

# Capacity Building for Successful Public-Private Partnerships



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## Position in a nutshell

- PPPs are critically important in meeting the challenge of sustainable development/ energy efficiency
- However, PPPs are complex and require skills and knowledge which Governments do not have
- Capacity building is required: challenge is to make it relevant to actual project development

## Presentation

- What are PPPs? And what does Committee on Economic Cooperation and Integration do to promote them?
- How can our CECI PPP programme cooperate with the EE 21 project ?

## **CECI Programme on PPPs**

- PPP s are one of the 5 thematic areas of the Committee on Economic Cooperation and Integration
- Supports the elaboration of integrated infrastructure for pan European sustainable development
- UNECE Team of Specialists to promote PPPs (Guidebook, training and advisory missions to governments)



# WHAT IS A PPP?

- **The term PPP is used internationally with a wide variety of meanings, but for this purpose...**
  - PPP = private investment in public infrastructure
    - + long-term service provision
    - + risk transfer to private sector
- **An old concept which has found a new life**
  - Concession model
    - ... the user pays (tolls, fares, *etc.*)
      - Based on legislation + contract
    - N.B Many PPPs outside UK are Concessions
  - **UK Private Finance Initiative (PFI) model**
    - ... the public sector pays
      - Contract-based (may be in legislative framework)
    - N.B In some countries only this model is called a PPP
- **PPPs v. privatisation**
  - No transfer of public ownership
  - Public sector remains accountable
  - Contract-based not regulator based

} = partnership



## WHY PPP?

- **Access to capital**
- **Certainty of Outcome**
- **Off balance sheet borrowing**
- **Innovation**
- **Transfer of risk**

# THE GROWTH OF PPPs IN EMERGING MARKETS

## 3 Distinct Evolutionary Phases

### Stage One

- Define policy framework
- Test legal viability
- Identify project pipeline
- Develop foundation concepts (PSCs etc)
- Apply lessons from earliest deals to other sectors
- Start to build marketplace

