799843002823&usg=AOvVaw2XxqEiOjC6_Zhpb0VYK-w

⁶⁹ Paul A. Sabatier (1998) The advocacy coalition framework: revisions and relevance for Europe,

critical infrastructure projects in the country. However, based on their beliefs these actors can come together to champion their common cause. Hence for this paper, these actors have been categorized into two groups: public and private where the public group is those who believe that all transport infrastructure projects should be financed with public funds while the other group believes that private financing of certain critical infrastructure projects is better. Thus, considering these two beliefs within this policy subsystem the study also proceeded to understand the extent to which there has been an alteration of these beliefs through the process of policy-oriented learning. Therefore, two hypotheses along with three sets of questions were assessed to achieve the objective of this paper.

These questions are: first, what sort of interactions are between competing coalitions within the infrastructure financing subsystem in Czechia, secondly are these interactions leading to alteration of beliefs, or is it that if there is policy-oriented learning it can be said to be attributable to external environments and finally, to what extent can we predict the future of PPPs in the country? It must be noted that to answer these research questions two sets of questions were asked of these respondents. These questions each fall under the three main questions for this study. Thus, the study will proceed to analyze the responses within the context of the questions and the theory.

Now, as stated earlier the theory hypothesized that interactions of competing coalitions within the policy subsystem will lead to policy-oriented learning which will subsequently lead to altering of beliefs of actors in the subsystem. This hypothesis is from the aspect of the theory that suggests that to understand policy change one must consider how despite the different beliefs of actors they come together as coalitions to interact among themselves to influence policy. These differences in perspectives of these coalitions serve as the glue that guides them in the quest for policy change. As a result, through the processes of their interaction, there will be changes in belief. Also, through the competing beliefs, the outcome

of policies will lead to policy-oriented learning that will emanate from the outcome of policies implemented. Therefore, few questions were asked in response to the hypothesis and research question. First, respondents were asked about the extent to which the interactions between the competing coalitions within the infrastructure subsystem are causing policy change in Czechia.

In so doing five sets of questions were asked of both groups of respondents. First, respondents from the public sector were asked about their impressions of the use of PPPs. In their response, both respondents were of the view that PPP policies usually are complex and the complexity around them makes it sometimes difficult to implement such policies. For instance, the respondent from the Ministry of Finance argued that although there are complexities associated with PPP projects the Czech system that exists has enough legislation that can be used to untangle these complexities. On his part, the respondent from the Ministry of Transport argued that through these complexities they have gained experience over the years with the implementation of PPP policies hence the Ministry has gathered experience that will guide their work on these PPP projects going forward. He concluded that these experiences will be of substantial value to them considering the current situation where there is a looming financial and economic crisis ahead.

Additionally, when respondents from the private sector were asked about their impression of politicians and civil servants in state or government positions' readiness to accept the use of PPPs based on their interactions over the period. This respondent from PWC was of the view that between 2006 and 2020 there were not many changes in views however after 2021 there have been some changes in views on the use of PPPs at the national level. He proceeded to add that these changes in views can also be attributable to external events like the restrictions on EU funds that were previously relied upon to supplement infrastructure development. Thus, now there are many PPP projects planned at the national level. The second respondent

who is from Ceska sporitelna also affirmed this statement when he further suggested that “there are thousands of PPP projects, especially on the municipal level. E.g., in the water infrastructure, waste management, street maintenance, public lighting, bus and train transport, and others.” When the respondent from the Association for Infrastructure Development was asked the same question, he also confirmed that yes, people in public institutions in Czechia over the years are changing their perspectives on the use of PPPs for certain critical infrastructure projects. Likewise, the respondent, who is from Ceskoslovenska obchodni banka although affirmed the position of his colleagues but added that “until there will be the reduction of EU subsidies, politicians and civil servants are well trained in PPPs we cannot expect a huge transition to the use of PPPs. Also, when there is a common method like the use of the Public Sector Comparator which will help compare projects there will continue to be a lot of political fighting that will come to harm the use of PPPs. When these are done it will reduce the unfounded arguments that people in high positions like academics and political office holders produce.”

