National Seminar:
Substantive Segment on Financing
Innovative Green Technology Projects
through Public-Private Partnerships (PPPs)

Emerging PPP market experience: lessons learned by Poland and CEE & SEE regions,how they can be applied to Azerbaijan and Kazakhstan

Bartosz Mysiorski
Vice Chairman of the Board, Centrum PPP, Poland
24.10.2013, Astana

Centrum PPP

Agenda

Introduction

PPP in the CEE and SEE regions

PPP in Poland – bite of a history & update

PPP in Poland, CEE & SEE – lessons learned

Summary + Questions & Answers Session

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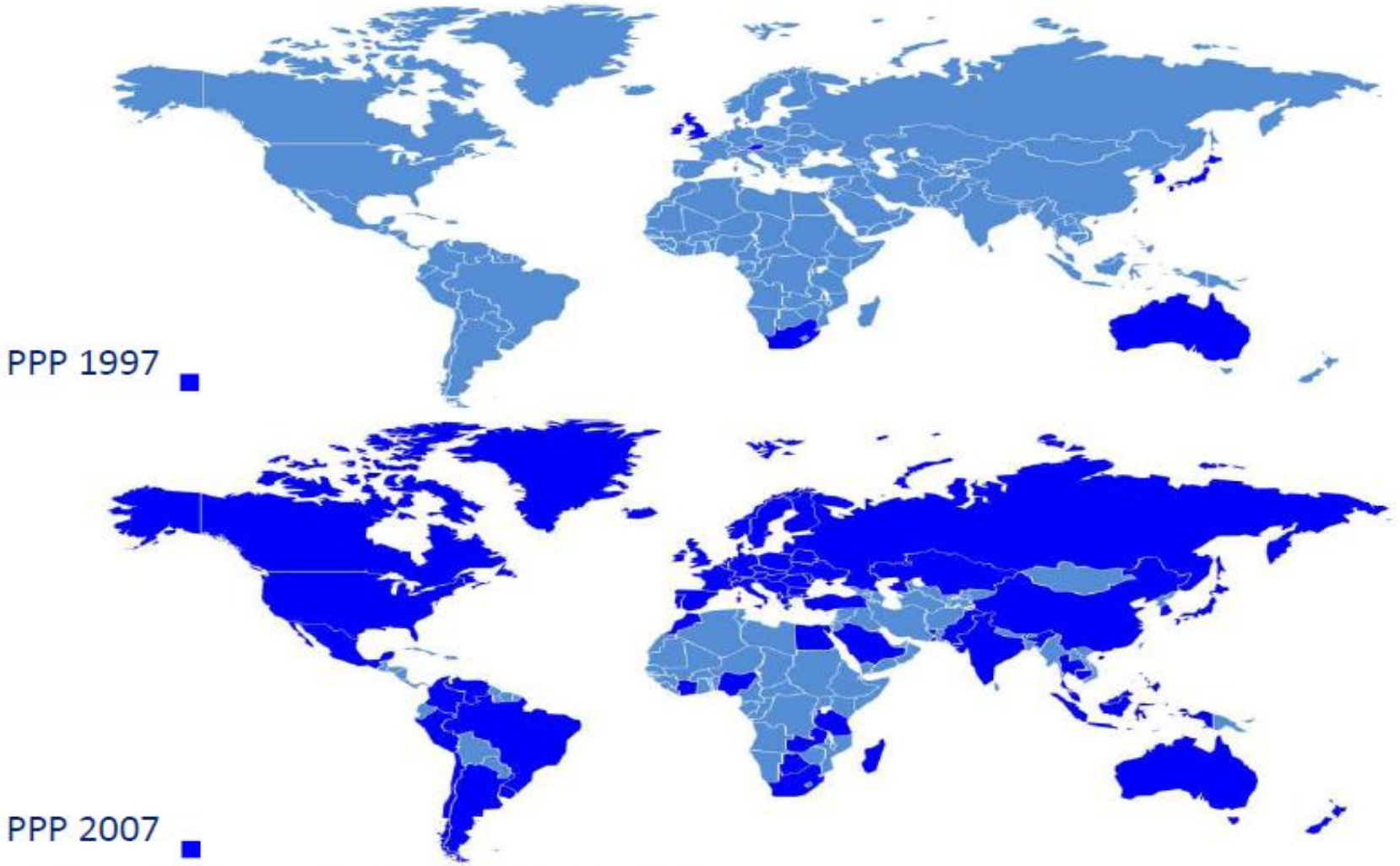
PPP in the World

Over the last decade there has been a high increase in PPP application in the world



Source: PPPs in Developing Economies: Overcoming Obstacles to Private Sector Participation, DEPFA BANK 2007.

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PPP in various sectors across the Europe

Sector / Country	Town halls	Airports	Defence	Social housing	Health care	ICT	Ports	Prisons	Rail	Roads	Education Schools	Sport & Leisure	Water management
Austria													
Belgium													
Bulgaria													
Croatia													
Czech Republic													
Denmark													
Estonia													
France													
Greece													
Spain													
Netherlands													
Ireland													
North Ireland													
Lithuania													
Latvia													
Malta													
Germany													
Poland													
Portugal													
Russia													
Romania													
Slovak Republic													
Slovenia													
Scotland													
Switzerland													
Hungary													
United Kingdom													
Italy													

Executed,done

Under preparation

Source: reports on PPP regarding Europe, EIB EPEC, DLA Piper, CMS CMCK

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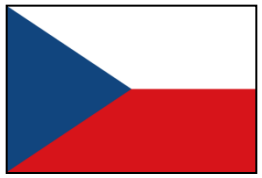

Czech Republic

- **2004** Policy of the Government of the Czech Republic concerning PPP created,
- **PPP Unit** established in 2004 and **closed down in 2012,**
- **On municipal level**, a number of PPP projects **in operation phase, some success stories** – **water management**, football stadium, **energy efficiency**, pool, bus-stops, city-lightning and **three senior houses**. Most of these projects are based on **availability fee.**
- **Demand for PPP on the municipal level is increasing**: e.g. recently a contract was signed for construction and operation of the public transport depot in the city of Plzen (Pilsen) for 29 years.
- **Czech has not procured a single transport PPP project** and remains as the very last country in the Western & Central Europe.
- No PPP has been implemented on the central level in the last 9 years since the initialization of the PPP Policy.
- **D3** motorway in PPP **– preparation terminated in 2008 and 2013**, reason: EU funds.
- **10 pilot PPP projects – started preparations but stopped by politicians.**
- Czech PPP Association transformed in 2013 into Czech Infrastructure Association.

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Hungary

- There is **no specific PPP legislation**, PPP Projects are implemented through Public Procurement Act, Municipal Act and Civic Code,
- Public Finance Act determines if the value of the PPP project is exceeding 180 mln euro there has to be an acceptance from the Parliament, below 180 mln euro – acceptance form the Government is not necessary,
- Update of the Public Finance Act in 2010 regulated the issue of off-the-balance sheet treatment of PPP projects,
- **Public Procurement Act from 2011 was ammended in July 2013.** Its goal is to increase number of valid bids being submitted to the entities calling for bids. It also changes definition of business secrets under the Civil Code, so that only that information, the publication of which would cause a considerable harm to the participant's/bidder's business, may qualify as business secrets. New rules apply only to public procurement procedures commenced on or after 1 July 2013.
- **Majority** of the projects are implemented as **DBFO model**.
- **Political support for PPP is low** and the current government has been reviewing existing PPP contracts.
- Moreover, there have been **a number of large-scale cancellations** and renegotiations (for example, the M5 motorway) in the past.
- At a national level high debt levels have resulted in the devaluation of Hungary's sovereign debt*, which is already rated below investment levels, consequently obstructing debt acquisition for future PPPs.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Bulgaria

- The **new PPP Act entered into force on 1 January 2013** – regulates the public-private partnership as a legal concept, the terms and conditions for projects implementation. **The aim** of the Act is to give clear definition and **set clear rules for implementing PPP.**
- **2007-2010** there was on average **only one infrastructure concession contract signed per year** – all of them for relatively **small river ports**,
- According to data from the World Bank, **between 2001 and 2011** Bulgaria implemented **26 PPPs** in the energy and transport sectors.
- The transport ministry, in cooperation with the ministry of finance, continues its work on preparation of several **more concessions in the area of airports, sea and river ports as well as railway stations,**
- Pleven water PPP was held up, in January 2013, Sofia water PPP is working since 1999,
- The EIB alongside a banking consortium (Societe Generale Expressbank, Elana Holding, Elana Investment, Balkan Advisors) has established a €56.4 million Urban Development Fund to invest in PPPs and infrastructure in 6 Bulgarian cities (Burgas, Pleven, Plovdiv, Ruse, Stara Zagora, Varna).
- **There are laws regulating PPPs, but institutional capacity is limited. Although projects have been implemented in the past, current political support is limited.**

Special thanks to Mr. Galin Zhelev and the Ministry of Finance of Bulgaria, Real Sector Finance Directorate (PPP unit)

