Emerging PPP market experience: lessons learned by Poland and CEE & SEE regions, how they can be applied to Azerbaijan and Kazakhstan
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
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
PPP in the World
Over the last decade there has been a high increase in PPP application in the world.

PPP 1997

PPP 2007

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

PPP in the CEE and SEE regions

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PPP in Poland, CEE & SEE – lessons learned

Summary + Questions & Answers Session
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.
10 pilot PPP projects – started preparations but stopped by politicians.
Czech PPP Association transformed in 2013 into Czech Infrastructure Association.
• 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 amended 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.

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.**
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 redraw 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, etc.) 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
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 (Trenčín 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.

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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**, there 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.

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**source:** Evaluating the environment for public-private partnerships in Eastern Europe and the Commonwealth of Independent States, The 2012 EECIS Infrascope, Commissioned by the European Bank for Reconstruction and Development, 2013
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).


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

- 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 create 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 691 km 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.


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

- There is **no specific PPP Law**, all PPP are done according to Public Procurement.
- **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** – headquarters 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 the Tallinn-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
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). Availability 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).

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.**

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.

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 friendly 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.

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

- 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.

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Kosovo

- 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 international 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.

### Table: PPP Projects in Kosovo

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

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

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 government) 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 financially close PPP deals.

<table>
<thead>
<tr>
<th>N.</th>
<th>Name of the project</th>
<th>Project phase</th>
<th>Year FC</th>
<th>Sector</th>
<th>Value (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Belgrade Water</td>
<td>League Table Mandate Won</td>
<td>n.a.</td>
<td>Water</td>
<td>850</td>
</tr>
<tr>
<td>2</td>
<td>Sabac Public Parking</td>
<td>Tender</td>
<td>n.a.</td>
<td>Transport</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
Albania

- 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**.

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

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

*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*
Bosnia and Herzegovina

- **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 framework 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.

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

Montenegro

- 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.

<table>
<thead>
<tr>
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<th>Year FC</th>
<th>Sector</th>
<th>Value (EUR million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Bar to Boljare highway corridor</td>
<td>On hold</td>
<td>n.a.</td>
<td>Transport</td>
<td>2000</td>
</tr>
<tr>
<td>3</td>
<td>Kotor-Cetinje cable car</td>
<td>Potential</td>
<td>n.a.</td>
<td>Transport</td>
<td>20</td>
</tr>
</tbody>
</table>

There is **no specific PPP law**, no consistent PPP guidance/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 preparing and executing PPP deals** has been the most **significant weakness** for Armenia nowadays.

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

There 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.

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 efficiently) 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.

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 level, 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.
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 countries in the Global Competitiveness Report*** for 2013-2014.

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*source: Evaluating the environment for public-private partnerships in Asia-Pacific The 2011 Infrascope Commissioned by the European Bank for Reconstruction and Development, 2011
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.
- Azerbaijan has created first PPP Specialist Centre for ICT/broadband within the UNECE International PPP Centre of Excellence initiative.

Intrduction

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
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)*.
**Before 2005**
- PPP implemented by the highways, real estate, municipal Acts

**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?

**New PPP regulations – came into force in February 2009**
- The Public-Private Partnership Act
- Concession for construction works and services Act

Guidance vs. flexibility?
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
Number of announcements – by contracting authority (2009-2012)

Source: Centrum PPP, 2013
Number of announcements in particular sectors (2009-2012)

- sport&leisure: 14 24 10 14
- health care: 5 5 2 2
- parking: 8 4 6
- municipal infrastructure: 6 2 3 3
- information&communications: 6 0 3
- water-sewage: 3 3 2 4
- waste management: 2 5 2
- transportation: 3 0
- culture: 3 0 6
- roads: 3 11
- energy: 2 1 10
- publishing services: 1
- public infrastructure: 20
- oil sector: 20
- education: 20 3 4
- service center: 1 2
- regeneration: 0 4

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…

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* 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
The number of PPP and concession agreements 2009-2012 with the value of the projects (mln pln)

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.
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
PPP market development activities
Assessment of the PPP market in Poland

Political interest of government in the advantages of PPPs

Political will to use PPP models

Legal framework to enable the use of PPPs

Creation of a PPP Centre

Approval of a National PPP Strategy

Education of ministries and agencies

Development of guidance and directives

Selection of PPP pilot projects

Implementation and evaluation of PPP pilot projects

Standardization of PPP contracts & procedures

PPPs as generally accepted alternative

Mature PPP market with steady PPP pipeline

Act on PPP
Act on KNRBLU¹

Centrum PPP operates as a citizens initiative²

Government unit appointed
Lack of an approved PPP strategy

Organization of training
Cooperation platform
No specified guidelines

Lack of implemented programs and pilot projects

Lack of standard contracts and procedures

Source: Deloitte and Centrum PPP.

¹The Act on Public-Private Partnership (PPP) of 10 December 2008 and the Act on public works concessions or services (KNRBLU) of January 9, 2009 were published in the Official Journal of the European Union No. 10 of 5 February 2009. The concession regulations can be used as of 20 February 2000, the Law of the PPP as of 27 February 2009.
²Centrum PPP (PPP Center) Foundation was established in Warsaw by a notarial act of July 10, 2008.
## PPP market development activities

What are the main barriers to PPP development in Poland?

<table>
<thead>
<tr>
<th>Key barriers</th>
<th>Actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of knowledge: Lack of know-how on PPP, lack of successful examples of PPP application and standards for project implementation.</td>
<td>Trainings for ministries, LGUs and controlling authorities.</td>
</tr>
<tr>
<td>Lack of approved strategy: Lack of approved PPP strategy in Poland.</td>
<td>Dedicated unit at the Ministry of Economy and Prime Minister’s Office. Agreement on the platform of cooperation on PPPs.</td>
</tr>
<tr>
<td>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.</td>
<td>On the initiative of Centrum PPP an amendment to the PPP law is being processed in the Polish Parliament</td>
</tr>
<tr>
<td>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</td>
<td></td>
</tr>
</tbody>
</table>
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.
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
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 delivery 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
Successful implementation of PPP

Necessary conditions:

- Strong political support for the idea of PPP – strong and active support from 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

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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.

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