These responses suggest that indeed there exists some form of interaction between the two groups and through their interactions they have been able to identify some policy-oriented learning in the policy subsystem. Having confirmed this, respondents from the private sector were asked to what extent they think the current institutions influence their interactions with civil servants in their PPP discourse. All respondents were of the view that existing institutions do not hinder their interactions with civil servants. However, they suggested other things that were hindering the fruitful implementation of these discussions. For instance, one of the respondents was of the view that land and permit acquisition usually hinders the process. It was also suggested that the absence of a dedicated institution to create awareness of PPPs is a challenge hence usually this awareness creation is done by advisors or the Association of Infrastructure Development. One respondent was of the view that “other

obstacles existed but it has to do with the chaotic process that usually surrounds the approval processes in Parliament as well as the conversion of the Czech Crowns for Euros for the contract sum. This is because it is a huge sum of money hence the concessionaire sometimes wants to have unambiguous evidence that there are only market influences that can adjust the prices.”

Respondents from the public service were also asked as part of getting to know the extent of policy-oriented learning that is happening within the policy subsystem which they thought was hindering the successful implementation of PPP policies in the country. Interestingly both shared similar views, the presence of EU funds usually makes the state opt for the use of these funds rather than going into the use of PPPs. They also suggested that the absence of experts on PPPs within their organizations is also to be blamed for the lack of success that has plagued PPP projects. Moreover, the respondent from the Ministry of Finance proceeded further to suggest that based on their experiences because PPP projects take a longer time to be initiated and implemented and since political office holders need quick results they often prefer to opt for the use of public financing since they will guarantee them quick results which they need to show the electorates during the next election.

Additionally, she argued that there is a communication weakness in how PPP debates are conducted in the public space. For instance, when journalists publish the whole-life costs of the PPP pilot project and compared it with the investment costs of some similar projects and they are trying to persuade the public that the PPP solution is several times more expensive than the traditional one it is expected that the government will come and demonstrate that these comparisons are flawed but they are unable to do that which leads the public been persuaded to believe in the wrong facts.

Again, the respondents from the private sector were also asked a similar question on what they think is hindering the successful implementation of PPPs in the country. They all had some similar responses to the ones offered by the respondents in the public service, but other responses were also different. For instance, they all argued that the absence of good advisors and experts at the governmental level, and the mismanagement of projects because of the lack of capacity are some of the hindrances to the successful implementation of PPPs in Czechia. Others suggested reasons like the absence of KPIs which could be used as a basis for the selection of the financing model to use when it comes to project financing. One respondent even suggested that there is a lack of energy and enthusiasm to change things and make them better at the public level. They also confirmed that the existence of EU funds is also a hindrance to the use of PPPs for infrastructure development.

Moreover, respondents from the private sector were asked whether they think PPP policies implemented in the country so far are well considered before being implemented. In this regard, one said yes while the other three expressed different sentiments. For instance, one of the respondents was of the view that until the implementation of PPPs policies is tailored or fashioned to suit the Czech Republic's specific situation, especially from the technical, accounting, and structural point of view he will not consider the implementation as properly considered. Another respondent suggested that at the municipal level, yes, but at the national level many PPP transactions lack methodological and political support which hinders their implementation. The last respondent was of the view that although he thought PPP projects in Czechia are carefully considered, sometimes the government does not have the right know-how required to be able to build good relationships between themselves and international advisors. This is because PPP projects require a lot of time and good advisors which the government does not have.

Finally, in answering the question on the sort of interactions that exist between competing coalitions within the transport policy subsystem it must first be pointed out from the responses that have been stated in the previous paragraphs by respondents that it can be confirmed that interactions of competing coalitions that exist within this subsystem are harmonious which is leading to policy-oriented learning. This is because from the responses one can confirm that there are interactions between the coalitions and through their interactions, they have been able to identify issues that need to be addressed. Also, through the responses gathered it is realized that there has been policy-oriented learning which is leading to changes in the beliefs of actors. This can be traced from one of the responses offered by the respondent from the Ministry of Transport where he suggested that the complexities associated with the use of PPPs over the years have offered them experience over the years with the implementation of PPP policies. This he confirms as the result of the processes of policy-oriented learning that they have encountered through the many failed PPP projects. Based on this we can conclude that interactions of competing coalitions within the policy subsystem are leading to policy-oriented learning which is currently leading to the altering of beliefs of actors in the policy subsystem.

