

**ACTION PLAN**  
**“ACCESS TO ALL”**  
**Investigating the possibility for a PPP in**  
**the public bus transportation in the City**  
**of Skopje**

---

**Marjan Nikolov MSc**

**Center for Economic Analyses (CEA)**

**Skopje**  
**December, 2007**

Disclaimer: Opinions expressed in this report are those of the Center for Economic Analyses and do not represent the opinion of the USAID or any other concerned institutions. It is the responsibility of other authors to cite this report when it has informed their research and publications.

## Table of Contents

Executive summary .....	4
Introduction .....	4
Opportunity statement for the action plan .....	5
The action plan title, mission statement and goals.....	6
List and rank of performance indicators and stakeholders.....	7
Strategy development for dealing with detractors .....	9
Work plan for action plan implementation .....	10
Identification of the resource requirements .....	11

## **General information about CEA**

### **Logo:**



### **Address:**

**CENTER FOR ECONOMIC ANALYSES (CEA)  
Bul. Jane Sandanski 63/3,  
1000 Skopje Macedonia**

**Tel: + 389 (0)2 24 44 766  
Mob: + 389 70 834 636**

**TIN: 4030003479278  
Reg. 5763061**

### **Account number:**

**Stopanska Banka AD Skopje  
Account number: 200000856268559**

### **Web page and e-mail:**

**[www.cea.org.mk](http://www.cea.org.mk)**

**[www.lsg-data.org.mk](http://www.lsg-data.org.mk)**

**[info@cea.org.mk](mailto:info@cea.org.mk)**

# Action Plan “Access to all”

## Executive summary

The Center for Economic Analysis – CEA expressed interest for PPP training to USAID. USAID sponsored the training about PPP to one participant from CEA. The training provider is the Institute for Public-Private Partnership, Inc - IP3.

The training period was for 6 weeks starting beginning of November and ending mid December and consisting 6 modules: PPP concepts, rationale and contractual options, project appraisal and feasibility studies, project finance and investment analyses, procurement process, communications and stakeholder relations and contract management, monitoring and evaluation.

The course was organized in a way for participants to prepare weekly submission on content and case study requirements and to prepare an action plan on a specific project.

This document is the final version of the action plan developed during the 6 weeks training. It starts with the background for the process, then it identifies the mission statement and the objectives of the plan, the key performance indicators and the work plan are developed, the resources are identified and monetized and the document ends with final thoughts.

## Introduction

### ***Brief description of CEA***

Think tanks are already playing in some transition countries an important role in supporting policy development and fostering public dialogue on key issues facing their societies. The environment in Macedonia has not yet prioritized the institutional development of think tanks. Macedonia consequently does not have robust and effective capacities to conduct macro and microeconomic analysis in either the public or private sectors.

The Center for Economic Analysis – CEA was established in 2003 to fill this void. CEA was founded by younger Macedonian economists who have received their professional education and training through studying at western universities, attending seminars and courses organized by international financial institutions and international organizations, and working in an international environment. They share a common vision of the Republic of Macedonia as an emerging economy that will integrate with regional and world markets. The Mission of CEA is to continuously research economic development and public policy in the Republic of Macedonia and to offer recommendations, suggestions and measures to the governmental and non-government organizations, including the private sector. Our goals are to establish a sustainable think tank that will be a permanent institution that provides outstanding intellectual capacities and resources to conduct analyses for government and non-government clients, and to create a demand for those services that ensures Macedonia has the capability to properly support policy analysis.

So far CEA have had around 100 projects ([www.cea.org.mk](http://www.cea.org.mk) see track record of CEA) and many had impact to GoM decisions. CEA won USAID three year support within unsolicited proposal for sustainability as well.

### ***The role of Marjan Nikolov at CEA.***

Marjan Nikolov is the President of CEA with executive power and a founder of CEA. He has run numerous projects at CEA as analysts, team leader, initiator of projects, fund raising etc. More on his experience find at: <http://www.cea.org.mk/contacts.htm>.

