

GETTING PPPS STARTED IN BELARUS:

Importance of Multilateral Cooperation



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Minsk, Belarus, 10-12 June 2009

Main thesis

- Growing use of PPP in ECE region
- Countries getting started have more options and experiences on which to build their strategy
- Key challenges – in developing the law and policy, building institutions and capacity - cannot be done overnight
- But the process is worthwhile and joining multilateral networks is important

Outline of presentation

- I. Role of PPPs in infrastructure is a vital ingredient in economic development
- II. Lessons from the ECE region on PPPs
- III. Main challenges for Belarus
- IV. Recommendations for Belarus
- V. Work of the UNECE in assisting countries to meet the challenges
- VI. Conclusions

I. Infrastructure plays a critical role in economic development

- Infrastructure is a cause and consequence of economic development. PPPs is *inter alia*:
 - An instrument for the investment of private capital
 - A way to transfer technology
 - A mechanism to upgrade skills and to increase economic integration

Global infrastructure needs

- Global needs of investment in infrastructure (OECD Project for the Future)
 - Developing countries: 930,000 million Euros up to 2015
 - OECD countries: 310,000 million Euros up to 2015
- Main drivers
 - Population growth
 - Economic growth
 - Decades of insufficient investment
 - Growth in international trade
 - Trend to change to urban life in developing countries

Rapid progress in the last decade

Since 1985 to 2008, a total of USD 1,188,454 million have been proposed to be invested to the following distribution:

Roads.....	580,265 million
Railways	42,190 million
Water sewerage and treatment	146,351 million
Administrative buildings, hospitals offices and others	119, 648 million

However, only 585,376 million USD have reached a financial closure. Source: PWF 2008

II. Lessons from ECE region from PPPs

- Rapid acceleration in spread of PPPs
- Initial focus on transport sector and growing interest in social infrastructure (health and education)
- Strong performance (on time and to budget)
- Growing confidence in the PPP model and increasing institutionalisation within Governments (PPP Units)
- Use of PPP as a response to the crisis
- Is PPP now a mainstream policy response to the infrastructure gap?

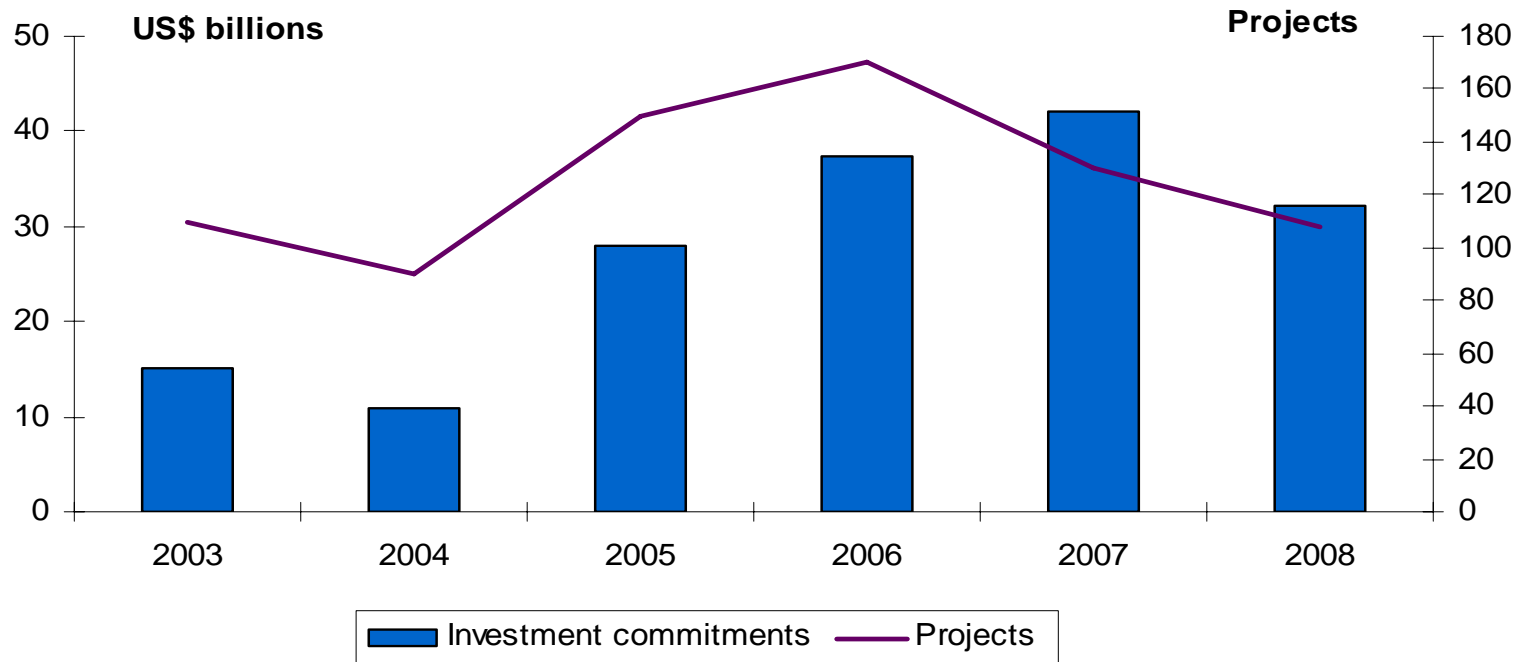
However the road has not been smooth ...