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Romania

- Romania has involved **the private sector** in infrastructure projects since **1998** (not always PPP).
- Till the end of 2010 – did not have any legal act dedicated directly to PPP,
- PPP Act had been resolved by the Parliament in September 2010 and came into force in October 2010, however the European Commission was not satisfied with the framework as it did not match with European procurement laws and encouraged Romania to redraft it – necessary changes were introduced in October 2011,
- **Now, draft of new PPP act has been sent (30.09.2013) to the Parliament.**
- The Government Decision no. 7/2013 in **January 2013**: reorganization of the Central Unit for the Coordination of PPP within the Ministry of Public Finance. **The Department for Infrastructure Projects and Foreign Investment will coordinate** (strategy, regulatory, advising, promoting) **PPP projects.**
- Regardless the legislation, the **National Strategy for PPP** (in regarding PPP project pipeline, good practices, risk structures, mechanisms of payment, ect.) has been **implemented by the Government**, *(the Strategy was prepared in cooperation with European PPP Expertise Centre JASPERS initiative),*
- **EBRD has adopted a new 3-year strategy for Romania** with a key objective being the greater **use of PPP** and privatisations in the country. **Key sector interest**: water, waste, roads, rail, district heating,
- **Implemented PPPs:** road infrastructure, waste management, airport modernization, construction of Metroline 7 in Bucharest,
- **PPP opportunities in the following sectors**: healthcare, prisons, energy, environment, transport, road infrastructure (Bucharest Bypass South Section & Comarnic-Brasov Motorway)

Special thanks to Mr.s. Antonina Petrescu, PPP Coordinator, Louis Berger - PPP Unit. Regional Office for Central and Eastern Europe

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Slovak Republic

- Slovakia's centre-left opposition SMER stormed to an unprecedented *(the best result for any party since the independence in 1993)* victory in parliamentary elections in March 2012 and rules alone.
- **Political support for PPPs had been declining**, **the government favours the use of EU funds.**
- **There is no specific PPP law but existing laws allow PPPs.**
- The law and procurement procedures are considered to be high quality and comply with EU legislation in this regard.
- PPP projects may be implemented on the local and central level.
- Three* projects have been implemented in the transport sector since 2001 with modest success, as one of them (the D1 motorway to Košice) underwent substantial difficulties and was cancelled.
- **On the municipal level**: 2 water management projects in operational stage (Trencin and Banska Bystrica).
- **Although a PPP-specific legal framework is not in place, current laws allow PPPs and regulations guide implementation. Institutional capacity is weak and political support is uncertain*.**
- Institutional design for PPPs has weakened since a dedicated unit within the Ministry of Finance was discontinued in 2010.
- Although Slovakia's government credit risk is low, domestic capital markets are not particularly well developed and lack liquidity.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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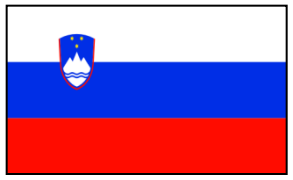

Republic of Slovenia

- Public-private partnerships are regulated by **PPP Act adopted in 2006**,
- PPP has been used at small scale **mainly at the local level** (municipalities) in e.g. **social housing, kindergartens, waste management, sports infrastructure, cultural buildings, parking garages, public lightning and photovoltaic,**
- **Although, in the central level** there have been **no significant PPP projects**, local-level PPPs have been showing capacity to plan and execute large-scale projects (e.g. in transport).
- The most active sectors* with projects over $1m are energy projects and sanitation plants, of which there have been 14 signed since 2001.
- Slovenia's legal framework provides **comprehensive guidelines for project planning, award and risk allocation.**
- Slovenia **public debt at one of the lowest levels in the euro zone**.
- There is **no PPP unit**, the is **no PPP projects pipeline**.
- Due to a small size of PPP projects on local level and absence of central PPP projects Slovenia has **not been an interesting case for foreign investors** so far.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Moldova

- **In 2008** the **Law on public-private Partnership has been adopted**,
- Roles and **responsibilities in PPP implementation are assigned to the Ministry of Economy, Ministry of Finance, a National PPP Council** and a **PPP Unit** (within the Public Property Agency under the Ministry of Economy).
- The PPP Unit is tasked with multiple functions related to project co-ordination, oversight and support.
- There is a **clear policy and political support in the Moldovan Government** to focus on the improvement of various public projects or public services via PPPs.
- According to data from the World Bank*, between 2001 and 2011 Moldova did not implement any PPPs in the energy, transport or water and sanitation sectors.
- **Implemented PPP projects**: **2 on central level** (healthcare, ICT) and **12 on local level** (healthcare, waste management, culture),
- PPP projects **in preparation**: **33 on central level** (carparks, social infrastructure, airport, sport infrastructure, ICT, road infrastructure) and **57 on local level** (healthcare, waste management, road infrastructure).

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

Special thanks to Mr. Ion Potlog, Head of the PPP Unit, Public Property Agency, Ministry of Economy of Republic of Moldova

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Lithuania

- Concessions* in Lithuania are regulated mainly by the Law on Concessions (1999, amended 2011), compliant with the Law on Investments (1999), the Law on Public Procurement (1996) and the Resolution on Public-Private Partnership of the Government of Lithuania (2009).
- PPP projects can be implemented both: at the central and municipal level.
- According to data from the World Bank, between 2001 and 2011 Lithuania implemented one PPP in the energy sector.
- **34** PPP projects so far** (mainly service concessions - heating systems,sports arenas, tourism).
- In **2010** there was a **program** introduced by the Government **to boost PPP** in priority sectors: **transport, education, social housing, public order and safety**,
- **5 PPP Pilot Projects** have been **initiated in 2010 – social housing, education** (secondary school), **transport** (bypass), **safety** (prison) and **public order** (police station). **Pilot PPPs are slow in process**, but they creates concrete background with minimum risk.
- **Via Baltica Road Section Expansion**, DBFO, 25 years, 117 mln €, call for proposals 2015 IQ.
- **4 new prisons**, DBFO, 25 years, 100 mln €, call for proposals 2014 IQ.
- **Courts Infrastructure Development**, DBFO, 25 years, 23 mln €, 2014 IQ.
- **Vilnius €25 million** upgrade, operation and maintenance for its **street lighting** through a PPP. **19-year DBFOM** contract is to cover **691km of city streets**. In May **2013** 3 international bidders were shortlisted (Strabag, Citelum, Gemmo).
- **15 potential** PFI-type projects for **social infrastructure** - scheduled for min 15 - max 25 years**.**

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

**Lithuania. PPP Market Experience & Outlook, presentation by Jonas Kimontas, Vienna, May 2013

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Estonia

- There is **no specific PPP Law**, all PPP are done according to Public Procurment.
- **Lack of clear PPP policy** framework/strategy or PPP Project Pipeline.
- **No centralized PPP development** - public authority has autonomy to decide on PPP.
- **PPP sectors of interest**: education (project in Tallinn – 18 schools renovated), municipal administrative buildings, social housing.
- **PPP project on the central level –** headquaters for: State Tax Authority and Statistical Bureau.
- There have been discussion mainly from the private sector discussing opportunities associated with PPP in other sectors, but **public authorities are rather passive in this issue.**
- **Institutional capacity needs strengthening!**
- The country **has good fiscal management and low credit risk.**
- The upgrade of theTallinn-Tartu (45 km) road link was frozen due to financial crisis but now it has been considered to be implemented via PPP.

Special thanks to Mr. Lauri Henno, U.S. Real Estate Management, Estonia

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Latvia

- There was PPP Action Plan 2006-2009, created in 2005.
- **PPP Law** came into force in **2009** (the Law on Public-Private Partnerships), earlier there was a Law on Concessions (2000) and the Law on Public Procurement (2006).
- Latvia has a **comprehensive* legal framework for PPPs** and an adequate institutional design.
- The legal framework governing the PPP, as well as the **planning and award process** for PPP has been **considered as high quality**.
- The law provides detailed **guidance** and strict rules **how to procure PPPs step-by-step**.
- **There have been few PPP projects** but public authorities are prudent,
- **Concessions are allowed** but for **other types of PPP** there should get accept from **Ministry of Finance.**
- There have been **more than 60 PPP agreements in force** (80% concessions). Availibility payment is not a popular mechanism.
- **Main PPP sectors**: transport, education, healthcare, water/waste, justice/courts.
- There is **no PPP Unit but** oversight and advisory functions are efficiently distributed among the Ministry of Finance, the **Central Finance and Contracting Agency** (CFCA) and the Private Partnership Advisory Council (established in 2007 under the Ministry of Economy).

