

Urban Transport Services, Peja, Kosovo

Full Description

Project Summary:

Background

In the municipality of Peja, Kosovo, the population's transportation needs were served by a mixture of numerous private buses and taxis, which was contributing to increased congestion and air pollution. This led the municipality of Peja to consider methods to design and implement a more efficient urban transit system, to ease congestion and encourage people to use public transportation.

Project Structure

Following a tendering process that took about 15 months, the municipality awarded a PPP contract for bus services to a private partner on 17 April 2012. The deal had an estimated value of EUR 4 million (USD 4.6 million) and ten years duration. Under the PPP contract, the private partner undertook exclusive responsibility for providing bus transportation services and designing, constructing, and maintaining bus stops on land provided by the municipality. At the end of the term, the bus stops would transfer to the municipality, but the buses would remain the property of the private partner.

The private partner would derive revenue from the ticket fares charged to passengers and by selling advertising space near bus stops and on buses, per the PPP agreement. The municipality agreed to give exclusive bus operation rights to the private partner to help ensure the realization of forecasted revenues.

However, after the PPP agreement was executed, the municipality failed to comply with the exclusivity provision, as it was unable to end the operations of "illegal" bus and taxi services. Consequently, the private partner had to compete with these other transport service providers, which significantly impacted the revenues of the private partner.

Lessons Learned

The private partner and the municipality had discussions to address the problem but could not agree on a viable solution. As a result, the PPP agreement has been suspended. No further information has been made available following the suspension of the PPP agreement, including whether there is a plan by the private partner to initiate legal proceedings against the municipality for breach of the PPP agreement.¹

This case underlines the importance of having the right contract management team to monitor and enforce implementation of the project in accordance with the PPP agreement. Failure to do so might jeopardize the project and transfer risks back to the municipality.

Footnote 1: Source(s): Regional School of Public Administration (2015). "Comparative Analysis of Lessons Learned from Recent Development in the Implementation of PPP Program in the Western Balkan Region".

<http://wings-of-hope.ba/wp-content/uploads/2016/12/D3.4.4.3.-Analysis-on-Public-Private-Partnerships-Kosovo.pdf> accessed 29 January 2019

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