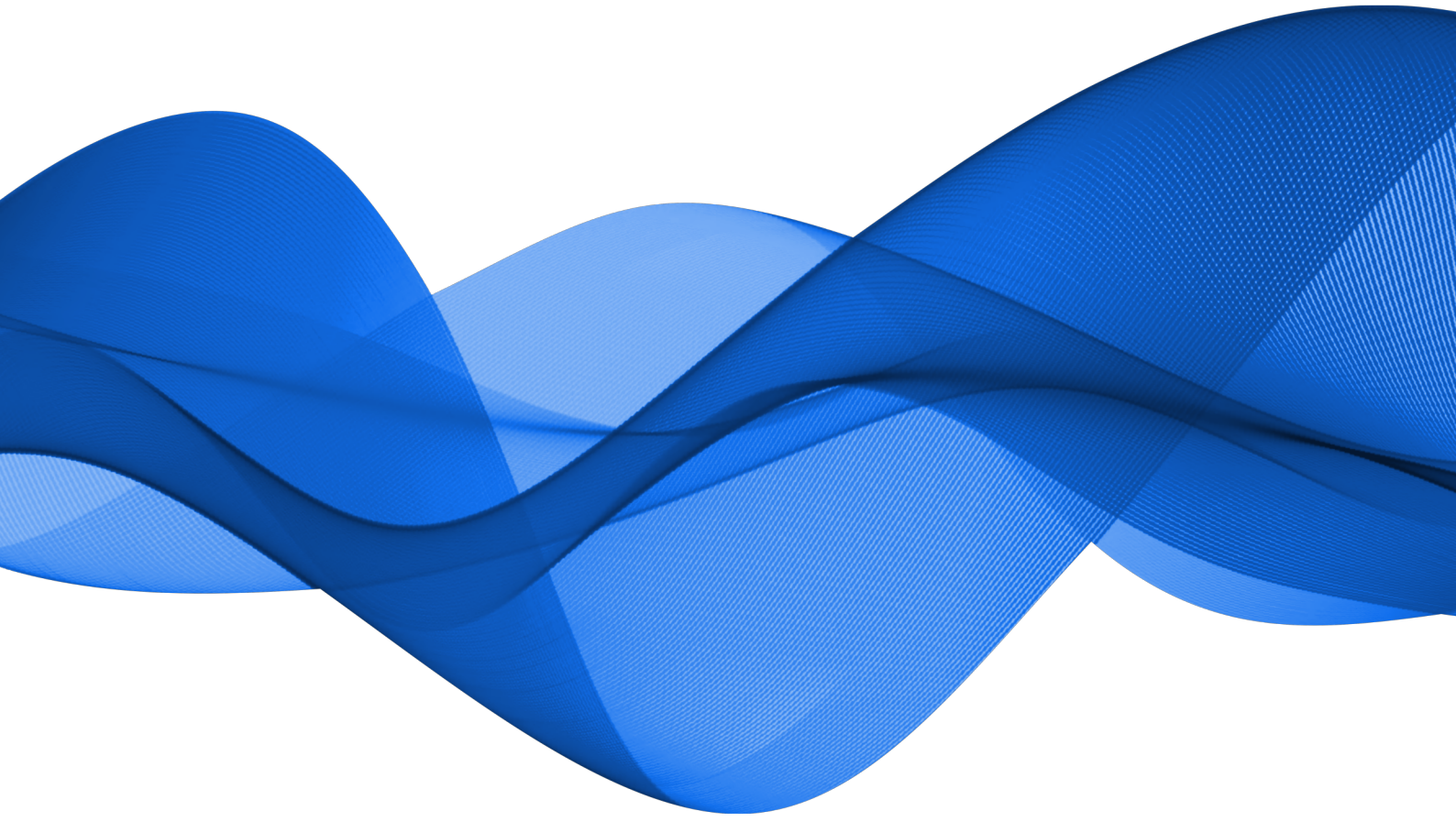
PPPs in the BSTDB Member States

Research Paper



Introduction

The Research Paper on PPPs in the BSTDB Member States provides review on the infrastructure and PPP project implementation in the Black Sea countries, by focusing on the recent trends in infrastructure development (Chapter 1), the country-specific conditions for launching and implementing infrastructure and PPP Projects (Chapter 2) and practical aspects of PPPs implementation in the Black Sea countries (Chapter 3).