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Ukraine

- A PPP Law was enacted in July 2010. There is also a Concession Law (1999) and various sector-specific concession laws applicable to roads (1999, amended 2009), water sanitation (2010) and seaports (2012). **PPP law is in place.**
- **Institutional capacity and conditions for investment need improvement*.**
- PPP project may be easily implemented by the municipal governments.
- According to data from the World Bank, between 2001 and 2011 **Ukraine implemented PPPs in the energy, transport and water and sanitation sectors***.
- **Ukraine has involved the private sector in infrastructure projects since 1998**, though **not always in the form of a PPP**.
- **PPP has not been actively promoted but new PPP Center has been recently created within the State Agency for Investment and National Projects of Ukraine** (SAINPU), which is responsible for the implementation and oversight of key investment and national projects.
- The Government of Ukraine has announced that the **Kyiv belt road** project from Stolychne motorway (Capital motorway) to highway M-03 Kyiv-Kharkiv-Dovzhansky on the area Kyiv-Boryspil will be implemented on a public-private partnership.
- **Opportunity to initiate PPP projects by the private sector.**
- On August 14, 2013 the Cabinet of Ministers of Ukraine has approved the Concept of PPP Development for 2013-2018. The Concept was developed by the specialists of the Ministry of Economic Development and Trade together with the P3DP experts of USAID and the Institute of Economy and Forecasting of NAS of Ukraine.
- **PPP sectors**: transport, social housing, water management, solid waste, sports & leisure,
- Most **active regions**: Kyiv region, Donetsk region, Zaporizhzhia, Mykolayiv.
- There is limited affordability for utilities in the population so concessions with collecting fees from the people are rather not likely to be successful.
- **Competition between operators/investors is relatively low**.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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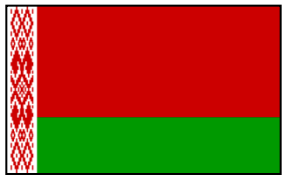

Belarus

- According to data from the World Bank*, Belarus did not implement any PPPs between 2001 and 2011.
- **Belarus has involved the private sector in energy, transport and water and sanitation infrastructure projects since 1996 through project forms besides PPP**.
- **UNECE Experts** have been involved in **PPP capacity building** for Belarus.
- The **concept bill PPP was approved** at the meeting of the Presidium of the Council of Ministers of Belarus chaired by Prime Minister Mikhail Myasnikovich on 21 June 2013**.** The document should make the basis of the **legal framework promoting** the development of all PPP types in Belarus.
- The two-year project is designed to increase the capacity and improve training of representatives of the various stakeholders on issues of public-private partnership, to **establish the national center of public-private partnership**.
- Current **needs in the economic and social sectors are enormous – PPP could be applied, sectors of interest – mainly energy sector.**
- Tariff setting* is not conducive to PPP projects as pricing methods are insufficient for cost recovery and the design of subsidies distorts the market for utilities.
- **PPP Pilot Project** is also **considered** to be introduced.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Croatia

- PPP in the Republic of Croatia is regulated by the PPP Act (2008, amended in 2011), as well as the Concessions Act (2008), the Public Procurement Act (2012) and additional regulations.
- Croatian **PPP friedly law comply with the EU legislation** in this regard.
- Since 2008 two PPP contracts signed: elderly people home in Gerovo and Zagreb Airport (324 mln euro).
- 2012 – Government presents a plan of public projects to be implemented by the PPP model (total value of the projects: EUR 2bn).
- **2013/14 – plan to invest EUR 1bn in PPP projects.**
- Croatia is **considering blended PPPs** seriously – combining PPP model with EU funds.
- **PPP projects implemented** in road infrastructure, education, culture, sports and utility,
- **Sector of interest**: energy, healthcare, ports, energy efficiency in public buildings, culture, justice.
- **There is a comprehensive legal and institutional framework for PPPs.**
- **Strong government support for PPPs and project pipelines make future projects likely.**

Source: PPP projects in the Western Balkans, EPEC, June 2013

N.	Name of the project	Project phase	Year FC	Sector	Value (EUR million)
1	Zagreb Airport PPP Project	FC	2013	Transport	324
2	Zagreb to Macelj Toll Motorway	FC	2007	Transport	371
3	Central Bus Station Osijek	FC	2007	Transport	16
4	Varazdin City Sports Hall	FC	2007	Social	23.6
5	Split City Sport and Business Complex	FC	2007	Social	67.2
6	Koprivnica High School and Sports Hall	FC	2006	Social	9.3
7	Reconstruction of the County Hall Varazdin	FC	2006	Government	1.2
8	Upgrading of the School Facilities in Varazdin County	FC	2006	Education	37.1
9	Istrian Motorway Phase 1b	FC	2003	Transport	296
10	Zagreb Sewerage Plant	FC	2001	Water	300
11	Istrian Motorway Phase 1a	FC	1998	Transport	199
12	Zagreb Klaiceva Street Parking Garage PPP	Pre-tender	n.a.	Transport	n.a.
13	Zagreb-Sisak Toll Motorway	Pre-approval	n.a.	Transport	135
14	Gerovo Home for Elderly	PB	n.a.	Social	3
15	Construction od the Sokolski dom	Approved	n.a.	Social	3
16	Construction of Zapadna Zabica Transport Complex in the City of Rijeka	Approved	n.a.	Transport	50
17	Neuropsychiatric Hospital Popovaca	Approved	n.a.	Health	17
18	Schools in the Town of Dubrovnik	Announced	n.a.	Education	13.6
19	Schools in the Varazdin County	Announced	n.a.	Education	22.8
20	Schools in the Istrian County and Town of Porec	Announced	n.a.	Education	19.5
21	Square of Justice	Announced	n.a.	Government Buildings	180
22	Croatian State Archive	Announced	n.a.	Administration Buildings	18.4
23	Croatian History Museum, Zagreb	Announced	n.a.	Culture	16.8

Special thanks to Damir Novakovic (PPP Market in the Republic of Croatia, presentation in Vienna, May 2013)

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Macedonia

Source: PPP projects in the Western Balkans, EPEC, June 2013

N.	Name of the project	Project phase	Year FC	Sector	Value (EUR million)
1	Skopje Airport Project	FC	2010	Transport	100
2	Skopje Gymnasia PPP Project	FC	2008	Education	500
3	PPP Toll Road Project	In tender	n.a.	Transport	2400
4	Hydropower PPP	Tender launch	n.a.	Energy	20
5	Kicevo waste PPP	Tender launch	n.a.	Waste	n.a.
6	Skopje Tram PPP	Tender launch	n.a.	Transport	n.a.
7	Pan European Corridor 8	Pre-launch	n.a.	Transport	n.a.
8	Skopje administrative facility and parking	Tender launch	n.a.	Government	n.a.

- Macedonia has **involved* the private sector in energy, transport and water and sanitation infrastructure projects since 2006**, though not always in the form of a PPP.
- Macedonia adopted **PPP and Concession Law in January 2012**, the legislation comply with EU standards and **clearly defines rules for project planning, selection and award.**
- The legal framework allows PPP implementation not only at central but also at the local level.
- PPP **political will exists and has been strong.**
- **Few positive experiences with PPP in the past** (e.g. airports under concession).
- **Several PPP projects in Skopje**: Tram PPP, administrative facility and parking.
- The government has a good track of macroeconomic stability and prudent fiscal policy.
- **Ministry of Economy** is responsible for broader **PPP policy development**, and there is a specific unit for PPP in the Department for Legal affairs. The Council on PPP performs advisory and promotion tasks.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Kosovo

Source: PPP projects in the Western Balkans, EPEC, June 2013

N.	Name of the project	Project phase	Year FC	Sector	Value (EUR million)
1	Pristina International Airport Privatisation	FC	2010	Transport	100
2	Peja Urban Bus	Implementation/Operation	n.a.	Transport	2-5
3	Suhareka Waste Management	Award stage	n.a.	Waste	2-5
4	Rt 7 Motorway Service Areas	Draft Tender Documents submitted to PPP Committee	n.a.	Transport	n.a.
5	Pristina Underground Parking	Preparation for re-tender	n.a.	Transport	5-10
6	Gjilan Urban Bus	Feasibility Study	n.a.	Transport	n.a.
7	Pristina Urban Bus	Feasibility Study	n.a.	Transport	10-50
8	Viti Green Market	Feasibility Study	n.a.	Social	1
9	Lipjan City Square	Revision of documents	n.a.	Social	5-10
10	Gjilan School Support Facility	Transaction design stage	n.a.	Education	1
11	Mitrovica Business Park	Under planning / EC support	n.a.	Social	2-5
12	Prizren Commercial Center	Prospective; Under Planning	n.a.	Social	n.a.
13	Prizren Cemetery	Prospective; Under Planning	n.a.	Social	n.a.
14	Route 7 O&M	Prospective; Under Planning	n.a.	Transport	n.a.

- **Infrastructure gap for approximately 3 billion euro** (in the next 3-5 years),
- **PPP Law in 2011.**
- **Main sectors** in which private sector could participate: **transport, energy, ICT**, **utilities.**
- **PPP Law is investor-friendly** in accordance with intenrational PPP best practice.
- PPP Inter-ministerial Steering Committee and **Centralized PPP Unit - Partnerships Kosovo have been created.**
- 13 other projects, mainly in transport and social sectors.

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Serbia

Source: PPP projects in the Western Balkans, EPEC, June 2013

N.	Name of the project	Project phase	Year FC	Sector	Value (EUR million)
1	Belgrade Water	League Table Mandate Won	n.a.	Water	850
2	Sabac Public Parking	Tender	n.a.	Transport	n.a.

