

GETTING PPPS STARTED IN BELARUS:

Importance of Multilateral Cooperation



Mr. Geoffrey Hamilton
Chief, Cooperation and Partnerships Section

Minsk, Belarus, 10-12 June 2009

Main thesis

- Growing use of PPP in ECE region
- Countries getting started have more options and experiences on which to build their strategy
- Key challenges – in developing the law and policy, building institutions and capacity - cannot be done overnight
- But the process is worthwhile and joining multilateral networks is important

Outline of presentation

- I. Role of PPPs in infrastructure is a vital ingredient in economic development
- II. Lessons from the ECE region on PPPs
- III. Main challenges for Belarus
- IV. Recommendations for Belarus
- V. Work of the UNECE in assisting countries to meet the challenges
- VI. Conclusions

I. Infrastructure plays a critical role in economic development

- Infrastructure is a cause and consequence of economic development. PPPs is *inter alia*:
 - An instrument for the investment of private capital
 - A way to transfer technology
 - A mechanism to upgrade skills and to increase economic integration

Global infrastructure needs

- Global needs of investment in infrastructure (OECD Project for the Future)
 - Developing countries: 930,000 million Euros up to 2015
 - OECD countries: 310,000 million Euros up to 2015
- Main drivers
 - Population growth
 - Economic growth
 - Decades of insufficient investment
 - Growth in international trade
 - Trend to change to urban life in developing countries

Rapid progress in the last decade

Since 1985 to 2008, a total of USD 1,188,454 million have been proposed to be invested to the following distribution:

Roads.....	580,265 million
Railways	42,190 million
Water sewerage and treatment	146,351 million
Administrative buildings, hospitals offices and others	119, 648 million

However, only 585,376 million USD have reached a financial closure. Source: PWF 2008

II. Lessons from ECE region from PPPs

- Rapid acceleration in spread of PPPs
- Initial focus on transport sector and growing interest in social infrastructure (health and education)
- Strong performance (on time and to budget)
- Growing confidence in the PPP model and increasing institutionalisation within Governments (PPP Units)
- Use of PPP as a response to the crisis
- Is PPP now a mainstream policy response to the infrastructure gap?

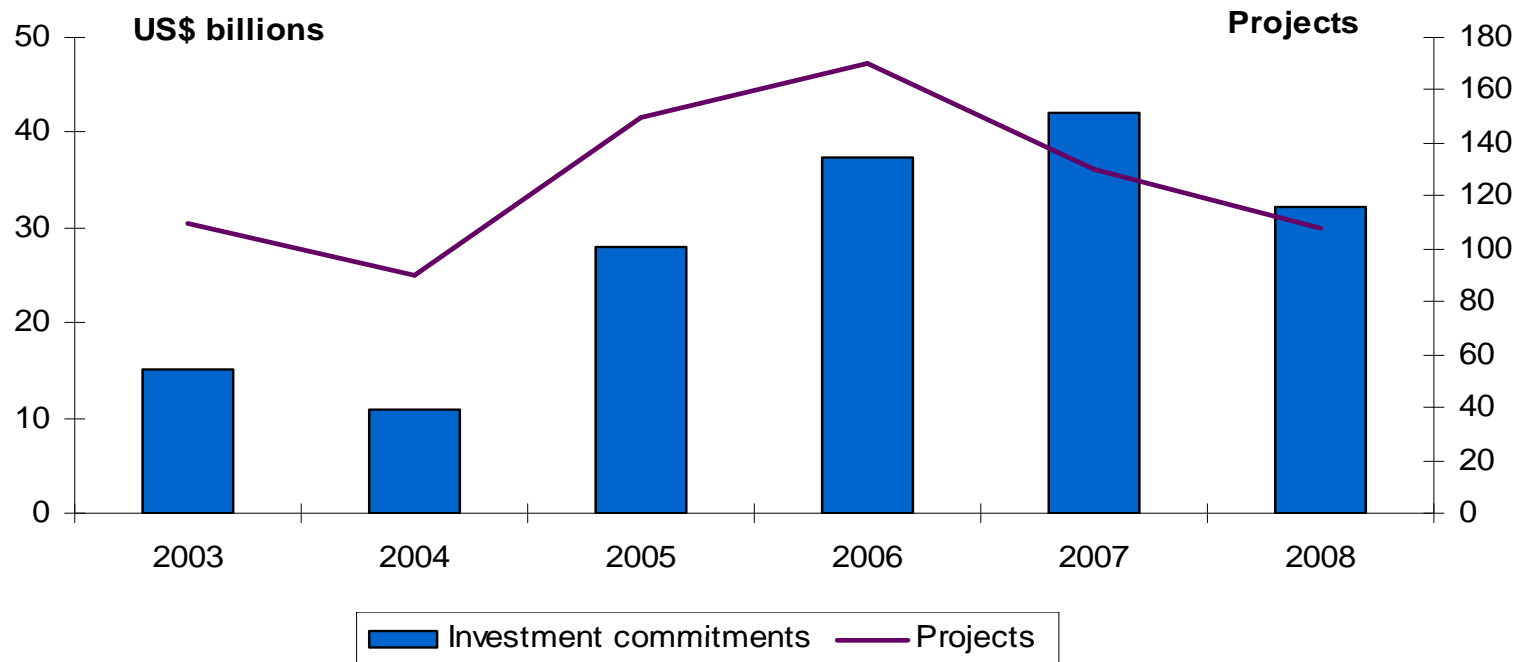
However the road has not been smooth ...