Now, having confirmed the first hypothesis and answered the research question thereof it is important to proceed to the related hypothesis and question which brings more perspectives to the study. The second hypothesis assessed in this study was that policy change will occur within a policy subsystem because of major changes that are external to the policy subsystem. This hypothesis was answered by responding to three questions that seek to answer the second research question. This question sought to know whether there have been changes that are leading to the alteration of beliefs and whether can they be attributable to external events outside the policy subsystem. It must first be argued that the second question is a buildup on the first and seeks to bring a lot of clarity as well. Thus, three questions were asked of the

respondents. The first of such questions was whether they think people within their policy subsystem are beginning to change their positions against the use of PPPs as an alternative method of financing. In this regard, the respondent from the Ministry of Finance suggested that in her view in some situations, yes but some are still skeptical about the use of PPPs for financing infrastructure projects. Her view was affirmed by the respondent from the Ministry of Transport except to say who added, “we still feel mistrust in this sense, but we have feedback that has been able to dispel many doubts with the successful start of the construction of the D4. We expect that further improvement of the overall picture of the PPP will occur with the rapid completion of this highway, and especially with long-term quality maintenance, which will set a completely new standard in this regard. This aspect is perceived very critically in the Czech Republic. It is evident that private financing is slowly but surely becoming a commonly accepted form, of course, more from the professional point of view than of the public.” This shows that although there is optimism there is still some work that needs to be done to fully make people appreciate the nuances of PPP projects.

Respondents from the public sector were asked a further question to bring clarity to the second research question. They were asked whether they think PPP policies introduced so far are imposed on the country or whether it was acceptable to all in the public service. All their responses were a bit different. For instance, the respondent from the Ministry of Transport was of the view that because there is a lot of mistrust in this direction, often stemming from little awareness of PPP, the intended projects must demonstrate and defend their necessity, rather than being forced. For this reason, he suggested he does not think that the intention to build these projects in the form of PPP would be subjectively forced on the state, but rather is usually agreed upon by both interested parties, as well as experts. On her part, the respondent from the Ministry of Finance argued that in her view these policies are acceptable but since public servants are more conservative it will take some time for all to fully understand them.

Finally with regards to the second research question and hypothesis respondents from the public service were asked whether they will accept the use of PPPs in recent times since public finance is limited. In their response, both argued in the affirmative. The respondent from the Ministry of Transport suggests that although they will consider the PPP option as a financing mechanism it will depend on many factors, be it time, legal, or purely economic. He proceeded to argue that “certain projects like railway infrastructure are also planned; however, the time factor speaks against PPP in our environment because the design phase is inherently more time-consuming and public pressure for the rapid completion of the highway network is considerable. Hence not all projects are suitable for the use of private financing due to their volume or nature, and it is, therefore, necessary to carefully consider what value for money they will get by using a conventional or an alternative method of financing.” The respondent from the Ministry of Finance on her part argued that for them as civil servants they are ready to employ all methods of public financing, but the decision lies in the bosom of politicians on which method to use and at each point in time.

Based on this outcome from the respondents it can also be affirmed that policy change will occur within a policy subsystem because of major changes that are external to the policy subsystem. This conclusion can be drawn from the responses that were solicited from the discussions above. Thus, it can be confirmed that changes are leading to alteration of beliefs and can be attributable to not only external events but internal events as well. For instance, respondents agree that since the reduction in the EU funds the state is beginning to consider PPP options for the financing of some key transport projects.

Turning now to the last research question which seeks to ascertain whether going forward we can predict the future of PPPs in the country. This question has to do with predictions based on the experience of experts in the field hence three questions were asked of the respondents. First respondents were asked how they think PPP policies could be made successful. All of

them gave different suggestions. For instance, it was first suggested that the laws on permitting, and land appropriation should be changed to reduce the delays associated with PPP projects. It was also suggested that there should be a proper evaluation of the policies which will translate to proper management of the life cycle of the policy. The public sector was also asked to invest in its expertise and retain these experts for future PPP projects.

Also, respondents from the public service were asked for their suggestions to make PPP policies acceptable. On their part, both shared some similar perspectives like improving the level of communication between government and the general public. The respondent from the Ministry of Transport suggested that “if we want the idea of private financing of transport constructions to be accepted, the public must first become more familiar with this “magic” acronym. We must explain what improvements can be expected from PPP as well as its shortcomings.” Again, it was suggested that there should be cooperation between MPs from the concrete region so that they can be motivated to support concrete projects that are important for their region. It was also suggested that “when the D4 project is completed it can provide a real example of good practice and create a chance for full acceptance of PPP in the Czech Republic”. This is argued will serve as positive publicity about PPP, as everyone will be able to tangibly verify that private financing works and delivers results.