- In **2011** there was a **new Law on PPP and Concessions** introduced, *(e.g new law distinguishes between institutional and contractual PPP).* **The Law comply with EU standards.**
- Additional laws* are in place to regulate specific sectors, such as the Law on Communal Activities, the Law on Public Procurement and the Law on Public Property.
- The law established a **Commission for Public-Private Partnership and Concessions** (its members are not full-time and are appointed from high positions in the governmen) as a PPP unit on a central level, which gives an opinion on proposals and whether a project can be implemented in PPP form.
- **The Government seeks to attract €4 billion of investments into local infrastructure through PPP over the next decade.**
- **Two projects have been developed**: Belgrade Water and Sabac Public Parking which is in tender.
- Although Serbia has a good track record of honouring* its external obligations to international financial institutions, in the wake of the 2008-09 global financial crisis its credit and payment risk has increased significantly.
- Local capital markets are not developed enough to financialy close PPP deals.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Albania

Source: PPP projects in the Western Balkans, EPEC, June 2013

N.	Name of the project	Project phase	Year FC	Sector	Value (EUR million)
1	Mother Teresa Airport Terminal (Tirana)	Financial Close	2005	Transport	34
2	Bratile Hydropower Plant	Contract award	n.a.	Energy	70
3	TGK Hydropower Plant	Contract award	n.a.	Energy	600
4	Ashta Hydro-Electric Power Project	In tender	n.a.	Energy	160
5	Milot - Morine Highway	Prequalified Proponents	n.a.	Transport	100
6	Tirana Public Transport Terminal	Potential	n.a.	Transport	n.a.
7	Albania solid waste management PPP	Expressions of Interest	n.a.	Waste	n.a.

- Law on Concessions and Public Private Partnerships passed by Parliament on 25 April 2013.
- According to data from the World Bank*, between **2001 and 2011** Albania implemented PPPs across the **energy, transport and water sectors.**
- Albania has involved the **private sector in infrastructure** projects since **1996**, not always in PPP.
- There has been an institutional design for planning and procuring PPP projects – ATRAKO unit is in charge of advisory services and monitoring technical matters.
- **Political will for PPP development is strong** – especially in transport and energy sectors.
- **PPP capacity** has been limited at the **local government level**.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

Centrum PPP

Bosnia and Herzegovina

Source: PPP projects in the Western Balkans, EPEC, June 2013

N.	Name of the project	Project phase	Year FC	Sector	Value (EUR million)
1	Ulog Hydro Power Plant PPP	Pre-approval	n.a.	Energy	100
2	Banja Luka-Doboj Motorway PPP	In tender	n.a.	Transport	468
3	Doboj -Vukosavlje Motorway PPP Phase 1	General Announcement	n.a.	Transport	n.a.
4	Doboj -Vukosavlje Motorway PPP Phase 2	General Announcement	n.a.	Transport	n.a.

- **PPP Law adopted in 2009,** the cooperation model between public and private sector is a relatively new model, where market is **still at the early stage,**
- **Legal PPP framwork is not comprehensive. There is no PPP Unit**, although there is public officials willingness to work with external experts to fill these gaps.
- According to data from the World Bank*, Bosnia and Herzegovina has not yet implemented any PPPs or had any form of private sector involvement in infrastructure projects in the energy, transport or water and sanitation sectors.
- **PPP sectors of interest**: power facilities, recycling facilities, water and waste management, education, healthcare, transport.
- **Capacity for financing PPP projects is low** due to shallow local capital market.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

Centrum PPP

Montenegro

Source: PPP projects in the Western Balkans, EPEC, June 2013

N.	Name of the project	Project phase	Year FC	Sector	Value (EUR million)
1	Moraca River Hydropower PPP	General Announcement	n.a.	Energy	n.a.
2	Bar to Boljare highway corridor	On hold	n.a.	Transport	2000
3	Kotor-Cetinje cable car	Potential	n.a.	Transport	20

- PPP is regulated by Law on participation of private sector in the procurement of public services and the **Law on Concessions in 2009**, which followed the Law on Private Sector in Provision of Public Services of 2002. PPP law **comply with the EU standards**.
- The **Commission on Concessions** plays a role of **public PPP unit**.
- In 2010 the **government** accepted the **Concession Policy 2010** as an indication of continued support for PPPs..
- According to data from the World Bank*, between 2001 and 2011 Montenegro did not implement any PPPs in the energy, transport or water and sanitation sectors. However, it **has involved the private sector in infrastructure projects** through other forms since 2001.
- **Sectors of interest**: tourism, energy, transport.
- **Local municipalities** interested in PPP: Podgorica, Budva.
- The country suffers from a large current-account deficit and is below investment grade.
- **Capacity for financing PPP projects is low** due to shallow local capital market.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

Centrum PPP

Armenia

- There is **no specific PPP law**, no consistent PPP giudance/framework, **no PPP unit**.
- Concessions are regulated by the Civil Code and Public Procurement Act.
- According to data from the World Bank*, between **2001 and 2011 Armenia implemented several PPP projects in the energy and transport sectors**, with no instances of distress or failure.
- Earlier – **since 1998** – there have been **several projects involving private sector** in **energy, transport, water and sanitation** infrastructure projects, **not always in PPP.**
- **In the past**** Armenia has most commonly conducted **concessions** and management and **lease contracts**, with the largest investments going to **transport sector** projects.
- There has been **strong political support for PPP** by the Armenian authorities.
- The **lack of comprehensive framework for preapring and executing PPP** deals has been the most **significant weakness** for Armenia nowadays.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

** According to the World Bank-PPIAF database for 1990-2011, excluding the telecom sector.

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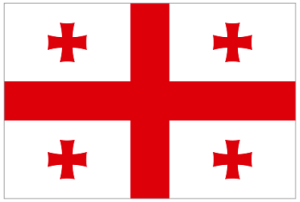

Georgia

- **PPP bases** on the State **Procurement Act** and **Civil Code**, while concession on the 1994 law “On the Procedure for Granting Concessions to Foreign Countries and Companies”.
- **Capacity for PPP** projects has been **strong** rather **at the central level**, while **local level seems to be weaker** in this regard.
- According to data from the World Bank*, between **2001 and 2011** Georgia implemented several **PPPs in the energy and transport** sectors. Furthermore, it has **involved the private sector in energy, transport and water** and sanitation infrastructure projects **since 1998** in other forms besides PPPs.
- In **2004** the process of **pro-market reforms has been started** (e.g. liberalisation and deregulation of the market) – as a result **business environment** has **improved** substantially.
- Ther has been a **strong political will to implement PPP**.
- Decision making process is not always transparent.
- **PPP** as a tool has been **competing with privatization**.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Russia

- **There is a legal framework enabling PPPs at national and sub-national levels, nonetheless regional and local governments are also active in PPP lawmaking and project implementation.**
- Concessions may be implemented using the Federal Law No. 115 “On Concessions” and the Civil Code.
- According to data from the World Bank*, between **2001 and 2011** Russia implemented **PPPs in the energy, transport and water** and sanitation sectors, with few instances of distress or failure.
- The **private sector has been involved in infrastructure projects since 1992**, but not always in PPP.
- Multiple institutions* are active (but not coordinated efficintly) in PPP, including:
  - the Ministry of Economic Development is in charge of policy-making at federal level,
  - PPP councils at sectoral ministries involved in project selection,
  - the Vnesheconombank (development bank),
  - dedicated PPP centres working in PPP promotion and capacity building,
  - the Ministry of Finance oversees budget allocation.
- Although formal bid procedures are fairly well outlined*, project awards have suffered from **low transparency and low competition** in practice.
- There is **political support for PPPs**, but it varies greatly across sectors and government levels.
- The PPP Department of the Financial University under the Government of the Russian Federation has launched preparation of masters on PPP issues.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Türkiye

- The country has a **comprehensive legal framework** and **vast project experience in PPP.**
- Concessions are regulated by 1994 Law (No. 3996) on Build-Operate-Transfer.
- **PPP regulations comply with the EU standards** and follow the principles of transparency, fairness, competition and efficiency.
- PPP projects have been **implemented almost exclusively at the central leve**l, due to a lack of technical capacity at the regional and local level.
- According to data from the World Bank*, between **2001 and 2011** Turkey implemented **PPPs in the energy and transport** sectors, with no instances of distress or failure.
- The **private sector has been involved in infrastructure projects** (energy, transport and water and sanitation) **since 1990**, but not always in PPP.
- **The success of previous PPPs is seen as a reason for the strong, continued political support projects receive in Turkey.**
- Public debt is low, credit and payment risk has not been an issue over the past decade.
- There is **no specialised PPP unit** and the roles of participating agencies are not clearly defined.

•source: Evaluating the environment for publicprivate partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013

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Kazakhstan

- PPPs* are legislated for under **the Law of The Republic of Kazakhstan (2006, amended 2008),** and can be implemented at a national or local level in the **transport, energy, and water sectors**—although local authorities typically lack the human resources and financial capability to make decisions.
- In July 2013 the President of the Republic of Kazakhstan has signed the Law "On amendments and additions to some legislative acts of the Republic of Kazakhstan on introduction of **new PPP forms and expansion of their scope**" in order to** **expand the scope of PPPs** through economy branches that do not generate sufficient cash flow (science, education, health, sport, housing, informational technologies etc.); to **introduce the new models of contractual PPPs;** to implement new PPP principles in transferring of state property in trust management, lease etc.); to **create favorable conditions for implementation of socially focused PPP projects**; to **introduce 2-stage PPP projects procurement procedure.**
- PPP policy, laws, and institutional arrangements are implemented at the national level, with the **Commission for Concessions** (which is chaired by the prime minister) **choosing private partners and launching projects.**
- the **Kazakhstan Centre for PPP has been evaluating the economic expediency of projects and their implementation.**
- Kazakhstan was placed at 50 out of 148 coutries in the Global Competitiveness Report*** for 2013-2014.