- Stop - start of PPPs in CEE region
- Governance/transparency issues, especially at local levels
- Distrust of PPPs amongst ordinary citizens
- Difficulty for Governments in developing the new skills required
- Current crisis has created liquidity problems in PPP financing
- Commercial banks increasingly focus on their domestic markets

Trends in new infrastructure with private participation

PPP projects continue to reach closure but a slower pace than 2007

Figure 1 Infrastructure projects with private participation that reached closure in developing countries in Aug-Dec, 2003-08

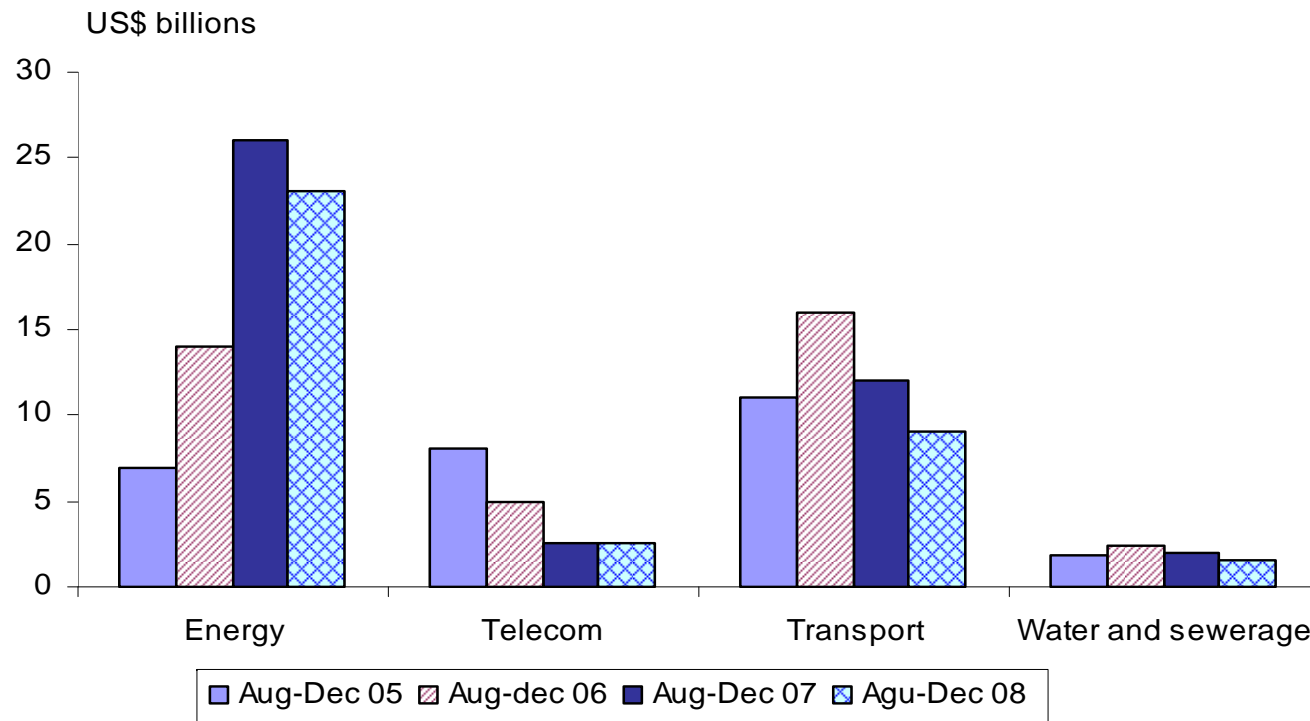


Source: World Bank and PPIAF, PPI Project and Impact of financial crisis on PPI databases.

The rate of project closure varies significantly

Transport, energy and water report lower investments, telecom more stable

Figure 2 Investment commitments to infrastructure projects that reached closure in developing countries in Aug-Dec by sector, 2005-2008



Source: World Bank and PPIAF, PPI Project and Impact of financial crisis on PPI databases.

III. Micro and macro challenges facing Belarus in taking the PPP road

At the Micro level:

- New skill and knowledge requirements
- Understand how to allocate risks in projects
- Shift from input specification to ‘output specifications’
- Develop a business case and financial modelling so that private partners earn a return on investment
- Cultivate the PPP market and build transparency into the interactions with the business community

3 phases in getting started in PPPs

Macro changes:

Phase I

Set up national PPP unit

- Accept best practices
- Establish policy and regulatory frameworks
- Development model agreements and deals
- Assess capacity gaps
- Establish project development facility
- Assign transaction advisors to develop a pipeline of PPP projects
- Seek stakeholder acceptance
- Develop pilot project transactions



Phase II

Establish dedicated PPP units in agencies and provinces

- Roll out capacity building in public and private sectors
- Redefine PPP models rationale
- Facilitate access to long-term funds