***Chapter 1** covers essential issues for the Black Sea countries such as recovering from the COVID–19 pandemics, tackling risks of contingent liabilities, improving quality of infrastructure investments and harnessing the potential of digitalization and InfraTech.*

***Chapter 2** elaborates on the Black Sea countries' approaches towards national strategies for infrastructure, infrastructure plans & pipelines, dedicated governing bodies and infrastructure & PPP units and provides detailed information on practical and legislative aspects regarding PPP contracts.*

***Chapter 3** illustrates the practical aspect of infrastructure and PPP Projects implementation by providing cases from the Black Sea countries.*

***Annexe** contains a draft of the high-level milestones for a PPP project preparation, including approaches for risk assessment of PPP projects for the countries of the Black Sea Region.*

The Research Paper makes use of open-source information from the public domain, including research conducted by international financial institutions and organizations and official websites of relevant countries' authorities.

Contents

Glossary

Given the diversity of the Black Sea countries' approaches towards infrastructure and PPP projects regulation and implementation, here are outlined the most general and relevant to many countries notions for mutual understanding. Where the following terms appear in the Research Paper, they are to be understood according to the definitions below.

Public-Private Partnership (PPP)	is a long-term contract between a private party and a public entity, for providing a public asset or service, in which the private party provides financing and bears significant risk and management responsibilities. Privately financed infrastructures are of two types concerning their funding structure: the concession, in which the end-users bare the core of the payment cost of the infrastructure (user-pays PPPs), and the government-pays PPPs, in which the taxpayers bare the core of the payment cost.
Global Infrastructure Gap	refers to a difference between estimated global needs in infrastructure investment and projected global infrastructure investments.
Green Infrastructure	is a strategically planned network of high quality natural and semi-natural areas with other environmental features, which is designed and managed to deliver a wide range of ecosystem services and protect biodiversity in both rural and urban settings.
User-pays PPP / Concession	is such form of PPP wherein the government grants the private sector the right to finance, build, operate and charge public users of the public good, infrastructure or service, a fee or tariff which is regulated by public regulators and the concession contract.

Government-pays PPP	is such form of PPP wherein the government grants the private sector the right to finance, build, operate and provides government funding as a fee for the private partner to compensate for the costs of the latter.
Infrastructure Financing	financing of a PPP project refers to raising money upfront to pay for the design, construction, and early operational phases of an infrastructure asset, whether through debt or equity instruments of a public or private nature. This responsibility is ideally the role of the private partner, even if the government provides some type of support. The private partner will only provide financing in the expectation that it will be repaid, including a rate of return commensurate with the risks borne.
Infrastructure Funding	funding of a PPP project refers to how investment and operational costs are repaid overtime to compensate for the costs of the private partner that provides debt or equity for the project. Ultimately, public infrastructure can only be paid (1) by users of the infrastructure through direct user charges, such as tolls in the case of highways; or (2) by taxpayers through the government's periodic payments to the private partner.
PPP Pipeline	is a list of projects being considered by the government for implementation as PPPs in a specific time frame.
PPP Unit	is an organisation that has been set up to carry out functions concerning PPPs, including policy guidance, technical support, capacity building, PPP promotion and investment.
PPP Framework	is a combination of legal, regulatory, institutional and financial provisions that together facilitate the implementation of PPPs.
PPP Laws	refer to legislation designed to support and regulate PPP transactions and programs.
Civil Law	is a codified system of law which is generally more prescriptive than a common law system, the judge's role is more significant, and the parties to an agreement typically have less freedom to contract.
Brownfield Project	refers to investments in a project on a site that has previously been used for industrial purposes or has been occupied by significant buildings.