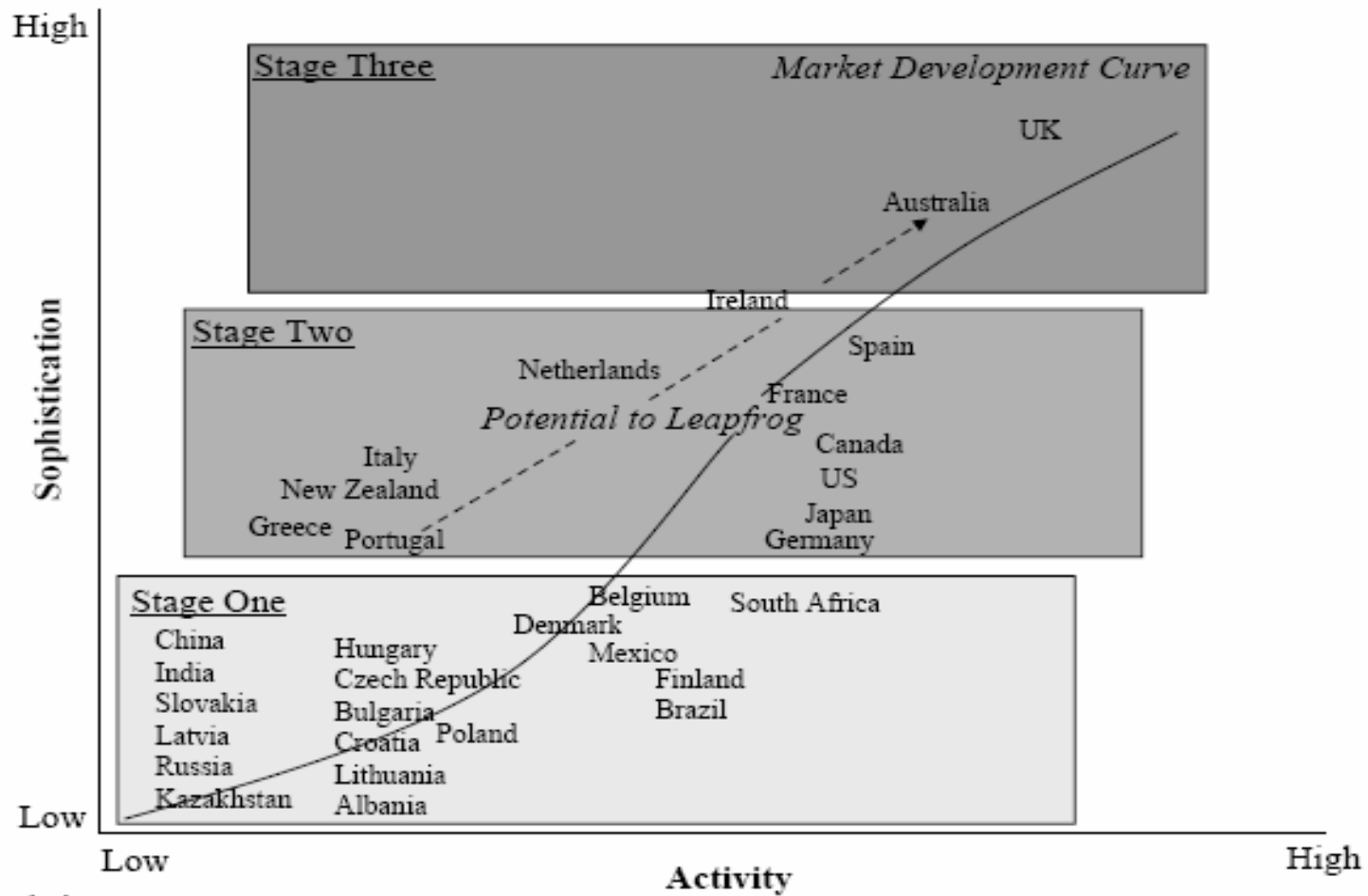
### Stage Two

- Introduce legislative reform
- Publish policy and practice guidelines
- Establish dedicated PPP units
- Refine PPP delivery models
- Continue to foster marketplace
- Expand project pipeline
- extend to new sectors
- Leverage new sources of funds

### Stage Three

- Fully defined, comprehensive "system"
- Legal impediments removed
- PPP models refined and reproduced
- Sophisticated risk allocation
- Committed, long-term deal flow
- Long-term political consensus
- Use of full-range of funding sources
- Thriving infrastructure investment market involving pension funds and private-equity funds
- Well-trained civil service applying lessons from PPP experience

# PPP MARKET MATURITY CURVE



Source: Deloitte

# Key Challenge: Good Governance And PPP Skills

*Vicious circle of:*

- Weak institutions: problem is non- implementation of PPP laws and a lack of procedures to deliver projects
- Lack of transparency in deals, conflicts of interest, corruption etc.
- Missing key skills in for example, defining ‘output specifications’

# UNECE Guidelines on Promoting Good Governance in PPPs

## *7 PRINCIPLES*

- ① A coherent PPP policy
- ② Strong enabling institutions
- ③ Legal framework “fewer, better, simpler”
- ④ Cooperative risk sharing and mutual support
- ⑤ Transparency in partner selection
- ⑥ Putting people first
- ⑦ Achieving sustainable development

# Misconceptions...

Keep people  
out: they do not  
understand the  
technical  
matters...

**No!**  
**People have to be put first.**

**PRINCIPLE 6. PUTTING  
PEOPLE FIRST**



# Principle 6. Putting People First

- Define the public interest
- Consult with people
- Inform: disclose information in contracts
- Oversee by objective third party
- Involve independent auditors

# Misconceptions...

...you have to choose between profit and social and environment development...

**No!**  
**Project can make profit and achieve social and environmental goals.**

**PRINCIPLE 7. ENVIRONMENT**



# Principle 7. Environment

- The ‘Green case’ works for PPPs
- Provide incentives to the private sector to adopt green criteria
- Avoid politically correct ‘add ons’ that mean nothing

## Case Studies

*Applying the " Good Governance " principles brings success!*

Canada	Vancouver Landfill project
France	Centre Hospitalier Sud Francilien
Israel	Cross-Israel highway
Tajikistan	Pamir Power project
USA	Chesapeake Forest project

# Vancouver Landfill project (waste to energy project)

- Private sector had the knowledge to transform waste into energy
- Reduces greenhouse gas emissions by approximately 200,000 tonnes per year - emissions of about 40,000 automobiles
- Provides energy to around 5,000 households
- Applicable to other countries? but why are there not more such projects?

# CECI PPP Training programme

- Elaboration of a Toolkit on how to do PPPs ?for PPP training
- Testing out the modules in a PPP training event in Moscow 21-22 October
- With good training PPP Units can ‘deliver’ projects between 6-9 months

# Outline of the Training Toolkit

- Vol I: Readiness assessment
- Vol II: Legal, Institutional and Financing issues
- Vol III: Project life cycle( preparing the business case, procurement, monitoring and auditing
- Vol IV: Sectoral ( roads, water, schools, ,energy)
- Approx 20 training the trainer modules in total + Trainer's manual

## Key challenges in PPP training

- Training should not be delivered to Phds: (skills versus knowledge)
- PPP units are the key partners
- Private sector can do more
- Project idea should be identified first, then training
- On the job training is critical as well

# Cooperation with EE 21 Project

- PPP Training needs to be associated with projects for best results
- Can the EE21 project cooperate with CECI's PPP capacity building to deliver bankable projects ?
- Next focus : Regional Cooperation Council, RF, Kazakhstan, Ukraine etc.... Can we join forces ?

# In Conclusion

## PPPs AND SUSTAINABLE DEVELOPMENT

- PPPs can be a tool for EE/ sustainable development
- Training and capacity building and marketing are critical to develop PPPs successfully
- UNECE PPP work can dovetail with EE 21 for mutual benefit



**Thank you for your attention!**

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

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