

—

Challenges towards the implementation of PPPs

Prof. I. Zapatrina,
Ukrainian PPP Center,
PPP Academy

**UNECE and the University of Geneva
Improving Urban Resilience in
Informal Settlements Thematic
Workshop,**

November 24, 2020

What conclusions have been made right after the adoption of the SDGs?



THE GLOBAL GOALS
For Sustainable Development

- none of the SDGs can be achieved without a modern sustainable and resilient infrastructure
- the largest demand in infrastructure exists in the developing economies, which have neither financial resources nor skills to create (modernize) it
- it is impossible to solve this problem without the involvement of private business, especially in the developing economies



What infrastructure is critical to ensure sustainable development?

- ❑ **infrastructure that meets basic human needs** (water supply, sanitation, medicine, waste management, schools, kindergartens, etc.) - *but there is no solvent demand for services provided using the corresponding infrastructure in the developing economies*
- ❑ **resilient infrastructure** - *which allows protecting the most vulnerable groups of the population in the event of epidemics, natural and technological disasters – at the same time, despite the fact that it may be in demand once in 10-15 years, the state (local authority) must ensure its availability. Otherwise, we will have serious negative consequences for the life and health of people.*
- ❑ **environmentally friendly and natural based infrastructure** - *the cost of its creation is higher than that of the usual so-called “gray” infrastructure, but in the long term, taking into account the indirect benefits and costs, it turns out to be cheaper for the society*

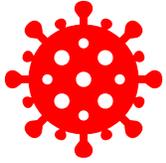
Almost all infrastructure critical to the SDGs is concentrated in cities. They are the ones who faced the most serious challenges today



What is needed to attract private business to create critical infrastructure for the SDGs?

- ❑ Understanding by public authorities, what infrastructure is needed in the first place
- ❑ Planning and prioritization of infrastructure projects, taking into account the target indicators of the SDGs
- ❑ Providing incentives to attract private business to modernize critical infrastructure for the SDGs by:
 - providing state support for PPP implementation
 - adequate allocation of risks between partners
 - guarantees that the public partners will fulfill their obligations

In order to solve these problems, the local government shall move from a project-based to a programmatic approach to PPP, from the use of concessions to the implementation of projects in the form of non-concessional PPPs, in particular, using the People-first PPP Model



What has the Pandemic demonstrated in relation to PPP?

- ❑ **PPP projects are more sustainable than the projects implemented independently by the state, or purely commercial projects** - *difficulties and problems in the short term in the framework of a long-term PPP projects are easier to resolve; financial institutions are ready to refinance PPP projects, because they understand their long-term perspective*
- ❑ **Importance of applying professional approaches to assessing, allocating, monitoring, managing and controlling the risks of PPP projects**, in particular with regard to risks of uncertainty, **is seriously underestimated** by both the public authorities and the private business
- ❑ **Assessing the priority of projects based on their commercial attractiveness is fundamentally incorrect** in terms of ensuring sustainable development. The state (central and local authorities) should **think about the creation and funding of the resilient infrastructure**. *It doesn't matter, how rarely it may be used. Ones in 20 years is enough to recoup all investments in it.*
- ❑ **Humanity cannot afford to further continue being careless about the environment and non-renewable resources**. *The public authorities should provide financial support only to those projects that do not harm the environment and are resource efficient*

New challenges for infrastructure development require new innovative approaches and significantly increase the requirements for the qualifications of public authorities



Challenges associated with the Transition to Market Economy *(on the example of Ukraine)*

- ❑ **Decentralizing the decision-making process** - we made it as part of the decentralization reform in Ukraine; local authorities have more powers *(they independently make all decisions on PPP if there is no support from the state budget)*
- ❑ **Alternatives to the Central State Budget** - as a result of the decentralization reform, the local budget revenues have increased 2-4 times in recent years
- ❑ **Legal regulation of PPP in accordance with international standards** - thanks to the assistance of the World Bank and EBRD, Ukrainian PPP legislation is one of the best in the world

Ukraine has found an adequate response to these challenges. BUT the situation with attracting private business to the development of urban infrastructure has not changed. There are practically no PPP projects at the local level



Challenges associated with Effective Governance *(on the example of Ukraine)*

- ❑ **lack of holistic approach to urban planning based** on chain “the sustainable development strategy” – “infrastructure plan” – “mechanisms for the implementation of priority infrastructure projects”
- ❑ **Ineffective system of urban development management:** strategic issues are not given sufficient attention; all time and efforts are spent by our public authorities on resolving the current problems
- ❑ **low capacities of public authorities** in field of sustainable development, infrastructure and PPP
- ❑ **lack of transparency and lack of communication with the society** at all stages of the process of launching and implementing PPP projects
- ❑ **everything is done very slowly**, especially under consideration of unsolicited proposals
- ❑ **lack of understanding by the public authorities and private business of motivation, tasks, peculiarities of each other's activities** - for the implementation of partnership projects, business, the government and the society shall speak "the same language"

In order to cope with these challenges, a lot still need to be done by politicians, authorities, private business and experts

Thank you for attention



www.apppp.com.ua

www.apppp.com