### ***Involvement in future PPP exercises in Macedonia***

CEA has done a lot of work at sub national level government mostly at fiscal decentralization. In the 7<sup>th</sup> issue of the CEA Bulletin – *Decentralization our goal*; the Editor points ([www.cea.org.mk](http://www.cea.org.mk) follow the bulletin link and then issue number 7):

*“The challenge for Macedonia is to increase both private and public investment to support economic growth and modernize its infrastructure while maintaining a stable macro-economic environment. The LGUs and municipal companies will play a critical role in this context, as they are responsible for undertaking a substantial portion of the infrastructure investments required.*

*LGU investments are well below what is required to meet EU infrastructure standards over the pre-accession period. Currently, most of local infrastructure is obsolete and a large amount of effort is required for its replacement and modernization. Services such as water, sewage and solid waste systems involve large unit costs. To increase the level of such services will require considerable investments. It is evident that large part of development, replacement, and renewal of local assets will need to be financed out of LGU budgets and /or through other alternatives.*

*One alternative whereby the private sector undertakes to provide services of public nature is the Public Private Partnership – PPP experience. Best practices calls for each element of risk to be allocated to the party which is best equipped to manage it so that the risk can be minimized altogether. Of course that there are risks like confusing the value for money solution with the cheapest solution for investment project but setting a system in Macedonia could challenge the tariff reform, changes in the corporate structure, management and operations, improved legal framework, private sector participation and last but not least political acceptance.”*

### ***The reason for taking this course and expectations***

CEA asked for this training to learn the world wide experience in alternative instruments to solve capital problems and to learn and than to know how to implement them in fulfilling the CIP at LSG level. PPP is important as it provides alternatives to LSG level for providing more efficiently services to citizens. It can indirectly strengthen the institutions in Macedonia as well.

The expectations are to use the knowledge and to transfer it in Macedonia, to work on projects, to transfer knowledge to the staff at CEA as well. Also, CEA can be an asset to the GoM as well in the future PPP exercises and with ambition maybe one day to be a transaction advisor.

## **Opportunity statement for the action plan**

Almost two years ago a Macedonian private company wanted to invest in the Capital of Macedonia – Skopje in the public bus transportation. The “negotiations” between the private company and the Mayor of Skopje was more of an exchange of public announcements in the media and at the end the PFI was never realized.

Around a year ago the Mayor of Skopje wanted to go for borrowing within the EBRD to solve the acute problem of public bus transportation but he was not allowed from the Ministry of finance of Macedonia to proceed with the initiative.

The problem with the bus transportation in the city of Skopje is identified but no solution so far was implemented. Recently the GoM announced that will buy buses for the JSP (Public Bus Enterprises of the City of Skopje).

**This Action Plan will try to find out what could be the best solution for the city of Skopje to solve the problem of public bus transportation.**

The institutional limits at the moments are of limited nature as the new Law on concessions and other types of PPP will be adopted soon, the LSG in Macedonia as of July this year are allowed to borrow and there are interested parties to invest in this service.

Other problems might be of a technical and social character. The transportations means – the busses are obsolete, the management lacks skills and knowledge, and there is little political will to deal with the over-employment and the hidden over-employment.

## **The action plan title, mission statement and goals**

**Action plan title:**

### **Access to all**

In a dynamic world and urban centers as Skopje is, people need to have access to alternatives in commuting. PPP in urban transportation is with clear and definable revenues streams. Risks are of institutional, technical and social character but positive is that there are indications of a political will. What needs to be achieved is modern way of public bus transportation in Skopje with accessible tariffs to the citizens' purchasing power even for routes with fewer passengers.

The city of Skopje is ethnically fragmented but citizens are different in many conditions as: physical (disabilities), social, economic, gender and age. They all need improvements in the public transportation and that is why **the access should be allowed to all of them** of this proposed instrument for a newly better services.

**Mission statement:**

## **Improving living conditions in the City of Skopje**

### **From a policy perspective**

**Goals:**

- Increase the number of people using public transportation
- Faster and more frequent transportation
- Create a system that will be priority one compared to the individual private car transportation
- Less air pollution

**Objectives:**

- To build a bus network with separate lanes based on principles and routes planned through consultation with Skopje administration and the population
- To keep fares low while improving the commercial speed
- To be financially sustainable alternative to relatively expensive underground system in Skopje

## From a perspective of CEA

### Objectives:

- Gain a better understanding of P3
- Gain a greater understanding of the current situation and future challenges facing the public bus transportation company
- Increase awareness among stakeholders of the P3