*source: Evaluating the environment for public-private partnerships in Asia-Pacific The 2011 Infrascope Commissioned by the European Bank for Reconstruction and Development, 2011

** ukrppp.com newsletter; *** The World Economic Forum released its Global Competitiveness Report for 2013-2014 on 04.09.2013, Geneva.

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Azerbaijan

- Regulatory framework **for infrastructure development** in the “Republic State Investment Program formation, implementation, monitoring and evaluation” exists (confirmed with the decree – 17.03.2010 #239 – by the President of the Azerbaijan Republic.
- Currently there is no reporting on constraint of noncompliance of local legislation and rules with procurement and tender procedures and principles of international donors.
- The state program approved by the President of the Republic of Azerbaijan includes infrastructure development in the sectors of **transport, water, energy and communication.**
- The economic development policy of the Republic **supports private sector development**.
- **About 80% of Azerbaijani economy belongs to the private sector** and the Government supports private sector projects.
- The **Ministry of Economic Development** is empowered to play **a key role in public-private dialogue** serving as a bridge between investors, local producers and the government.
- There is **neither a policy nor a legal or institutional framework for public-private partnerships (PPP)** including concessions in Azerbaijan; no general policy framework for improving the legal environment and promoting PPP has been identified.
- Azerbaijan is one of very few countries of EBRD operations that do not have a concession law.
- The Civil Code and the Law on Protection of Foreign Investments refer to concessions in general, but neither of the acts regulates the subject.
- An intensive and ambitious regional development programs will require careful public expenditure management and improved budget formulation.
- The **Asian Development Bank recommends** (2013) Azerbaijan to develop an appropriate regulatory framework for public–private partnership.
- Azerbaijan has created first PPP Specialist Centre for I**CT/broadband** within the **UNECE International PPP Centre of Excellence initiative.**
- Azerbaijan placed at 8 out of 148 coutries in the Global Competitiveness Report*for 2013-2014.

* The World Economic Forum released its Global Competitiveness Report for 2013-2014 on 04.09.2013, Geneva.

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Agenda

Intruduction

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Centrum PPP

PPP in Poland particularly needed due to:

- Great scale of negligence in the field of public services during real socialism, *(catch up with the rest of europe),*
- Strong and increasing public deficits and public budgets limitations,
- Increasing expectations of the societies regarding the infrastructure and public services *(access to the quality services),*
- Poor qualifications of public officials in regarding the infrastructural projects management and operation*, (private sector is usually better prepared to manage and operate on the infrastructure projects).*

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PHASE I

Before 2005

- PPP implemented by the highways, real estate, municipal Acts

PHASE II

First PPP Act 2005

- **Public-Private Partnership Act**

No PPP project implemented!

Reasons for failure:bad political climate, lack of knowledge about PPP, strict regulations?

PHASE III

New PPP regulations – came into force in February 2009

- **The Public-Private Partnership Act**
- **Concession for construction works and services Act**

Guidance vs. flexibility?

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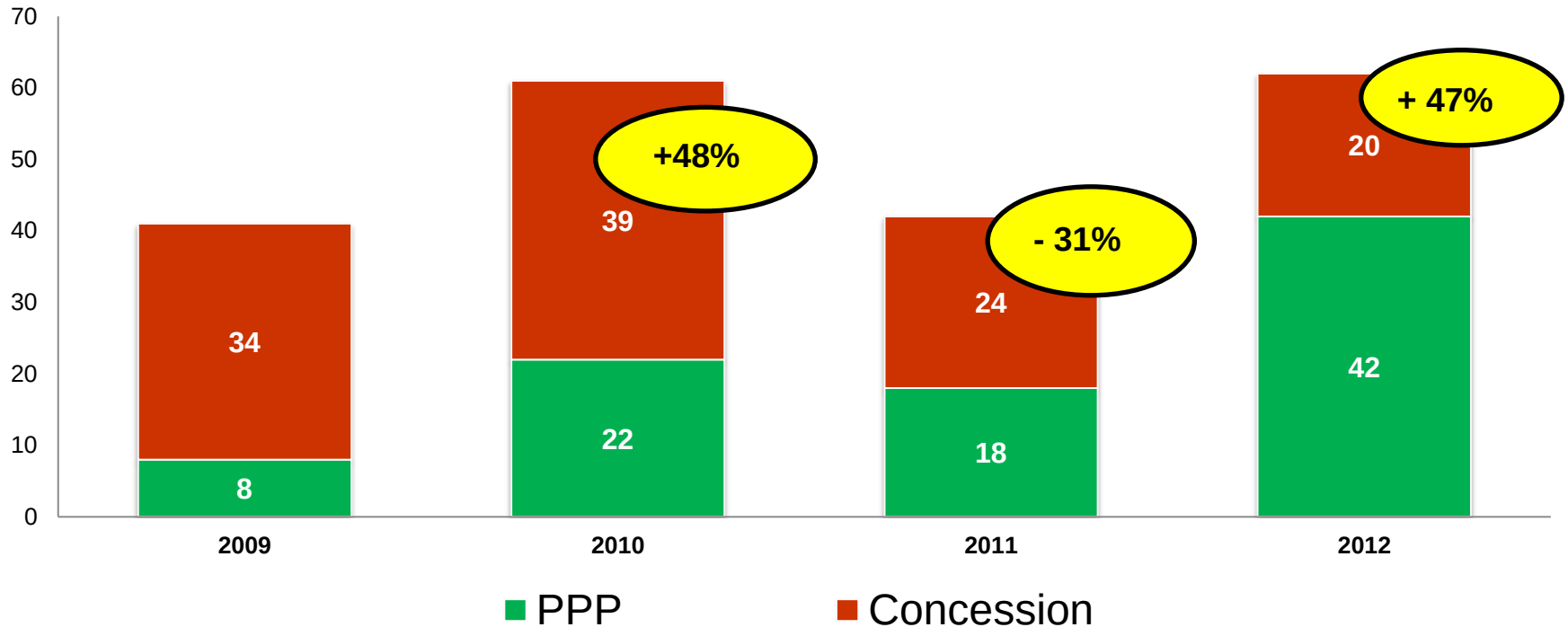
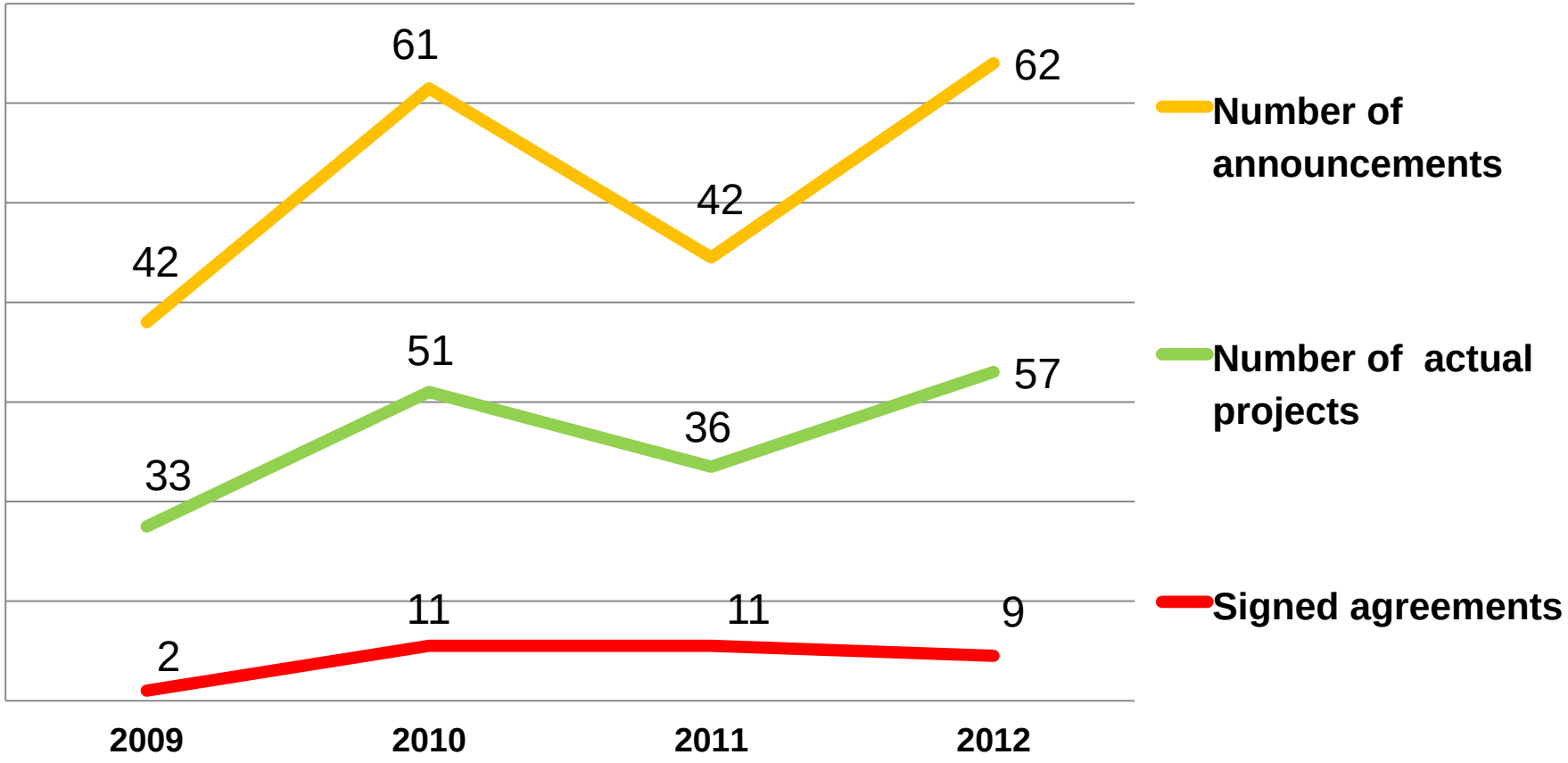
Number of PPPs and Concessions announcements in Poland 2009 – 2012



