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Building Public-Private Partnerships for Infrastructure Development

Public-private partnerships (PPPs) in infrastructure – energy, transport, municipal services, telecommunications, social services – are increasingly commonplace in Europe. PPPs take many forms but generally they can be defined as concessions or other types of contractual arrangements whereby the public sector agrees to give the private sector the right to *inter alia* operate, build, manage and/or deliver a service for the general public. PPPs combine the best the public and private sector offers, while limiting the shortcomings of either the “privatization” approach or the exclusive public sector delivery of services. PPPs can provide many benefits. Governments can use them to mobilise private capital, which increases their capacity to deliver services to their citizens. PPPs also lead to transfers of know-how, management skills and new technology. In the social area too PPPs have contributed to improvements in the fields of health and education.

Given the needs for new forms of financing to improve all types of infrastructure in the transition

PPP Alliance programme

The UNECE Public Private Partnership Alliance’s capacity building programme consists of three activities:

- Preparation of Guidelines on best practices
- Technical assistance
- Annual PPP alliance meetings

Guidelines

Given the lack of information about PPPs among civil servants, the UNECE has prepared a number of guidelines on best practices and on topics where governments need specific support. One specific weakness is in the area of negotiating contracts on PPPs with the private sector. Thus, the PPP Alliance prepared a “Negotiating Platform” to help governments in their negotiations to protect the public interest. Another problem area is organizing open and competitive tenders for PPPs with many governments accused of lacking transparency. The general public supports open and competitive tendering, because it appreciates that the legitimate

economies, the UNECE began early on to analyse PPPs. It observed that some projects were failing not because of a lack of funding, but because of weak legal and regulatory structures, the absence of a social strategy accompanying the project and the lack of public involvement in the projects themselves. These projects tended to be carried out by the private sector and the international financial institutions and lacked significant public sector involvement. Lacking too was any attempt to consult with citizens to determine whether the project was either desirable or acceptable. The UNECE thus called for a new way of designing and promoting PPPs and recommended that attention be given to improving the capacity of governments to promote PPPs that protected the public interest and contributed to social development. In 2002, the UNECE PPP Alliance was established in cooperation with the regional development banks, EBRD and EIB, to improve the public sector’s capacity to deliver successful PPP projects.



winners from competitive tenders are more likely to provide it with a better service. Thus, in 2003 the UNECE prepared guidelines on “good governance in PPPs”. The UNECE went further than simple recommendations and provided benchmarks for governments, so that policy makers could check to determine the extent to which they had put in place the various institutions, procedures and practices for meeting good governance criteria. For example, the setting up of a national auditing office to evaluate whether PPPs had achieved their public interests objectives is one benchmark of good governance.

Technical assistance

In order to build a government's capacity in PPPs, the PPP Alliance provides them with assistance to create their own PPP Units and to improve the necessary legal and regulatory framework. In Europe the development of PPPs is closely related to the existence of a national structure dedicated to the promotion of PPPs. With regard to the legal and regulatory framework, the failure of many projects has been due to sponsors relying exclusively on contracts between public and private agencies and ignoring the deficiencies existing in the surrounding legal framework. This attempt at "ring fencing" has not worked. The international financial institutions no longer practise such shortcuts. Its use in the past has put back progress in developing an appropriate enabling environment for PPPs in the region. The PPP Alliance has thus established a legal and regulatory group of top lawyers to assist member States with improving the laws for PPPs in southeast Europe.

Enabling environment for PPPs

A recent study by the World Bank using a number of criteria placed various countries in separate groupings according to the suitability of the enabling environments for PPPs:

Group 1 – PPPs feasible: Czech Republic, Hungary, Poland; Slovakia, Slovenia

Group 2 – Difficulties to be overcome for more PPPs:

Romania, Bulgaria, Croatia, Estonia, Latvia, Lithuania

Group 3 – PPPs more problematic: Russian Federation, Ukraine, Kazakhstan, Kyrgyzstan, Albania, Bosnia and Herzegovina, The former Yugoslav Republic of Macedonia, Serbia and Montenegro

Group 4 – PPPs not feasible: Belarus, Republic of Moldova, Armenia, Azerbaijan, Georgia, Tajikistan, Turkmenistan, Uzbekistan.