### Actions:

- To find the financial statements of the JSP (the City of Skopje's public transportation enterprise)
- **Justification:** in order to know better the situation apart from anecdotic one CEA need official financial data
- To talk with the private investor interested for the P3
- **Justification:** the interested investor had some incentive for his expression of interest. CEA would like to learn more on his incentives and experience, obstacles etc
- To find information and data on the frequencies, lanes etc in the City of Skopje
- **Justification:** apart from financial data a data on technical production process is essential input for future calculation of the project viability and risks
- To talk with the central authorities that prepared the draft law on concessions and other types of PPP
- **Justification:** it is of importance to see where the regulator is aiming at with the future PPP potential in Macedonia, are they serious, what is their knowledge, agenda etc
- To find at least two case studies in Europe on P3 in capital cities
- **Justification:** case studies are always cheapest way to learn lessons
- To analyze these case studies
- **Justification:** this is the real type of work and when one learn at most
- To analyze proper form of P3 for Skopje public transportation
- **Justification:** this has to be done so that CEA will be out of the "void" and actually implementing what have learned
- To identify the risks for that form
- **Justification:** this is to implement what CEA have learned during the course and add a value to it and use to it
- To present the results/preliminary study to the City of Skopje officials
- **Justification:** the effort and the results will be of interest to the decision makers

## List and rank of key performance indicators and stakeholders

### Key performance indicators – KPI

1. Number of meetings conducted
2. Number of case studies analyzed and preparation of lessons learned for my AP
3. Number of presentation of my case study and AP to stakeholders
4. Number of individuals/organizations/media to contact me and CEA related to my SP
5. City of Skopje starts the PPP procedure

	Objectives	Actions	KPI	Explanation for choice
1	Gain a better	• Find financial	• Number of case	I need to

	understanding of P3	<p>statements of JSP</p> <ul style="list-style-type: none"> <li>Find at least two case studies in Europe on P3 in capital cities and analyze them</li> </ul>	<p>studies analyzed and preparation of lessons learned for my AP</p>	<p>understand P3 as better I can so that I can try to implement this instrument</p>
2	Gain a greater understanding of the current situation and future challenges facing the transport company	<ul style="list-style-type: none"> <li>Talk with the private investor</li> <li>Find information and data on the frequencies, lanes etc in the City of Skopje</li> </ul>	<ul style="list-style-type: none"> <li>Number of meetings conducted</li> </ul>	<p>I need to know better the situation in the City of Skopje and the incentives of the private sector</p>
3	Increase awareness among stakeholders of the P3	<ul style="list-style-type: none"> <li>To talk with the central authorities that prepared the draft law on concessions and other types of PPP</li> <li>To analyze proper form of P3 for Skopje public transportation</li> <li>To identify the risks for that form</li> <li>To present the results/preliminary study to the City of Skopje officials</li> </ul>	<ul style="list-style-type: none"> <li>Presentation prepared</li> <li>Number of presentation of my case study and AP to stakeholders</li> <li>Number of individuals/organizations/media to contact me and CEA related to my SP</li> <li>City of Skopje starts the PPP procedure</li> </ul>	<p>Only by contacts, information sharing and debate can disputes be solved</p>

### Issue Identification and stakeholders mapping

Stakeholder group	Supporter
Citizens	<ul style="list-style-type: none"> <li>Quality of service increase</li> <li>Worried about possible price increase</li> </ul>
Administration of the City of Skopje	<ul style="list-style-type: none"> <li>Reducing financial burden of underperforming of JSP</li> <li>Interested to gain more trust from citizens and improve their image</li> </ul>
Private public transporters	<ul style="list-style-type: none"> <li>Their potential involvement in the PPP</li> <li>Might worry because of potential competition</li> </ul>
Interested private investors	<ul style="list-style-type: none"> <li>Opportunity for profit</li> </ul>



International community (USAID, EBRD, WB)	<ul style="list-style-type: none"> <li>• Enabling environment for private sector growth</li> </ul>
NGO	<ul style="list-style-type: none"> <li>• More environmental protection</li> </ul>

Stakeholder group	Detractor
The existing public bus transportation enterprise in Skopje – JSP	<ul style="list-style-type: none"> <li>• Firing hidden employees</li> <li>• Loosing monopoly</li> <li>• Loosing subsidies</li> </ul>
Ministry of finance/The Government	<ul style="list-style-type: none"> <li>• Possible questioning the creditworthiness of the City of Skopje</li> <li>• Possible not in favor of the fact that the Mayor is getting the credit for reform</li> </ul>

