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**Statement by Mr. Ján Kubiš  
United Nations Under-Secretary-General  
Executive Secretary of the United Nations  
Economic Commission for Europe**

**at the inauguration ceremony of the PPP department at the Financial  
University under the Government of the Russian Federation**

**Moscow, 17 May 2011**

Mr. Chairman,  
fellow speakers,  
distinguished participants,  
ladies and gentlemen:

I am delighted to be with you today on the occasion of the inauguration of the PPP department at the Financial University of the Russian Federation. I congratulate Vnesheconombank for taking this initiative. Russia needs to invest money into developing a modern infrastructure system: not only will this fuel economic growth in the form of thousands of jobs created but it will help the country's overall development and economic standing. PPPs are rightly the way forward for many sectors of economic activity such as transport, power, water and sanitation and other vital public services.

The challenge for the Russian federation and for all countries getting started is the implementation of PPP projects. UNECE has almost 15 years of experience working with countries taking the early steps in developing a PPP programme and we have learned a number of lessons surrounding the difficulties and barriers faced in project implementation. Let me share with you a few of these lessons this evening.

First we have learned that there exists **a large gap between government policy pronouncements on PPP and project implementation**. Most countries today express strong support for PPP. However very few states are able to translate this policy support into fully fledged operational programmes in PPPs.

Second we have learned that the most important factor hindering effective project

implementation is the **lack of a capable public sector dealing with PPP**. The challenge is that the public sector does not have the skills in project finance and legal contracts that are the core skills required in PPP and which are found more in the private sector than the public sector. Thus there is a tremendous need to build the capacity in government so that it can run a PPP programme.

To address these constraints, several countries pursuing PPP programmes have set up dedicated cross-sectoral units – PPP Units - at the national level to guide and complement the efforts of line ministries and local government units. Ultimately, capacity building is needed across the board - but it is a long process that requires patience and persistence.

Third we have learned that the best approach to capacity building in PPP is a **'learning by doing approach'**, that is, to **work with actual officials seeking to undertake PPP and acquire the knowledge and skills from the process of setting the projects up, procuring and then implementing them**. Capacity building is particularly needed in the preparation of PPP projects that will attract business and assume truly competitive outcomes for the bidding process. And a sustained pipeline of bankable projects is needed to keep private investors interested. Inadequate project preparation results in failed projects.

Accordingly, it is helpful that the faculty that is used to teach PPPs at this institution and elsewhere are those who have practical knowledge of projects. The UNECE Team of Specialists on PPP is ready to mobilize experts from its network who have such practical knowledge to contribute to the learning of PPPs in this university.

Fourthly we have learned that the international private sector is very sensitive to **shortcomings and bottlenecks in the legal and institutional framework**. The laws should not be over-restrictive and they should give confidence to the investor that the 'rules of the game' will be respected. In too many countries the legislation does not provide investors with such confidence.

Accordingly, the UNECE is working with the United Nations Commission in International Trade Law (UNCITRAL) to prepare an international standard of best practice in PPP legislation – model legislative provisions that can guide governments to enact the most appropriate legislation. In this regard too we are exploring with the Commonwealth of Independent States and the EBRD, the possible basis for the elaboration of a model PPP law which, given the similarities in legal approach and institutions existing within the CIS, could be achieved and be of practical help.

Fifthly, project implementation may be further held back by **unrealistic expectations of both public and private sector partners in a PPP**. The public sector sometimes expects that the private sector will provide the asset – be it a bridge or a road – at no cost and no risk to the public sector while the private sector expects guarantees and subsidies from the public sector. In such circumstances public and private sectors should have a more realistic expectation concerning their respective 'rewards' from the project – if project implementation is to be improved.

Finally, there is a need for a **proactive public communication and stakeholder consultation in PPP**. Projects can easily fail without stakeholder support,

particularly those that will involve increases in users' charges and those which require extensive use of the land over along period and new building construction and which can harm the environment, especially in water utilities and toll roads.

### **The Role of the UNECE**

Clearly the whole area of public private partnerships is challenging and complex. For some time the UNECE has a clear mandate to assist member states in PPP capacity building, to work with governments to strengthen governance, formulate reform agendas, and create conditions conducive to private investment and in support of the UN Millennium Development Goals. In this respect it has worked closely with Vnesheconombank and other important partners in the exchange of policy experiences and best practice. Many CIS states are embarking on the same road. Our central Asian group was established last year and a new group on PPP in CIS has been recently created.

At the same time it has become increasingly apparent that as the interest in PPP has spread, so the UNECE has found it difficult to meet this demand for policy advisory services, training manuals and other needed information.

In this regard, the UNECE took an initiative to create an international Centre of Excellence in PPP consisting of a hub based in Geneva and specialist centers in different countries focused on specific aspects of PPPs such as in water and waste and in health and so on. We are delighted that the Russian Federation and, in particular, Vnesheconombank are generously supporting this Centre and we are now exploring ways in which we can work even more closely in our cooperation.

Our view is that both sides will benefit from this fruitful cooperation in concrete joint efforts such as:

- Development, adaptation and translation of the UNECE PPP toolkit to be used and delivered by the faculty of the newly created PPP department at the Financial University which eventually will become a specialist Centre associated with the UNECE International PPP Centre of Excellence;
- Mobilizing leading international experts with practical knowledge of PPPs as visiting professors for the training courses organized by the PPP Department;
- Fostering the PPP Department as a location for the training in PPP of experts coming from CIS countries;
- Providing opportunities for promoting the PPP Department (e.g. in the context of the 'PPP Days' event in Geneva (21-23 February 2012) - an event that will give international exposure to the newly created PPP Department);
- Assisting the PPP Department to set up its own PPP specialist centre on a sector to be determined;

Let me close by saying that none of us should view public private partnerships as a magic solution to all our infrastructure problems. Nevertheless it can definitely

contribute to filling the infrastructure gap in many countries of our region provided we can address some of the problems I have mentioned above.