- The number of announcements, on a basis of PPP Act and concession for works and services Act, is 42 in 2009, 61 in 2010, 42 in 2011 and 62 in 2012 – **summing up 206 announcements.**

- The number of **actual projects** in 2009, 2010 and 2011 was 33, 51, 36 and 57 **– summing up 177** projects**.**

PPP market in Poland (2009-2012)



So far:

+40 signed agreements

,

Source: Centrum PPP, 2013

Estimated* **value of the polish PPP market: (4 PLN +- 1 EURO)**

- 1,97 bln PLN in 2009
- 1,88 bln PLN in 2010
- 1,55 bln PLN in 2011
- 4,60 bln PLN in 2012

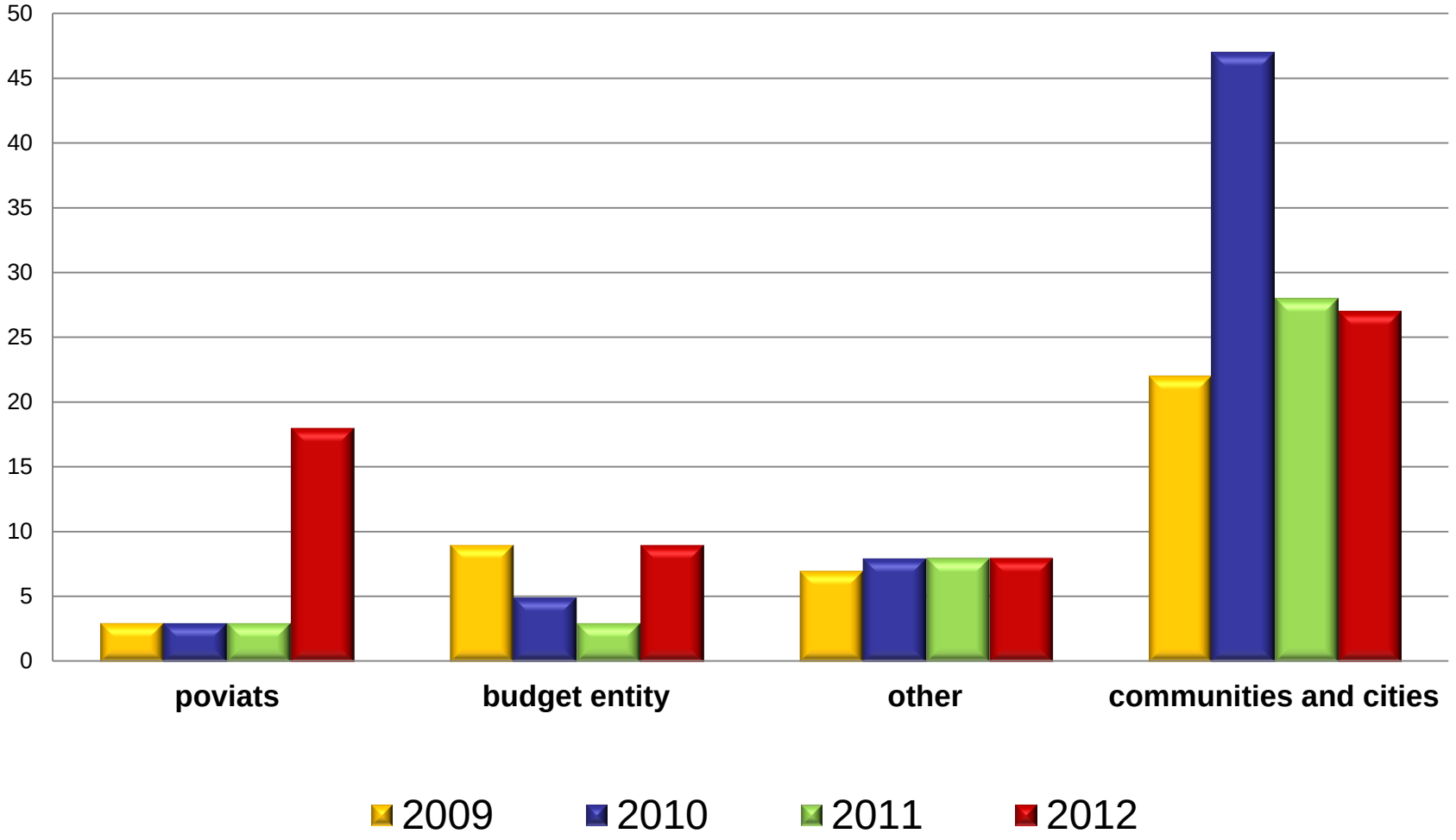
According to prof. Witold Orłowski, PwC Chief Economic Advisor:

- The total **financing gap in Poland** in the years **2011-2022** is **116 –197 billion PLN annually** and this is the amount of public sector investment needs in this period,
- If app. 15% of the gap is covered by PPP projects – the **average annual value of the PPP market** would be **4 – 7 billion PLN** (1-2 bln EURO).

* Own estimation based on announcements on PPP sand concessions

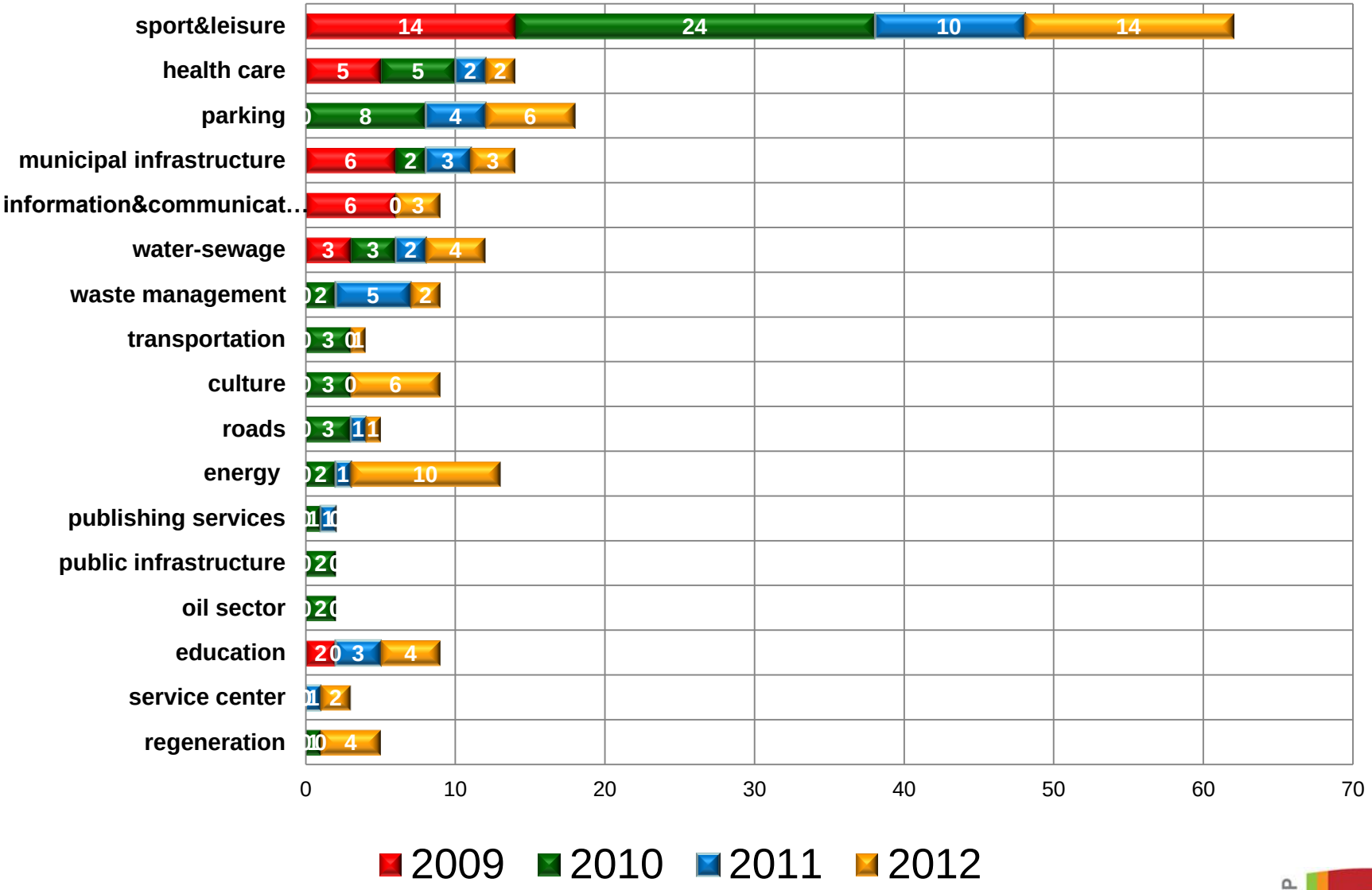
Centrum PPP

Number of announcements – by contracting authority (2009-2012)