Greenfield Project	refers to investments on sites that have not been previously used for industrial purposes or have not been occupied by significant buildings.
BOT (build–operate–transfer)	In the BOT framework, a third party, for example, the public administration, delegates to a private sector entity to design and build infrastructure and to operate and maintain these facilities for a specified period. During this period, the private party has the responsibility to raise the finance for the project and is entitled to retain all revenues generated by the project and is the owner of the regarded facilities. The facility will be then transferred to the public administration at the end of the project agreement.
BOOT (build–own–operate–transfer)	A BOOT structure differs from BOT in that the private entity owns the works. During the project period, the private company owns and operates the facility with the prime goal to recover the costs of investment and maintenance while trying to achieve a higher margin on the project.
BOO (build–own–operate)	In a BOO project, ownership of the project usually remains with the project company, such as a mobile phone network. Therefore, the private company gets the benefits of any residual value of the project.
BLT (build–lease–transfer)	Under BLT, a private entity builds a complete project and leases it to the government. On this way, the control over the project is transferred from the project owner to a lessee. In other words, the ownership remains by the shareholders, but operation purposes are leased. After the expiry of the leasing, the ownership of the asset and the operational responsibility are transferred to the government at a previously agreed price.
DBFO (design-build–finance–operate)	Design-build–finance–operate is a project delivery method similar to BOOT except that there is no actual ownership transfer. Moreover, the contractor assumes the risk of financing until the end of the contract period. The owner then assumes the responsibility for maintenance and operation.
DBOT (design-build–operate–transfer)	This option is standard when the public party has little knowledge of what the project entails. Hence the public contracts the project to a company to design, build, operate and then transfer the corresponding assets.

DCMF (design-construct–manage –finance)	Under this model, a private entity is entrusted to design, construct, manage, and finance a facility, based on the specifications of the government. Project cash flows result from the government's payment for the rent of the facility.
Availability Payment	refers to a PPP in which the revenue of the Private partner is in the form of budgetary payments that are made when the infrastructure is ready and built-in compliance with agreed performance standards.
User Payment	refers to a PPP project in which the revenues for the Private partner are based on user-payments, for example, tolls for a road.
Contingent Liabilities	refer to payment obligations which timing and amount are contingent on the occurrence of a particular discrete/uncertain future event or series of future events. This Report applies this term, especially for those liabilities that affect the government under a PPP contract. The types of contingent liabilities that are relevant to governments concerning PPP contracts are payment obligations under a PPP contract that are subject to the occurrence of certain events, such as termination.
Risk Allocation	refers to arrangements in a PPP contract that determine what risks each party to the contract should be responsible for. Such arrangements have to ensure that a project satisfies the needs of the government, achieves value for money and is financially viable for the private sector.
Guarantee	is an undertaking to fulfil the obligations of a third party in the event of a default. It may be limited in time and amount and may be callable immediately on default or only after the beneficiary has exhausted all other remedies.
Minimum Revenue Guarantee	refers to a provision in a PPP contract when the government agrees to compensate an investor if actual project revenue falls below the specified threshold, thus mitigating the revenue risk taken by the private sector.
Unsolicited Proposal	is a proposal made by a private party to undertake a PPP project, submitted at the initiative of the private firm, rather than in response to a request from the government.

Pre-project phase	is the project phase encompassing project identification and screening for PPP Potential, including identifying a priority and need for project implementation, assessing all aspects of implementation and conducting a feasibility study.
Quality Infrastructure Investment	aims to maximise the positive economic, environmental, social, and development impact of infrastructure and create a virtuous circle of economic activities, while ensuring sound public finances.
Infrastructure technology, or InfraTech	is the integration of material, machine and digital technologies across the infrastructure life cycle. At its broadest definition, InfraTech is any technology that impacts the development, delivery and ongoing operation of infrastructure, including technologies used to define the strategic requirements of infrastructure or enable data-driven decision-making, innovations in finance and funding that support the commercial management of an asset, or technologies integral to the relationship a customer has with infrastructure services.