Finally, respondents from the private and public sectors were asked how they envisage the future of PPPs in the country. They unanimously expressed optimism for PPPs in the country with different reasons buttressing their arguments. For instance, two of the respondents suggested that when the D4 highway is completed it will give their advocacy more impetus. Another was of the view that the overall mutual understanding of PPPs is still developing, and society is gradually moving toward understanding the architecture of PPP projects. For these reasons it can safely be concluded that generally PPPs are considered to have a future in the Czech Republic although it has been threatened with many challenges. To sum up, in the

words of one of the respondents who argued that “it is evident that private financing is slowly but surely becoming a commonly accepted form, of course, more from the professional point of view than of the general public.”

CHAPTER V

5. CONCLUSION

The aim of this paper is mainly to use the ACF as a theory to make sense of Czechia's experience in the use of PPPs as a financing method for certain critical transport infrastructure projects. For this reason, the theoretical premise upon which the discussion was based is the argument from the Advocacy Coalition Framework (ACF) which suggests that policy change occurs as a result of three factors: 1) interaction of competing coalitions within a policy subsystem, 2) changes external to the policy subsystem leads to policy-oriented learning and alteration within the larger policy system, and 3) the encompassing institutional parameters that constrain and bind actions of coalitions in the policy subsystem.⁷⁰ In so doing the research also was guided by two hypotheses which are:

H1: Interactions of competing coalitions within the policy subsystem will lead to policy-oriented learning which will subsequently lead to the alteration of beliefs of actors in the policy subsystem

H2: Policy change will occur within a policy subsystem because of major changes that are external to the policy subsystem

Therefore, at the end of this discussion, two major conclusions can be made which will assist in making further suggestions. First, the study has shown that within the PPP transport infrastructure subsystem in Czechia exists an interaction of competing coalitions. These competing coalitions are helping in causing changes to the beliefs of actors within this policy subsystem through the process of policy-oriented learning. This policy-oriented learning emanates from two factors: external and internal elements. The external can mainly be

⁷⁰ Paul A. Sabatier (1998) The advocacy coalition framework: revisions and relevance for Europe,

attributed in this instant case to the reduction in the EU funds and the internal could be attributable to the weakness that exists within the policy subsystem such as the absence of experts, and mismanagement.

Hence based on this conclusion it can be suggested that in the case of the Czech Republic PPPs in the transport sector are gradually emerging strongly because of the factors that have been discussed earlier. Respondents are very optimistic about the future of PPP policies, especially in the transport infrastructure subsystem. Thus, the contribution of this study is that gradually the use of PPPs for financing certain critical infrastructure projects is beginning to be accepted in Czechia and this can be mainly attributed to the policy-oriented learning emanating from both internal and external factors. This shows a positive prospect for PPPs in the country.

In fine, the study sought to expand the debate in the literature on PPPs in Europe by concentrating on the central European experience where there has been little discussion. Hence the paper shifts the debate from only the establishment of institutions and the decision-making models to focus on how the interaction of competing coalitions is causing policy change within the transport subsystem. Hence the paper further suggests that other studies could consider using other methods to ascertain how each of these factors in quantitative terms is helping to shift beliefs of coalitions.

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APPENDICES

Respondent 1

1. *What are your impressions on the use of Public Private Partnership (PPPs) against public financing of infrastructure?*

The implementation of the PPP pilot project in the field of transport infrastructure was not so easy, we had to overcome many unforeseen complications concerning the Czech legal and economic environment, which does not occur in traditionally financed constructions, in particular, the issue of dual currency, value added tax, unusually long-term contracts, and certain legislative obstacles, a certain degree of general mistrust of PPP projects in our environment should be considered. It can be stated that during the preparation process we gained a lot of valuable experience that will help us in the implementation of future PPP projects. In the focus of the coming financial and economic crisis, projects primarily financed by private entities are one of the ways to at least partially continue the construction of the transport infrastructure.