Phase III

Enhance capacity model content

- Apply new PPP models
- Begin & expand PPP to new sectors and locations
- Use sophisticated financing and risks models

**These three phases are not mutually exclusive and could be used in preparing an implementation strategy. 12

IV. Key recommendations for Belarus

- **PPP policy:**
 - Set clear objectives in delivering a successful first tranche of projects
 - Build trust and confidence in the process within an adequate system of accountability;
 - Interact transparently with the business sectors
- **Legal framework:** Get the legislation right/ avoid over regulation and repeated changes; keep it simple, fewer and better
- **Institutional framework:** Establish a central coordinating body such as a PPP Unit
- **Capacity building:** Take PPP training seriously, work with local partners to train officials in the culture and language of the country using international experts where necessary

V. UNECE activities in PPPs

- UNECE PPP Team of Specialists
- Developing a PPP toolkit on “How to do PPPs”, around 20 modules for trainees that demystifies the process
- Linked to top level and quality support from top business leaders through the PPP Business advisory Board (UK, France, Russian Federation and Germany)
- National implementation campaigns that combine project support with training

Suggested cooperation

To hold a consultative meeting between the
UNECE and government experts on PPP
policy issues and developing some possible
PPP projects

*in 2010 based on preliminary consultation
with the Government on June 11 2009*

VI. Conclusions

- Growing confidence in the PPP model in the ECE region
- Countries getting started have more options and experiences on which to build their strategies
- Success in meeting the key challenges (legal and policy framework, institutions within Governments starting projects and training) will not occur overnight
- UNECE ready to discuss with Belarus the modalities for cooperation that fits its requirements.

Thank You For Your Attention!

<http://www.unece.org/ceci/ppp.html>

Contact: geoffrey.hamilton@unece.org