



Project Working Group on Transport and Border Crossing (PWG-TBC)

20th Session
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Almaty, Kazakhstan

Establishment and strengthening of Public-Private Partnerships in the SPECA region

(Item 4.7 of the Agenda)

Note by UNECE/UNESCAP

1. Given the massive financial requirements for developing and maintaining transport infrastructure and the limited budgetary resources and borrowing capacities of countries, it is unlikely that the public sector will be able to deliver the entire infrastructure needed for development. Therefore many governments have been taking measures for further engaging the private sector. Involving the private sector is needed not only to provide innovation and efficiency gains in delivery and management of infrastructure and services, but also to provide new sources of finance.
2. Recognizing the potential of Public-Private Partnerships (PPPs) as an alternative financing and delivery modality, ESCAP and ECE secretariats have been promoting the use of PPPs under their regular programmes of work. Over recent years ESCAP and ECE have developed and disseminated resource and training materials; conducted national and regional capacity building activities; established regional knowledge networks through regular regional meetings of PPP units and programmes; and provided advisory services and technical assistance. These resources are available in English from the ESCAP website (<http://www.unescap.org/our-work/transport/financing-and-private-sector-participation>) and an International Centre of Excellence on Public-Private Partnerships (PPPs) has been established at ECE (Further details on the work programme of the Centre are available from the ECE website (<http://www.unece.org/ceci/ppp.html>)).
3. To further expand private sector involvement in infrastructure development in SPECA countries, a number of critical steps are however required. In particular, appropriate institutional and legal frameworks need to be put in place and a sustainable capacity-building programme on PPPs is required for both the public and private sectors. In this regard, ESCAP has recently

launched an e-learning series on public-private partnerships (PPPs) aimed at policy policymakers. Featuring six modules, the series provides users with essential information about the benefits and limitations of PPP models for infrastructure development (the e-learning series can be accessed on <http://www.unescap.org/our-work/transport/financing-and-private-sector-participation/public-private-partnership-course>). ESCAP also continues to facilitate knowledge and experience sharing among the countries of the region. To this end, the first Asia-Pacific Forum on PPPs for Transport Infrastructure Development was organized in 2015 in Bangkok and a series of PPP Transport case studies has been developed. A diagnostic tool has been used to help several developing countries in assessing their readiness for PPP implementation and in identifying the bottlenecks to address (e.g. changes to their policy, legal or institutional environment).

4. During its Twenty-seventh session (Geneva, 8–10 September 2014) the Working Party on Transport Trends and Economics (WP.5) organized the Second workshop on “Good practices and new tools for Financing Transport Infrastructure”. The workshop is organized jointly by Euro-Asian Transport Links (EATL) project, Trans-European North-South Motorways (TEM) and Trans-European Railway (TER) projects and WP.5.

5. The importance of modern and efficient transport infrastructure as well as the development of innovative and new tools for financing transport infrastructure was highlighted. Furthermore, the benchmarking of transport infrastructure construction costs was mentioned as one of the key points addressed by the workshop.

6. The participants:

- Recalled that the evolution of heavy goods vehicle (HGV) charging systems had three main stages, a) the non-direct user charge, (b) the Time-based charging (Vignette) and (c) Distance-based charging (Péage);
- Noted that electronic toll collections systems (ETC) which are based on the principle “User” – and “Polluter pays” are tools to (re)finance transport infrastructure;
- Noted that transport system taxes are gradually being replaced with more effective instruments such as road pricing;
- Observed that Public-Private Partnership (PPP) models for financing transport infrastructure encompass several risk such as political risk (change of Government), construction risk (unforeseen ground conditions), high capital cost (need for capital

contribution), demand risk (passenger revenues), availability of finance (market liquidity);

- Noted that very careful steps should be taken and considered before proceeding with PPP schemes for financing transport infrastructure;
- Observed that there are different PPP-style structures such as the traditional PPP structure (Design Build Finance Maintain), the construction financing (Design Build Finance) and the post-construction financing (concession/privatisation post-construction):
 - (i) In the traditional PPP structure the public sector only pays for service that it receives, the private sector is incentivised to consider “whole life cost”. There is a granular allocation of risk and there is also significant international precedent;
 - (ii) In the construction financing structure the construction risk passes to private sector, there are reduced PPP premium post construction, there is operational flexibility and there is need for short term financing which implies greater liquidity in bank markets;
 - (iii) In the post construction financing structure there is reduced risk premium during construction, there is also flexibility during design and building and significant complexity from procurement is removed.

7. The proceedings of the workshop, presentations and all workshop material have been uploaded on the UNECE website at www.unece.org/trans/main/wp5/wp5_workshop7.html.

The Project Working Group may wish to

- Ask the PWG-TBC members to update the meeting on developments in PPPs in their countries (revised legalization, institutional arrangements and so on), including specific transport projects procured through this mechanism;
- Encourage SPECA countries to pursue policy measures to create the appropriate institutional environment for the development of public-private partnerships;
- Encourage SPECA countries to strengthen the training programmes for government officials and other relevant stakeholders by taking advantage of training materials on PPPs prepared by UNECE and UNESCAP.