Chapter 1

Recent Trends in Developing Infrastructure Through PPPs

Many trends, including technological, economic, social and others, are shaping infrastructure development globally. BSTDB member countries as well have to adapt and respond to the transformation of infrastructure. Further, we present an outlook of the four current major global trends in infrastructure, as well as policy cases from the countries of the Black Sea region.

1.1 Recovering from COVID–19 Pandemics

The coronavirus pandemic has been the most significant negative shock since the global financial crisis and is causing severe damage to global economic activity. The IMF expects a sharp decline in the global economy by 3% in 2020 because of the pandemic, which can be much worse than in 2008–2009. While the countries are facing multiple challenges because of the COVID–19, the restrictive measures taken to curb the pandemic, are making a substantial impact on the investment activity and the PPP market.

According to the EBRD, an average decrease in the growth of the economies of the Black Sea region will constitute approximately 4,5 % in 2020, while the average increase in 2021 will be 5 %. Countries of the Black Sea region have taken up various anti–pandemic measures, including quarantines, travel restrictions and international border closures. These measures, albeit necessary, have specific downside effects that have affected the economic activity and created constraints for the launch of new and implementation of the ongoing infrastructure projects.

The World Bank has forecasted a lasting downward trend in revenues of operating PPPs, adverse impacts on access to financing for projects and disruption of construction schedules.

The current trends in the PPP market in the

countries of the Black Sea region are as follows:

- a slowdown of an investment activity because of uncertainty in the countries' economy;
- an increase in projects' vulnerability to currency, inflation risks and other macroeconomic shocks;
- an increase in fiscal risks because of contingent liabilities associated with supporting PPPs;
- a shift in the government focus in favour of supporting other sectors of the economy, exceptionally social and health.

The IMF experts suggest not expecting an early recovery and point to the need for a wide range of stimulus to mobilize the economy. The governments will have to intervene to alleviate the aftermath of this pandemic on the financial system and real economy.

Infrastructure investments can serve as a useful tool for overcoming the economic crisis. Infrastructure connects people to services, maintains the quality of life, and boosts economic productivity, all of which are threatened by COVID–19. The impact of the pandemic remains uncertain, but the governments need infrastructure more than ever to accelerate economic recovery, create jobs, reduce poverty, and stimulate productive investment.

Below, in respect of the Black Sea countries, the current economic situation, the measures undertaken, and the initiatives launched in support for PPPs and infrastructure development are described.

Albania

According to the estimates of the World Bank, Albania is expected to lose 1.4 % of its GDP in 2020, as the results of the effects of travel restrictions and temporary measures to contain COVID–19.

To curb the pandemic, Albania has adopted some of the strictest restrictive measures in Europe and extended the state of natural catastrophe until June. The Government has adopted two packages in support of people and businesses, affected by the COVID–19, using subsidies, sovereign guarantees and tax deferrals.

The additional budget financing was provided for the health sector as well as for small businesses and self–employed that are forced to stop activities due to the pandemic. The Government has also adopted tax deferral measures allowing all companies (except banks, telecommunication, public enterprises and companies in the chain of supply of essential goods) to defer payment of profit tax until September.

Even before the COVID–19, Albania had had one of the most significant infrastructure gaps in the Western Balkan region. The European Bank for Reconstruction and Development (EBRD) is planning to provide financing for Albania. It is likely to specifically target micro, SMEs and trade finance, as well as infrastructure services in the energy and municipal sectors.

Armenia

According to the estimates of the World Bank, the COVID-19 pandemic and the subsequent declining commodity prices can lower the 2020 GDP growth projection to 1.7 %, provided a recovery starts in mid–summer.

The Government of Armenia declared a Nationwide state of emergency in March and imposed strict containment measures, including quarantines and travel restrictions. The Government announced a package of measures of $ 300 mln to support the society and the economy.