2. *From your experiences through the PPP policies in Czechia, why do you think PPPs have not been unsuccessful?*

First, there is a broad political consensus on the implementation of the PPP test projects which enabled us to start preparations for the D4 PPP project, however, even though its preparation was longer and more complicated than it would have been conventionally due to the reasons mentioned above. Furthermore, PPP s have not been successful because of the volume of funding for transport constructions, which is allocated to the Czech Republic by the EU over the years, which usually prevents us from finding alternative ways of financing transport projects. Finally, it is necessary to mention that in recent times as a result of the involvement of top experts from the private sector in the field of consultancy and the precise

work of the employees of the Ministry of Transport (MD), the State Fund of Transport Infrastructure (SFDI) and the Road and Motorway Directorate (ŘSD) we are now seeing some success with PPP policies, for instance, the D4 project which is now considered as undoubtedly a great success, as evidenced by the awarding of the prestigious IJGlobal Awards 2021 and PFI Awards.

3. *Although, public financing is limited will you accept the use of PPPs for certain critical infrastructure projects? Why or why not?*

The answer to this question was already indicated in the previous one, but because we expect difficult times in terms of real volumes of financing, it will be necessary to spread the burden on public budgets over a longer period so that the implementation of planned constructions does not have to be delayed. Sections of some highways under construction are already selected for the possible application of PPP. The current implementation of this form of financing will depend on many factors, be it time, legal, or purely economic. Certain projects of railway infrastructure are also planned. In particular, the time factor speaks against PPP in our environment, because the design phase is inherently more time-consuming and public pressure for the rapid completion of the highway network is considerable. Not all projects are suitable for the use of private financing due to their volume or nature, and it is, therefore, necessary to carefully consider what value for money we will get by using a conventional or an alternative method of financing.

4. *Over the years will you suggest that based on your interactions on the use of PPPs certain people have begun to change their position against the use of PPPs as alternative financing for certain infrastructure projects?*

We still feel mistrust in this sense, but we have feedback that has been able to dispel many doubts with the successful start of the construction of the D4. We expect that further

improvement of the overall picture of the PPP will occur with the rapid completion of this highway, and especially with long-term quality maintenance, which will set a completely new standard in this regard. This aspect is perceived very critically in the Czech Republic. Private financing is slowly but surely becoming a commonly accepted form, of course, more from the professional point of view than of the general public.

5. Do you think that PPP policies introduced so far are rather imposed or it was acceptable to all in the public service?

As indicated above, there is still a certain amount of mistrust in this direction, often stemming from little awareness of PPP, so the intended projects must demonstrate and defend their necessity, rather than being enforced. We also do not think that the intention to build some projects in the form of PPP would be subjectively perceived as forced, both in the environment of interested parties, as well as experts of the general public.

6. What will you suggest to be made to make the PPP policies acceptable?

We mainly perceive little familiarity with PPP among the general population in our country, in contrast to the countries of Western Europe and especially in Britain, where it is a common standard form. Therefore, if we want the idea of private financing of transport constructions to be accepted, the public must first become more familiar with this “magic” acronym. We must explain what improvements can be expected from PPP and what, on the contrary, if it has any shortcomings. The principle of PPP has its advantages but also disadvantages, for experts and the general public to accept PPP, it is always necessary to inform them truthfully, not to exaggerate the advantages, and not conceal the disadvantages. We will also point to the successful completion and operation of the D4, which will provide a real example of good practice and create a chance for full acceptance of PPP in the Czech

Republic. Here we see a wide space for positive publicity about PPP, as everyone will be able to tangibly verify that private financing works and delivers results.

Respondent 2

- 1. What are your impressions on the use of Public Private Partnership (PPPs) against public financing of infrastructure?*

It's a very complex topic and I mean it is not possible to assess it generally for any country and any type of public service. In the Czech Republic, we have legislation ready for each of these solutions and the main criterion should be 3E of each transaction plus the will of public service top management to do things. There is also an important role of commercial provision (not PPP) of public service in some sectors in the CR.

- 2. From your experiences through the PPP policies in Czechia, why do you think PPPs have not been unsuccessful?*

From my point of view, the PPP concept has not been much successful i.e., often used in Czechia, due to several reasons.

- A. Fortunately, we were not in the situation of the lack of sources for public investment projects, so there was no pressure to implement PPP projects for this "bad" reason like some EU countries. Thanks to this we avoided problems with excessive public debt that must be solved now by some countries.
- B. Preparation of the PPP solution typically takes more time than traditional ways of investment and politicians need the results of their work to be presented to the public no later than before the next elections. This is a limit, especially for big transport infrastructure projects to be implemented as PPP. On the other side, there are smaller

projects implemented in the Czech Republic like social care infrastructure, leisure time activities infrastructure or parking houses, etc.