Source: Centrum PPP, 2013

Number of annoucements in particular sectors (2009-2012)



Source: Centrum PPP, 2013

Value of PPP projects (in sectors) in Poland 2009 – 2012

- The **value of the polish PPP market** for the last 4 years, taking into consideration announced projects, **is estimated* to 2,5 bln PLN (app. 700 mln EUR),**
- **Strong variation of PPP projects does not allow the use the term of average value** - e.g. in Sports & Leisure projects 0,6 mln PLN - 375 mln PLN,
- **The highest vaule of PPP projects** have been is the sectors: **Sports & Leisure, waste management, water management and carparks,**
- In comparison to the european** PPP projects – **polish PPPs are relatively small**. It is mainly due to a fact that majority of PPP projects have been implemented by municipalities, which are resposible locally for activities in particular regions and as a consequence those projects are not that big,
- One of the reasons of the PPP projects low value is the **lack of the central government involvement in the implementation of PPPs**. There are several central goverment projects that could and should be implemented using PPP: courts and prisons, road infrastructure (highways), rail infrastructure (High Speed Rail), air infrastructure (Airport and MRTT) and many many others…

* Own estimation based on announcements on PPP sand concessions

** the average value of PPP project commercially and financially closed is 163 mln EUR in 2010 and 213 mln EUR in 2011

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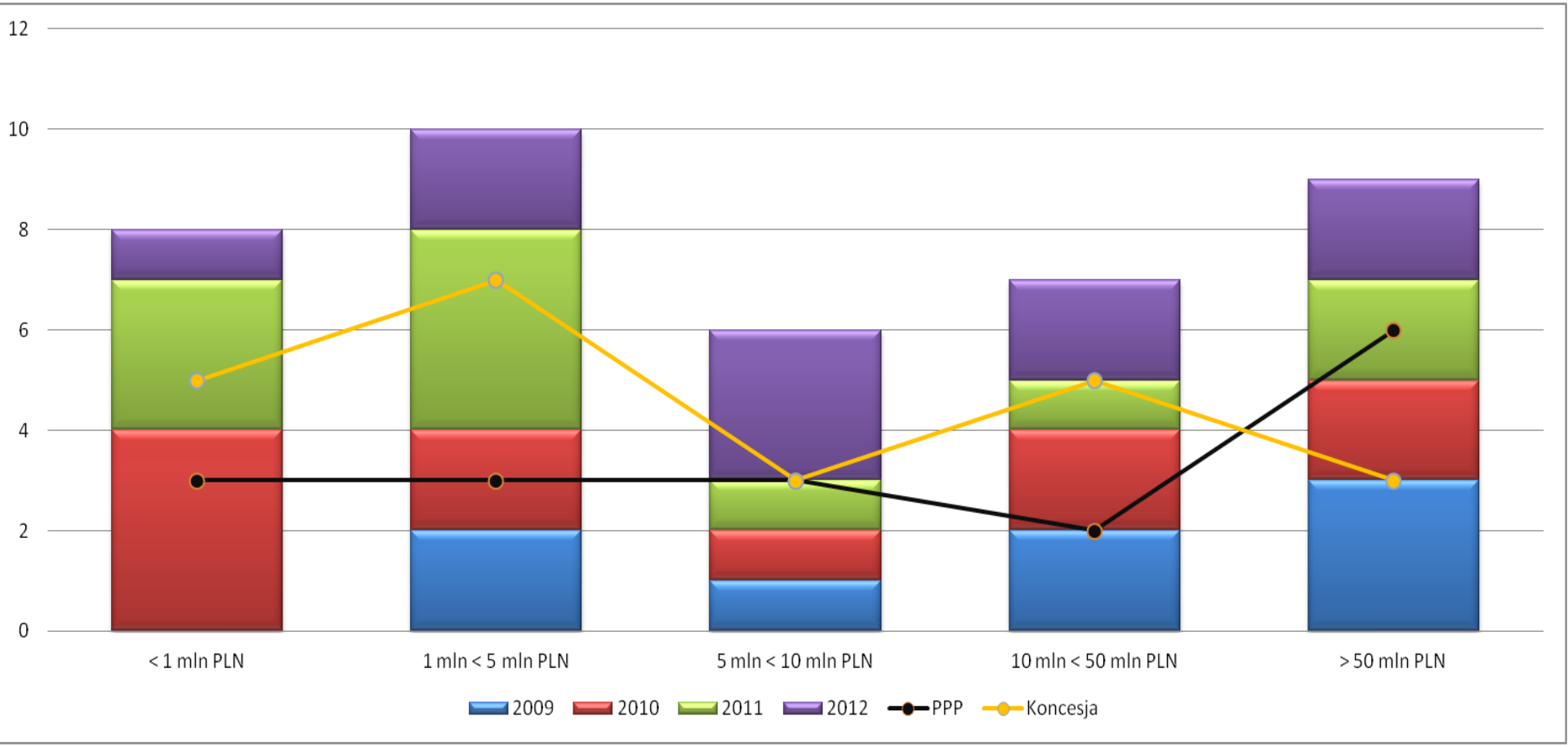
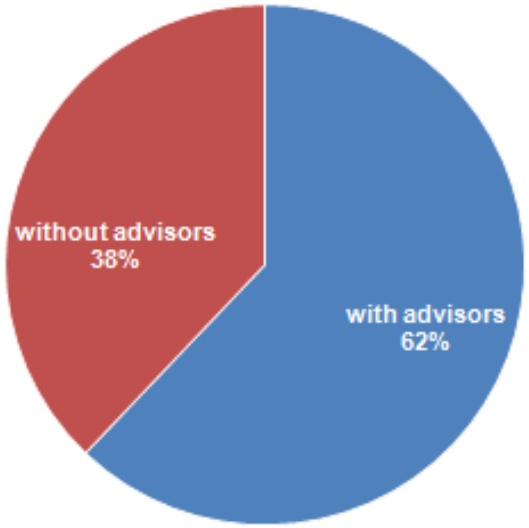
The number of PPP and cocnession agreements 2009-2012 with the value of the projecs (mln pln)



Source: own research, Centrum PPP, 2013, www.pppbaza.pl.

Results of announcements 2009-2010, Centrum PPP Survey

In general



with advisors

without advisors

- **24%** of the all announcements in which **external advisors** were **involved**, **ended up with signing a contract, 31% was cancelled,**
- In announcements where **external advisors were not involved** – only **10%** were **signed contracts** and **more than 60% were cancelled**,

Including external advisors in PPP projects is even more important than in traditional procurement *due to a fact that:*

- *PPP project are far more complicated than the traditional procurement,*
- *There is a need to secure public interest in PPP projects,*
- *PPP projects are long-term investments.*

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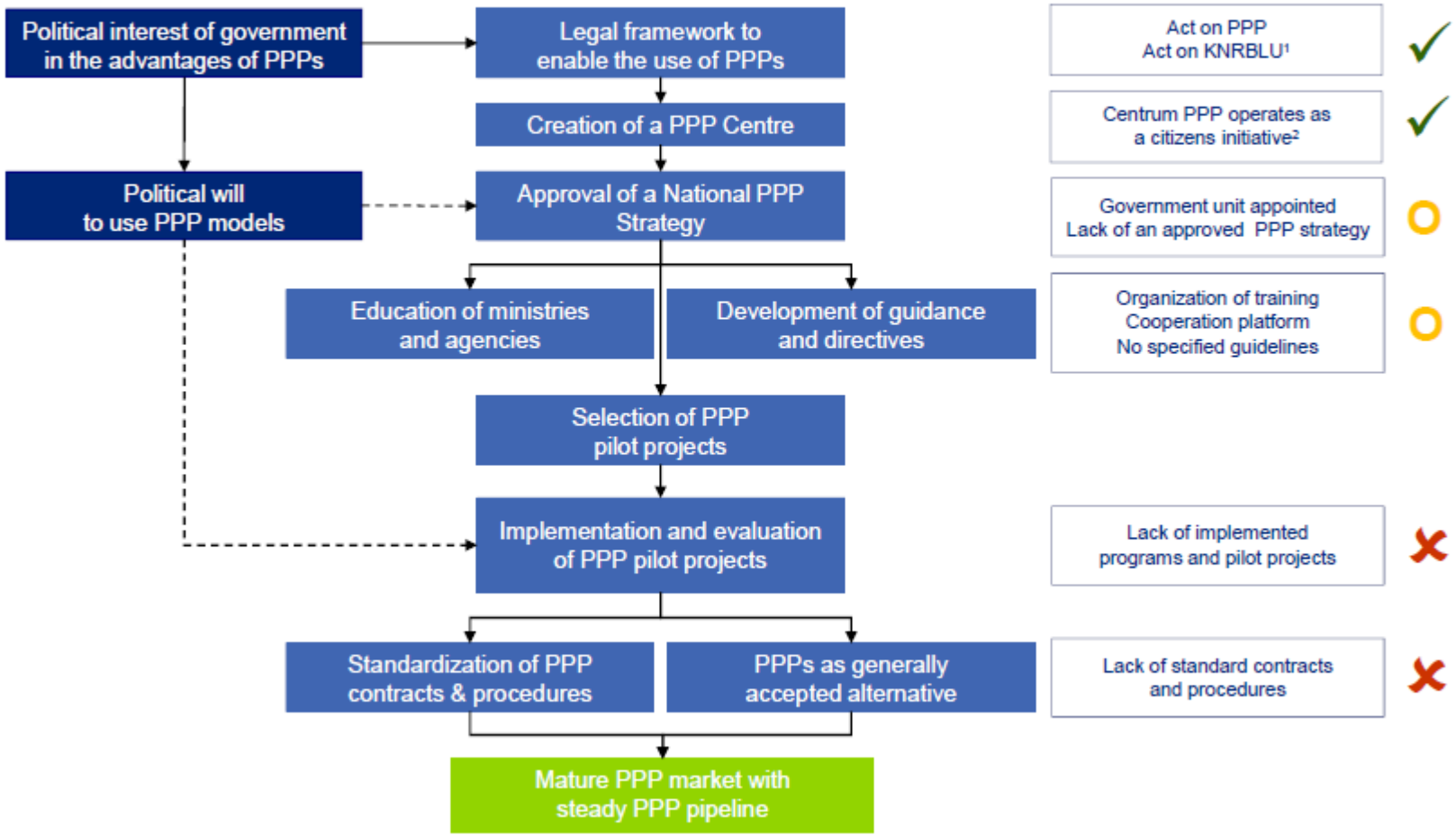
PPP market development activities
Assessment of the PPP market in Poland