## Strategy development for dealing with detractors

1. **Whom to address;** the detractors are priority
2. **What changes in behavior are required;** raising awareness and support for better bus transportation in the City of Skopje
3. **What messages are appropriate;** better services, satisfied citizens, access to all, sustainable bus transportation, and environmental benefits (work on take-away messages)
4. **Which channels of communication;** CEA Bulletin and other CEA reports to address general public and especially City of Skopje, donor community, private investors
5. **Evaluation;** is support gained, awareness increased

### Tasks:

1. Preparing well arguments for not sustainable situation in Skopje and the need for change.
2. Explaining pros and cons for different types of PPP as a solution for the problem and explaining that some problems can be internalized within the type of PPP and the contract between the parties and that not all problems can be solved
3. Organizing meetings with the detractors and presenting the findings that will be a result of implementation of this AP (focus groups maybe and even opinion pool if there is financial support.)

### Decision making table

Audience	Behavior	Take-away Message	Channels	Evaluation
The existing public bus transportation enterprise in Skopje – JSP				
Ministry of finance/The Government				

## Work plan for action plan implementation

<b>Work Plan Implementation Schedule for the period February – June 2007</b>					
<b>Item</b>	<b>1 February</b>	<b>2 March</b>	<b>3 April</b>	<b>4 May</b>	<b>5 June</b>
<i>Activity A:</i>					
<i>Preparing arguments for the need to change</i>					
<b>Task 1:</b>					
Development of strategic framework for communication and consultation ISPE method					
<b>Task 2:</b>					
To find the financial statements of the JSP (the City of Skopje's public transportation enterprise)					
<b>Task 3:</b>					
To find information and data on the frequencies, lanes etc in the City of Skopje					
<b>Task 4:</b>					
To find at least two case studies in Europe on P3 in capital cities					
<b>Task 5:</b>					
To analyze these case studies					
<i>Activity B:</i>					
<i>Preparing PROS and CONS of PPP</i>					
<b>Task 1:</b>					
To analyze proper form of P3 for Skopje public transportation					
<b>Task 2:</b>					
To identify the risks for that form					

<i>Activity C:</i>					
<i>Organizing meetings</i>					
Task 1: To talk with the private investor interested for the P3					
Task 2: To talk with the central authorities that prepared the draft law on concessions and other types of PPP					
Task 3: To present the results/preliminary study to the City of Skopje officials					
<i>Activity D:</i>					
<i>Reporting to CEA, USAID and to IP3</i>					
Task 1: To prepare the report for the sponsor and the trainer					
Task 2: To prepare presentation to CEA members					
Task 3: Distribution of reports and event					

## Identification of the resource requirements

### Human resources (already compensated within the USAID grant):

1. To organize meetings
2. To do Internet research
3. To prepare strategies, documents, reports, questionnaires.

One senior researcher and one junior researcher in need as well as one assistant.

### Capital resources (CEA resources will be utilized. Only depreciation calculations and the compensation are from the USAID grant):

1. Lap top
2. Internet connection
3. Office space
4. Printer

5. Other stationeries

**Financial resources for:**

1. Human resources – 1 senior researcher around 70 man days, 1 junior researcher around 30 days and one assistant around 20 days
2. O&M and depreciation estimated as 10% of the total human resources
3. Printing costs 5%of the human resources
4. Distribution of documents
5. Events organization

**Raw estimate in euros:**

Expenditure item	Cost in euros for the 5 month period
Human resources	9,000.00
O&M and depreciation	900.00
Printing costs	450.00
Distribution of documents	200.00
Events	1000.00
Depreciation	300.00
Internet and office space rent	1500.00
Total	13,350.00

## Conclusion

The Public bus transportation in The City of Skopje needs to reform. Stakeholders agree on that. The challenge is to send the message and to explain that better services, satisfied citizens, access to all, sustainable bus transportation, and environmental benefits (work on take-away messages) requires short term transitional costs of firing employees in the existing public bus transportation company JSP, losing subsidies etc. A challenge is also for CEA to organize and to achieve the objectives of this AP.

However, the time period devoted would be enough to tackle the issue and to fulfill the objectives.