- C. There were some weaknesses in communication with the public, concretely in explanations of concrete projects' strong and weak aspects. Well-prepared PPP project documentation includes expected whole-life costs and revenues of the project. On the other side, traditional public investment project documentation includes only investment costs plus initial operational costs. E.g., whole-life operational costs, maintenance, and public debt interests are not included and published. As a result, there were situations connected with concrete PPP pilot projects, when journalists published whole-life costs of the PPP pilot project and compared them with investment costs of some similar projects, and they were trying to persuade the public that the PPP solution is several times more expensive than traditional one. They were comparing something incomparable, but the response of relevant politicians and top managers was weak or none. They preferred to fold the project.
- D. There was one big and very complex pilot project not suitable for PPP as it had been unsuccessful as a traditional public investment project several times for 20 years before it was suggested as a PPP pilot.
3. *Although, public financing is limited will you accept the use of PPPs for certain critical infrastructure projects? Why or why not?*

The Ministry of Finance staff is ready to do its job on any type of project, decisions are always on politicians. Our task is to explain the weak and strong aspects of each solution and once the solution is decided on, to do our best for 3E of the project

4. *Over the years will you suggest that based on your interactions on the use of PPPs certain people have begun to change their position against the use of PPPs as alternative financing for certain infrastructure projects?*

Yes, some yes and some not.

5. *Do you think that PPP policies introduced so far are rather imposed or it was acceptable to all in the public service?*

I think it is acceptable but not accepted by all in the public service. Public sector staff is very often conservative people.

6. *What will you suggest to be made to make the PPP policies acceptable?*

- a. What I consider to be crucial, is strong support of top-level politicians, plus
- b. top quality communication with a narrow and wide public, plus
- c. wide consensus on the project between all important political parties – governmental and opposition.
- d. What could be useful, for instance, cooperation of MPs from the concrete region, representing the Cabinet coalition and opposition, who are together motivated to support a concrete project that is important for their region.

3. RESPONDENT 3

1. *To what extent do you think politicians and civil servants in the state or government positions are ready to accept the use of PPPs based on your interactions over the period?*

2006-2020 not so much only some smaller projects on a regional level. But from 2022 onwards this has changed due to the successful D4 PPP Highway close and further restrictions on other funding options like EU funds. Now several new major PPPs are being planned on the national level as well (eg. highway, rail, social infra)

2. *What will you suggest is hindering the successful implementation of PPP policies?*

- Complex procedure for any PPP project involving many stakeholders
 - Public sector has neither capability nor capacity to start/prepare these projects, not enough expertise. External expertise (such as advisors) is expensive
 - PPP projects are considered expensive especially when interests rates are high (such as now)
3. *From your experiences will you suggest that PPP policies are well considered before being implemented? Why or why not?*

Yes, I think in any PPP project in CZ the PPP law is followed including a thorough value for money assessment.

4. *To what extent do you think the current institutions influence your interactions with civil servants on PPP discussions?*

Not so much – there is not a general PPP institution / PPP Centre promoting this PPP procurement and sharing the best practice. Therefore, most of the awareness raising is done by advisors (us) or ARI (Tomas Janeba)

5. *Based on the foregoing, what will you suggest will make PPP projects successful?*
- Successfully closing more pilot projects in several key sectors (highways, rails, social housing, hospital)
 - Public sector able and willing to invest in their expertise and retain these experts for future PPP projects
6. *How do you envisage the future of PPPs in the country?*

As I outlined in the first question – rather positive thanks to the successful pilot project made by the Ministry of Transport

Respondent 4

1. *To what extent do you think politicians and civil servants in the state or government positions are ready to accept the use of PPPs based on your interactions over the period?*

Yes, they are ready. In the Czech Republic, we have thousands of PPP projects, especially on the municipal level. E.g., in the water infrastructure, waste management, street maintenance, public lighting, bus and train transport, and many others.

2. *What will you suggest is hindering the successful implementation of PPP policies?*

It's a lack of energy and enthusiasm to change things and make them a better way, ... that is being missed on the public level.

3. *From your experiences will you suggest that PPP policies are well considered before being implemented? Why or why not?*

On the municipal level yes. At the government level, we have only a few PPP transactions. So, the PPP policies lack the methodological support needed, although they have the politician's support, hence the limited projects at the national level. E.g., on the highway level, we have just one pilot PPP project D4. Just one.

4. *To what extent do you think the current institutions influence your interactions with civil servants on PPP discussions?*

The existing institutions do not hinder PPP policy interactions.