- Stop - start of PPPs in CEE region
- Governance/transparency issues, especially at local levels
- Distrust of PPPs amongst ordinary citizens
- Difficulty for Governments in developing the new skills required
- Current crisis has created liquidity problems in PPP financing
- Commercial banks increasingly focus on their domestic markets

Trends in new infrastructure with private participation

PPP projects continue to reach closure but a slower pace than 2007

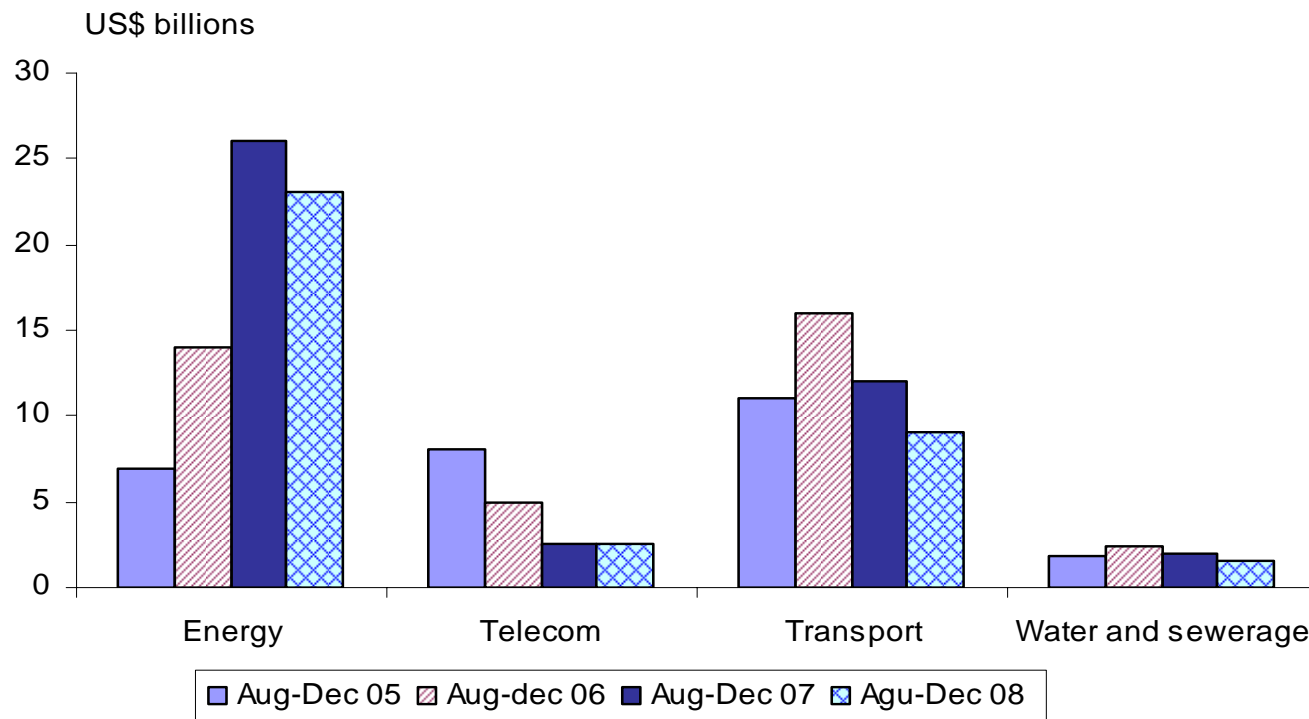
Figure 1 Infrastructure projects with private participation that reached closure in developing countries in Aug-Dec, 2003-08