Source: World Bank, M. Sohail, B. Gentry & O. Maslyukivska, WEDC, Loughborough University

Annual PPP Alliance Meeting at Second World Urban Forum, Barcelona, 14 September 2004

A lack of a network exchange between public agencies dealing with PPPs is a major handicap for governments to develop together best practices. The UNECE therefore organizes annual PPP Alliance meetings to discuss critical current topics in PPP development. This year's meeting, to be held in Barcelona under the auspices of the second World Urban Forum of UN Habitat, will be on promoting PPPs in urban regeneration and sustainability. Mayors from major cities will be present, including the Mayors of Barcelona and Moscow.

The conference will examine three main questions:

➤ What is the meaning of sustainable development and urban regeneration in the context of PPPs?

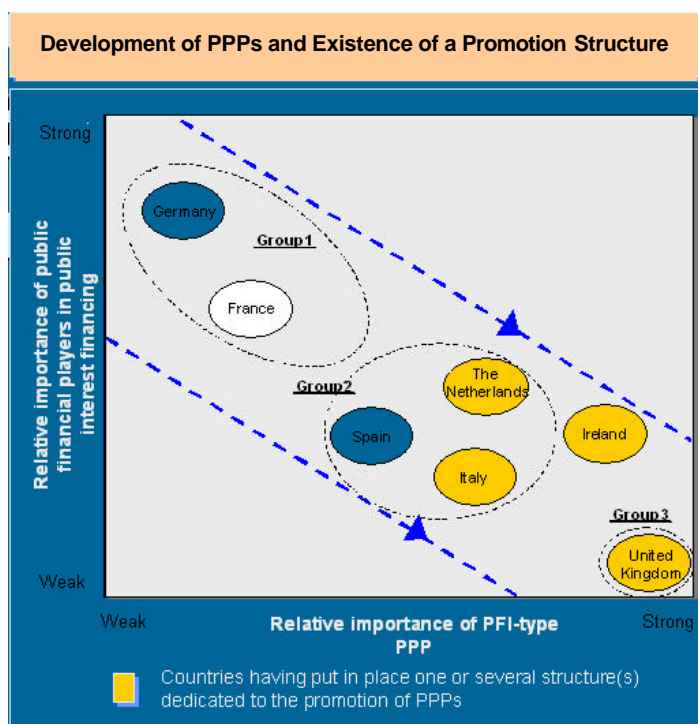
Where amongst Europe's cities is the evidence of PPPs contributing to urban sustainability and regeneration?

For additional information on UNECE's work on PPPs see <http://www.unece.org/ie/ppp> or contact Geoffrey Hamilton (geoffrey.hamilton@unece.org)

➤ What should the 'stakeholders', that is, city and local authorities, national governments, local and foreign business sector, and NGOs and other facilitators, do to implement PPPs and enhance their contribution to sustainable development and urban regeneration? How can national PPP Units or task forces help the local process?

➤ What are the practical follow-ups to the conference that can encourage municipal authorities to give more attention to developing PPPs for urban sustainability and regeneration?

All the invited participants represent one of three important groups which form the main active body for PPP implementation and development: public sector, private sector, and facilitators of the partnership (service providers, international organizations, lawyers and financiers and NGOs). Participants will include experts from the international organizations; from government bodies dealing with infrastructure; representatives of PPP Units at regional and national levels; lawyers involved in PPP projects; representatives of the private sector, bankers; contractors; and project consultants and representatives of NGOs. Membership of the PPP Alliance is open to governments and to the private sector, as well as interested parties from civil society and academia. To date the PPP Alliance has members from twenty-four countries.



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