5. *Based on the foregoing, what will you suggest will make PPP projects successful?*

The nature of PPP projects requires that you manage the whole life cycle of these transactions. This principle is not efficient for all projects, they must be evaluated before

starting, but I guess that nearly 50 % of all infrastructure projects might be used by using this principle.

6. *How do you envisage the future of PPPs in the country?*

There is a future for PPPs in the Czech Republic on all public level responsibilities. For sure.

Respondent 5

1. *To what extent do you think politicians and civil servants in the state or government positions are ready to accept the use of PPPs based on your interactions over the period?*

Yes, I think people in public institutions over the years are changing their perspectives on the use of PPPs for certain important projects

2. *What will you suggest is hindering the successful implementation of PPP policies?*

There are many things that I think are hindering the successful implementation of PPP policies. The most important hindrance is the absence of good and quality advisors. Also, other hindrances include the existence of EU funds, such as grants decreasing the support for the use of PPPs. Additionally, there is sophistication in the way the public sector approaches PPP policies. And finally, mismanagement of projects such as the D47 highway.

3. *From your experiences will you suggest that PPP policies are well considered before being implemented? Why or why not?*

The projects are considered properly but sometimes the government does not build the right know-how to be able to build good relationships between themselves and international advisors. This is because these projects take some time, and they require good advisors.

4. *To what extent do you think the current institutions influence your interactions with civil servants on PPP discussions?*

The existing institutions do not serve as hindrances in themselves but rather there are other challenges with issues like land and permit acquisitions. These are one of the reasons for the delay in projects like the motorway and D4.

5. *Based on the foregoing, what will you suggest will make PPP projects successful?*

What must be done is to change the law on permitting and land appropriation. This takes some time to fix.

6. *How do you envisage the future of PPPs in the country?*

If the D4 project is successful it will seek to pave way for other projects.

Respondent 6

1. *To what extent do you think politicians and civil servants in the state or government positions are ready to accept the use of PPPs based on your interactions over the period?*

Until there will be a reduction of EU subsidies, politicians and civil servants are well trained in PPPs we cannot expect a huge transition to the use of PPPs. Also, when there is a common method like the use of the Public Sector Comparator which will help compare projects there will continue to be a lot of political fighting that will come to harm the use of PPPs. When these are done it will reduce the unfounded arguments that people in high positions like academics and political office holders produce.

2. *What will you suggest is hindering the successful implementation of PPP policies?*

A lot of politicians are hindrances. Also, there should be clear rules with KPIs that will be used to evaluate projects to serve as a basis for the selection of PPP projects. Once again PPPs are not suggested to be used for everything. There should be a shift from people who claim to know what PPPs mean to the Czech Republic knowing what PPPs mean by employing experts who know instead of politicians employing people with no experience and expertise.

3. From your experiences will you suggest that PPP policies are well considered before being implemented? Why or why not?

I am not sure politicians do but in my view, PPP policies are unified in Europe. For instance, if you consider PPP policies in Germany, Netherlands, Slovakia, and others they are almost the same. This is because everything is borrowed from the UK since they have the experiences and the standards. But I also think that the implementation of PPPs should be the Czech Republic-specific, especially from the technical, accounting, and structural points of view.

4. To what extent do you think the current institutions influence your interactions with civil servants on PPP discussions?

From my perspective, I do not feel any institutional obstacle exists. There are other obstacles like the approval processes in Parliament which is usually chaotic. Another problem I consider existing has to do with the swap of the Czech Crowns for Euros because it is a huge sum of money hence the concessionaire sometimes wants to have clear evidence that there are only market influences that can adjust the prices. However, if there exists a dedicated unit it would be more beneficial to make the PPP processes well explained because there is a lot of confusion about the contract prices of PPP projects.

5. *Based on the foregoing, what will you suggest will make PPP projects successful?*

Follow best practices in Europe by employing more people with experience than only those who have only read about PPPs in books. There should be more people dedicated to PPP projects because these projects are expensive, so it needs dedicated people with experience.

6. *How do you envisage the future of PPPs in the country?*

I am very optimistic because I was one of those who established the ARI to champion PPP projects in the country. We have made many contributions so far and I think the overall common understanding is still developing and society is moving to understand the architecture of PPP projects. Also, I think the public servants are changing their views but it usually depends on the existing government I hope this will change in the future so these issues will not be a political game.