



# ReSPA

Regional School  
of Public Administration

## **7th PPP Working Group Meeting**

11<sup>th</sup> October 2017

Budva, Montenegro

**DISCUSSION PAPER AND  
PROVISIONAL PROGRAMME**



## Background

The Western Balkans countries are facing important challenges in completion of economic and institutional transition through structural reforms, adoption of the EU *acquis communautaire*, catching up to higher per capita income levels, reduction of unemployment, poverty and inequalities, infrastructure modernisation and future successful integration into the EU.

In stimulating financing of the strategic projects in the EU, EC has initiated the Investment Plan for Europe with foundation of the first pillar - the European Fund for Strategic Investments (EFSI) which enables the EC – in partnership with the European Investment Bank Group (EIB Group) – to address market failures in risk-taking, and in view of the current shortage of risk-financing which is holding back investments, to mobilise finance for investments. In the recently published evaluation of the Investment Plan for Europe conducted by EY, it is stated that “possible reasons for the lower EFSI support in Central and Eastern Europe are the competition from the European Structural and Investment Funds (ESIF), less capacity to develop large projects, less experience with PPP projects, a less developed venture capital market and the lower scale of individual projects.

Since PPP preparation, procuring, implementation, evaluation and monitoring require specific skills which many Western Balkans countries do not possess, the regulatory framework for PPPs harmonised at the certain level with EU regulations still has to be complemented by the building of institutional capacities for undertaking investment projects. In the ReSPA working programme, PPP has been recognized as a cross-cutting topic and there is increased interest in the region, with already identified training and networking needs among the stakeholders.

In addition, Public Private Partnership (PPP) is recognized as an important component of the priorities laid out in the European Commission strategy papers for the Western Balkans in terms of efficiency and sustainability of public finances. It belongs to the Public Financial Management Public Administration Principle of the EU. As early as in 2011 ReSPA initiated its work in the domain of PPP by setting several trainings, followed by PPP workshops in 2012 and 2013, PPP experts’ network in June 2014 and in 2015 ReSPA launched “Comparative Analysis of Lessons Learned from Recent Developments in Implementation of PPP Projects in the Western Balkans Region”. To date there have been six events of the PPP network including a study visit to EIB/EPEC in 2014 together with PP Working Group (WG) and a joint meeting at the European Investment Bank (EIB) with the NIC WG in June 2017.

Besides the weaknesses identified in the regional comparative study (such as poor coordination between different stakeholders, weak role of the ministries of finance in terms of budget planning, public investment management and assessing the fiscal impact of the infrastructural projects, as well as weak project management capacity and no training programme in the WB countries) the WG members have reflected on poor if not negative general public opinion about PPP. Also, they have highlighted the needs for strengthening capacity at a local level because the municipalities hesitate to enter into a PPP contract due to the relative complexity compared with traditional procurement.

For these reasons, ReSPA is organizing the WG meeting to address the most relevant topics and provide the open platform for discussing the suitability of PPP activities in the future ReSPA working programme.

## Objectives

The objective of this discussion paper is to provide the participants of the WG with the topics and issues targeted at efficient collaboration with the private sector in the field of Public Private Partnerships (PPP).

The specific objective of this event is to provide participants with information and to encourage discussion on a range of subjects that have been previously identified by them as being of interest in their aim of PPP capacity development.

## Content

The event programme is designed to address the need to understand the importance of the PPP policy framework; for establishing an effective communication strategy for all relevant stakeholders, and to provide ideas on how to bridge the gap in PPP knowledge on local level. Furthermore the opportunities for further capacity building in addition to ReSPA will be discussed. Finally the means by which PPP as a subject can be integrated into other ReSPA activities shall be considered.

### PPP Policy Framework

Without an effective Policy Framework that can be considered to be of an internationally recognizable standard, it will be difficult and perhaps impossible to realize good quality PPP activity. It could also mean that PPP contracts signed outside such a framework could place countries at substantial fiscal risk as well as possible accusations of corruption.

However a PPP policy cannot stand on its own; it has to be integrated into other areas of the legal and Public Administration system such as the Public Finance Management (PFM) system, the National Development Strategy and the Public Investment Management system and the public procurement regime. All this means that decisions on whether to implement a public investment project through PPP should be taken dispassionately and objectively based on clear and transparent rules.

Institutional arrangements put in place to support these policies should also avoid bias towards PPP which may skew objective decision-making. PPP Units in particular should avoid becoming 'salesmen' and there should be no incentives to choose one form of implementation over another.