The rate of project closure varies significantly

Transport, energy and water report lower investments, telecom more stable

Figure 2 Investment commitments to infrastructure projects that reached closure in developing countries in Aug-Dec by sector, 2005-2008



Source: World Bank and PPIAF, PPI Project and Impact of financial crisis on PPI databases.

III. Micro and macro challenges facing Belarus in taking the PPP road

At the Micro level:

- New skill and knowledge requirements
- Understand how to allocate risks in projects
- Shift from input specification to ‘output specifications’
- Develop a business case and financial modelling so that private partners earn a return on investment
- Cultivate the PPP market and build transparency into the interactions with the business community

3 phases in getting started in PPPs

Macro changes:

Phase I

Set up national PPP unit

- Accept best practices
- Establish policy and regulatory frameworks
- Development model agreements and deals
- Assess capacity gaps
- Establish project development facility
- Assign transaction advisors to develop a pipeline of PPP projects
- Seek stakeholder acceptance
- Develop pilot project transactions



Phase II

Establish dedicated PPP units in agencies and provinces

- Roll out capacity building in public and private sectors
- Redefine PPP models rationale
- Facilitate access to long-term funds



Phase III

Enhance capacity model content

- Apply new PPP models
- Begin & expand PPP to new sectors and locations
- Use sophisticated financing and risks models

**These three phases are not mutually exclusive and could be used in preparing an implementation strategy. 12

IV. Key recommendations for Belarus

- **PPP policy:**
 - Set clear objectives in delivering a successful first tranche of projects
 - Build trust and confidence in the process within an adequate system of accountability;
 - Interact transparently with the business sectors
- **Legal framework:** Get the legislation right/ avoid over regulation and repeated changes; keep it simple, fewer and better
- **Institutional framework:** Establish a central coordinating body such as a PPP Unit
- **Capacity building:** Take PPP training seriously, work with local partners to train officials in the culture and language of the country using international experts where necessary

V. UNECE activities in PPPs

- UNECE PPP Team of Specialists
- Developing a PPP toolkit on “How to do PPPs”, around 20 modules for trainees that demystifies the process
- Linked to top level and quality support from top business leaders through the PPP Business advisory Board (UK, France, Russian Federation and Germany)
- National implementation campaigns that combine project support with training

Suggested cooperation

To hold a consultative meeting between the
UNECE and government experts on PPP
policy issues and developing some possible
PPP projects

*in 2010 based on preliminary consultation
with the Government on June 11 2009*

VI. Conclusions

- Growing confidence in the PPP model in the ECE region
- Countries getting started have more options and experiences on which to build their strategies
- Success in meeting the key challenges (legal and policy framework, institutions within Governments starting projects and training) will not occur overnight
- UNECE ready to discuss with Belarus the modalities for cooperation that fits its requirements.

Thank You For Your Attention!

<http://www.unece.org/ceci/ppp.html>

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