Source: Deloitte and Centrum PPP.

[1] *The Act on Public-Private Partnership (PPP) of 19 December 2008 and the Act on public works concessions or services (KNRBIU) of January 9, 2009 were published in the Official Journal of the European Union No. 19 of 5 February 2009. The concession regulations can be used as of 20 February 2009, the Law of the PPP as of 27 February 2009.*
[2] *Centrum PPP (PPP Center) Foundation was established in Warsaw by a notarial act of July 10, 2008.*

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PPP market development activities

What are the main barriers to PPP development in Poland?

	Key barriers	Actions taken
Lack of knowledge	Lack of know-how on PPP, lack of successful examples of PPP application and standards for project implementation.	Trainings for ministries, LGUs and controlling authorities.
Lack of approved strategy	Lack of approved PPP stategy in Poland.	Dedicated unit at the Ministry of Economy and Prime Minister's Office. Agreement on the platform of cooperation on PPPs.
PPP legislation	Lack of freedom in selection of subcontractors for the PPP projects – imposed use of Public Procurement Law on private companies . Joint and shared liability of the consortium participants in the PPP projects.	On the initiative of Centrum PPP an amendment to the PPP law is being processed in the Polish Parliament
Lack of use of professional advisors	Lack of awareness of how important and helpful involvement of professional advisors can be for the preparation and execution of PPP projects[1].	

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Common mistakes in preparing PPP projects in Poland:

- Lack of proper analysis (economic-financial, legal, technical),
- Improper way of selecting private partner (concession vs PPP – payment mechanism),
- Unrealistic expectations of public authority regarding private partner,
- Lack of market testing (operators, banks,…) before the announcement,
- Improper criteria for selecting best bid,
- Lack of flexibility during the negotiations,
- Lack of knowledge in regarding PPP, Public Procurement and other Law.

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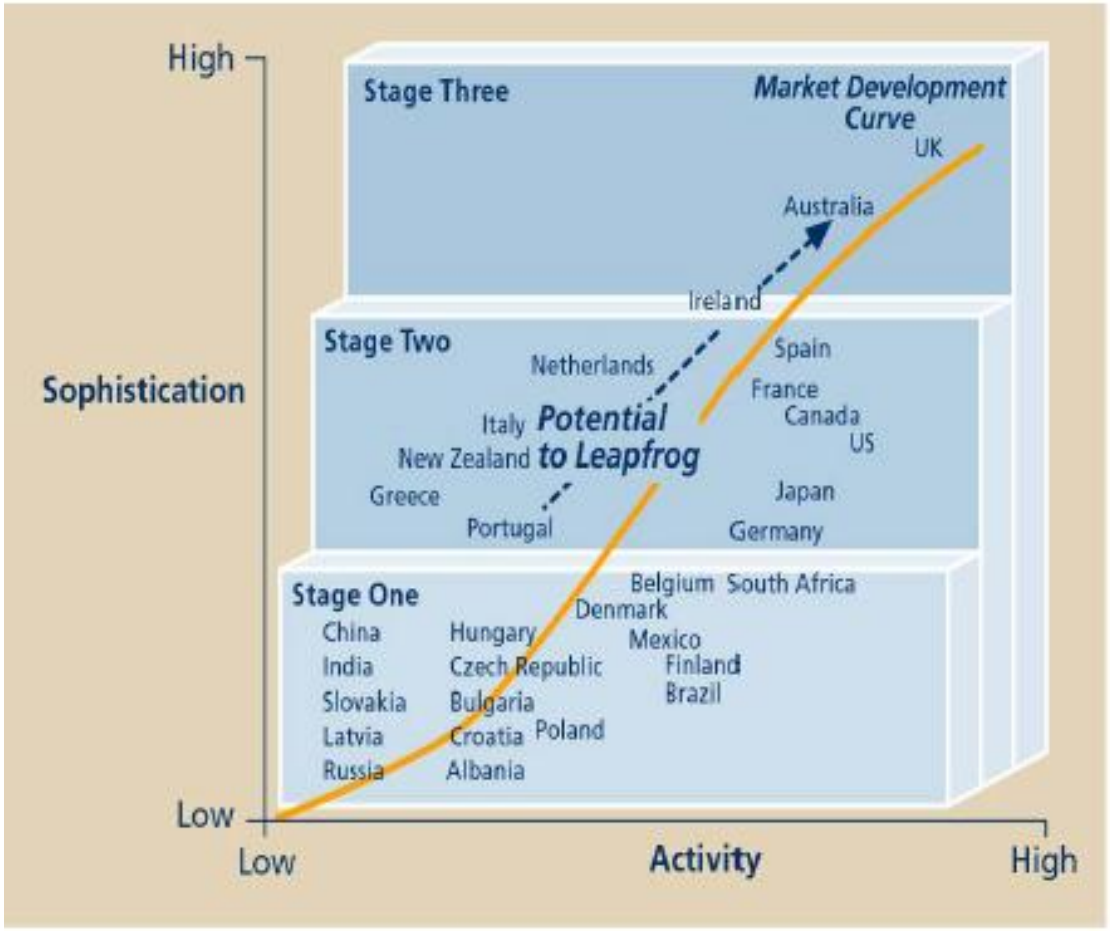
Global PPP overview – maturity model

PPP Market Maturity Curve



Stage three:

- Use of more creative, more sophisticated risk models
- Greater focus on total lifecycle of project
- Sophisticated infrastructure market with pensions funds & private equity funds
- Underutilized assets leveraged into financial assets

Stage two:

- Establish dedicated PPP units in agencies
- Develop new hybrid deliveries models
- Leverage funds from the capital markets
- Use PPPs to drive service innovation

Stage one:

- Policy & legislative framework
- Apply lessons from transport
- Initiate central PPP policy
- Develop public sector comparator model
- Begin to build marketplace

Source: **Closing the infrastructure gap, Deloitte**

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Successful implementation of PPP

Necessary conditions:

- **Strong political support for the idea of PPP** – strong and active support form the public executive entities,
- **Stable and friendly law regulations -** to enable the implementation of public tasks with the use of private funds,
- **Predictable macroeconomic environment,**
- **Readiness and maturity of the public sector** to invest with private companies on a partnership basis,
- **Reliable and solid private partners.**

Sufficient conditions:

- **Develop national** (local, regional) **policies (strategies) to use forms of PPP, including:**
  - **Determination of preferred areas of PPP implementation**,
  - Creating a system of organization and **coordination, monitoring and evaluation of PPP projects** including creation of the institutions which will carry out these functions,
  - Creating a system of **promotion the PPP development** (that are adequate for the functions of preparing PPP best practices, standards and patterns),
- **Preparation of PPP good practices, standard procedures and agreements' patterns** in order to support activities of institutions that: verify the choice of PPP and coordinate (monitor) the PPP development.
- Developing the system of PPP knowledge popularization - conferences, courses, postgraduate studies.

Thank you for your attention

Bartosz Mysiorski

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Centrum PPP is an independent unit and its aim is to significantly accelerate private investments in meeting these public needs, for which the state lacks financing. More investment in public infrastructure, together with simultaneous improvement in the quality of its positive impact on the economic growth will improve the quality of everyday life.

Centrum PPP was founded in 2008 by more than 40 public and private entities including banks, law firms, consulting companies, firms, regional development agencies, foundations, associations, chambers and business agencies.

The Centrum is given government support from Ministry of Finance, Ministry of Economy, Ministry of Infrastructure, as well as the local authorities.

www.centrum-ppp.pl

www.pppbaza.pl

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