## **PPP Communication Strategy**

A PPP Communication Strategy should be focused on providing and sharing information about PPP and not on promoting it. Bad news stories as well as good news stories are important resources for public officials as they can learn equally from both outcomes. Such a communication strategy would normally be coordinated by the institution with responsibility for PPP, such as a PPP Unit but it is important that the communications work both ways so that it is not just the PPP Unit delivering information. Public bodies engaged in PPP activities should be strongly encouraged to share news about their own progress and challenges and how they overcome them. This sharing helps ensure that lessons are learned for the future benefit of all.

## **Bridging the Gap in Knowledge at the Local (Municipal) Level**

There is undoubtedly significant demand for PPP capacity building at a local level. However the challenges in doing so are different to the challenges at a national level:

- 1) The projects are usually much smaller
- 2) There is less investor interest
- 3) It is unlikely that Project Finance could be used as a means of funding PPP activity at the local level in the WB
- 4) The projects would most likely need national MinFin approval due to fiscal obligations often counting as borrowing
- 5) There are fewer and more diverse skills to work with at the local level

Just as at the national level, the knowledge about PPP needs to be balanced – risks need to be explained in just as much detail as the benefits. It needs to be emphasized that private finance in PPP projects is not free money and that signing a PPP contract incurs significant financial obligations for public authorities lasting many years. Many of these obligations may not always be obvious or clear.

## **Opportunities for Capacity Building**

There are many opportunities for improving the level of competency and capacity in the subject of PPP in the WB. ReSPA is of course one of these but there are others too that might be able to supplement it depending on the nature of the assistance required. This session will present the options for requesting and receiving capacity building assistance and discuss the general pros and cons of each option. Open sharing of experience of the participants will be encouraged so that lessons learned can be discussed along with ways to improve future engagements with the relevant organisations.

## **Integrating PPP into other ReSPA Activities**

ReSPA needs to consider how in the future it might merge PPP as a subject into other mainstream ReSPA activities. This final session will discuss how this might be achieved and the feedback and ideas of participants will be welcome in this session which is intended to be an open discussion. The most promising option might be to integrate it into wider Public Investment Management activities under the main heading of Public Internal Financial Controls (PIFC) and in particular as part of the ex-ante financial controls (EAFC) but this can be opened to debate and other suggestions are to be encouraged for discussion.

## **Methodology**

The training will be delivered by combining presentations and structured group discussion.

## **Target audience and participants' role**

The event will gather PPP working group members which are invited:

- to actively participate in the discussion and practices exchange; and
- to provide the inputs for the further networking needs in line with revised ReSPA working programme for 2018-2019.

## PROVISIONAL PROGRAMME

| Time  | Session | Subject  |
|-------|---------|--|
| 9:00  |         | Opening and welcome by ReSPA   |
| 9:15  | 1       | Introduction <ul style="list-style-type: none"><li>- Objectives and Overview of the Agenda</li><li>- Participants introductions &amp; expectations</li></ul>   |
| 9:30  | 2       | PPP Policy Framework <ul style="list-style-type: none"><li>- Understanding the PPP programme approach</li><li>- Main factors for the PPP project success</li></ul>   |
| 10:45 |         | <i>Discussion</i><br><i>Coffee break</i>   |
| 11:00 | 3       | PPP Communication strategy <ul style="list-style-type: none"><li>- Establishing effective communication plan and strategy in the long term prospective</li></ul>   |
| 12:30 |         | <i>Discussion/brainstorming/exercise</i><br><i>Lunch break</i>   |
| 13:30 | 4       | How to bridge the gap in knowledge at a local (municipal) level? <ul style="list-style-type: none"><li>- Building the competences in PPP vs. traditional procurement</li><li>- When to consider a PPP?</li><li>- PPP competencies requirements</li><li>- Issues common to municipalities</li></ul> |
| 14:30 | 5       | How to use the opportunities for capacity building? <ul style="list-style-type: none"><li>- Areas where international community can help?</li><li>- Availability of different assistance programmes</li></ul>  |
| 15:00 | 6       | Discussion on future perspective of integrating PPP in other ReSPA areas <ul style="list-style-type: none"><li>- PPP and e-GOV, PPP and PIFC</li></ul>   |
| 16:00 |         | <i>Concluding remarks</i>  |
| 16:30 |         | <i>Wrap-up of the meeting</i>  |