PROGRAM OF APPLICATION
OF PPP MODEL IN STREET LIGHTING
AND ENERGY RENOVATION OF PUBLIC
BUILDINGS PROJECTS WITHIN
THE CONCEPT OF ”SMART CITIES”

AGENCY FOR INVESTMENTS AND
COMPETITIVENESS
Agencija za investicije
i konkurentnost
1. INTRODUCTION

The program of application of the PPP model in the projects of street lighting and energy renovation of public buildings within the concept of ‘smart cities’ is the framework for the implementation of energy efficiency projects in the case of application of the PPP model and is complement to the European Energy Efficiency Directive 2012/27/EU on energy efficiency. Furthermore, Digital Agenda for Europe (EC, Lighting the Cities, Accelerating the Development of Innovative Lighting and European Cities, 2013), Croatian long-term strategy to stimulate investment in the reconstruction of the national building fund and the Program of energy renovation of public buildings for the period 2014.-2015. year.”

2. THE RATIONALE OF APPLICATION OF PPP MODEL

- The purpose of the application of the PPP model is to achieve maximum value for taxpayers’ money by paying only for the delivered energy savings service. The purpose and goal can be achieved by using the following instruments:
  - Consolidation phase of construction and maintenance and procurement of the availability of the building as the object of procurement;
  - The transfer of the risks of the project to the private partner which he managed efficiently than the Authority;
  - Payment of services delivered after verification of the savings (ex - post payment);
  - Continuous measurement of delivered services;
  - Transparent system of preparation, approval, procurement and project implementation.

3. OBJECTIVES TO BE ACHIEVED BY IMPLEMENTATION OF THE PROGRAM

- The launch of investment activity in the private sector;
- Raising the competitiveness of the domestic private sector by increasing the knowledge and skills in the preparation and implementation of alternative models of delivery of public buildings (PPP);
- Reduction of electricity consumption in street lighting;
- Reducing energy consumption in public buildings;
- Exploitation of the technological readiness of the private sector in the implementation of energy production;
- Increase the safety of traffic on public roads and reduce crime;
- Increased efficiency of supervision in case of damage to property and citizens of the city;
- Reducing greenhouse gas emissions;
- Reduction of light pollution;
- Application of the principle of systematic measurements of delivered contractual standards;
- Application of the principle of value for money for taxpayers;
- Increasing the capacity of the network filling stations of electric vehicles as part of street lighting pillars and other public spaces;
- Increasing the number of public investment while reducing the growth rate of public debt;
- The integration of street lighting and energy renovation of public buildings within the concept of ‘smart cities’;
- Achieving the effect of economy of scale by bundling projects in one procurement procedure.

4. THE LEGAL FRAMEWORK FOR THE IMPLEMENTATION AND STATUS OF DOCUMENTATION

The legislative framework for the implementation of the program is determined by the regulations in the field of energy efficiency, public procurement, budget management and public-private partnerships.

- Public private partnership Act (OG 78/12 and 152/14)
- Regulation on the implementation of public-private partnership (OG 88/12 and 15/15)
- Ordnance on small value PPP projects (Official Gazette 23/15).

The basic documentation of small PPP project proposal:

- Public Sector Comparator;
- Feasibility Study on the of investing in small value PPP project;
- PPP contract proposal;
- The tender documents;
- Energy audit;
- Other documentation (reports and clients budget projections, financial reports, statements, etc.).
5. MODEL OF ORGANIZATION AND FUNDING

5.1. The organization of project preparation and implementation

The process of preparation, approval and implementation of projects of street lighting and public buildings on the model of public-private partnerships.

5.2. Financial model

Financing model for street lighting and public buildings projects.

6. PROJECT STAKEHOLDERS

The main stakeholders in the project, which would be delivered under this program, are contracting authority (public partner), private provider (private partner), the lender(s) and the grantor.

7. AVAILABLE FINANCIAL RESOURCES FOR THE IMPLEMENTATION OF THE PROGRAM

7.1. FZEU funds

The basic principle of co-financing from the FZEU resources is the application of a fixed co-financing rate (ie. flat rate) compared to the established eligible costs, which is published in the call for co-financing. The application for co-financing shall be submitted at the stage of the process, which depends on the required documentation prominent in the present call for co-financing.

7.2. EBRD funds

The EBRD is interested in participation in the program by offering consultancy support to local contracting authorities (subsidy financing technical assistance). The EBRD is also interested in financing the private partners selected in a public procurement procedure. The Bank makes a decision on lending to the private partner after assessing the credit risk of the project and carried out the technical, legal and financial analysis of the project proposal.

7.3. ESI Funds

In the operational program “Competitiveness and cohesion 2014-2020 “, priority axis 4c - Support for energy efficiency, smart energy management and renewable energy sources in public infrastructure, including public buildings and in the housing sector eligible beneficiaries (authorities) have at their disposal a total of € 411 810 805 from the European Regional Development Fund (ERDF) and the specific objective 4.c.1 - Reducing energy consumption in buildings of the public sector and € 210 810 805 for the specific objective 4.c.4 - Increasing the efficiency of public lighting € 20 million. The main activities under this goal are:

- Renovation;
- Installation of smart meters;
- Construction of zero energy buildings;
- The use of renewable energy sources and
- Management, education and communication.
Apart the works, the subject of co-financing will be the preparation of project documentation for the energy efficiency and encouraging the use of renewable energy sources. As for the public lighting system, all investments must be part of the action plans for energy-efficient public lighting, which must develop local / regional bodies. Investment priorities will be determined in accordance with the estimated amount of savings. Activities to be funded are measures to increase the efficiency of public lighting.

### 7.4. HBOR sources

For projects in the field of energy efficiency, there are the opportunity to use sources of HBOR (Croatian Bank for Reconstruction and Development). Loan maturity is up to 14 years with fixed interest rate. The participation of loan in total sources of financing may be up to 85% depending on the risk assessment of the project and the available collateral.

### 7.5. Commercial bank sources

From the sources of commercial banks, private bidders can finance energy efficiency projects with loans under favourable and competitive conditions. Also, in cooperation with international partners, depending on the particular active program, it is possible to provide additional incentives. Each project is assessed individually aiming to find its optimal structure and financing model.