The undertook measures fall into three broad categories:

- subsidized 2–3 year loans to provide short–term support to affected businesses and SMEs;
- direct subsidies to SMEs to maintain employees;
- lump–sum transfers to the vulnerable groups of people.

Regarding infrastructure investments, the Government of Armenia is planning to invest $ 500 million in infrastructure construction and modernization projects.

Azerbaijan

According to the World Bank's estimates, the GDP growth in Azerbaijan due to the COVID–19 pandemic is projected to contract in 2020 and rebound in 2021–22, as the shocks dissipate.

In order to flatten the curve of new registered illnesses, the authorities have introduced a special quarantine regime until the end of May. In March, the President of Azerbaijan signed a decree on measures to stabilize the economy and increase resilience to external shocks. According to the decree, the Cabinet of Ministers is to allocate approximately $ 588.2 million from the state budget in order to curb the impact of the pandemic on the economy.

The package of measures, aiming at introducing a new model of economic growth in the post–pandemic period, is being developed by the Ministry of Economy. A,number of sectors including construction, digital economy, transport, trade, logistics, telecommunications, agriculture and processing industry and domestic tourism will be the main priorities of the country's economic policy. It is also planned to make the relevant legislation be amended to create a favourable environment for the expansion of PPP in the country to attract private investments.

Bulgaria

According to the estimates made by the World Bank, the economy of Bulgaria has showed strong performance in 2019 with GDP growth reaching 3.4 %. After better–

than–expected GDP growth, the economy is set to plunge into a recession due to the toll of the pandemic. GDP is expected to decline by 3.7 % in 2020. Registered unemployment has exceeded 110,000 since the start of the crisis.

In March, the act on the Measures and Actions was approved by the National Assembly. The Government is implementing a range of measures, which are mainly focused on containing the spread of coronavirus. The economic policies to mitigate the negative impact of the COVID–19 pandemic include increased liquidity supply, loan moratorium, employment support, and deferral of various tax and utility payment deadlines.

As regards infrastructure investments, Bulgaria continues to invest in transport infrastructure. The Bulgarian Road Infrastructure Agency has announced a tender for the construction of a bypass road in Burgas with estimated cost over $ 28.9 million. Earlier, Agency and ORS–Infrastructure has announced the construction of a new bridge over the Beli—Osam River.

Georgia

According to the World Bank, in Georgia, GDP could contract by around 2 % by 2020. Real GDP growth is projected to stall in 2020 because of the impact of COVID–19.

Georgia introduced the national state of emergency in March. The Government adopted the Anti-Crisis Economic Action Plan with initiatives to support the population and businesses. The credit guarantee scheme will be enhanced; VAT refunds will become automatic and accelerate. The commercial banks will gain access to a long–term financial resource. The Government will provide financial support to businesses, including through the credit guarantee scheme. The additional funding will be directed to the health sector.

The other economic stimulus measures include:

- allowance for all legal entities to restructure loans;
- state measures implying that the construction materials for all infrastructural projects to be ensured against price spikes;
- grants provided by the Government for regional development.

Additionally, Tbilisi is going to provide a € 75 million loan (€ 65 million forms EBRD and € 10 million from Green Climate Fund (GCF)), for the metro network modernization.

Greece

According to the European Commission's "Spring 2020 Economic Forecast", the economy of Greece is expected to be hit severely by the Covid–19 pandemic. In 2020, the country's GDP is expected to contract by 9.7 % and the unemployment rate may reach

19.9 %.

The Government is taking measures to support the employees and the affected companies through fiscal supportive measures. Regarding the economic measures, the Government of Greece plans to allocate an additional $ 193.2 million as an economic response, including through electricity and water subsidies, direct support to SMEs and tax holidays.

As regards infrastructure investments, the city government in Athens has used the absence of traffic during quarantine on frequently congested streets to embark on a massive programme of road repairs, thus taking the opportunity to invest in infrastructure in readiness for a post–coronavirus world.

Moldova

According to the estimates of the World Bank, after the growth demonstrated in early 2019, the COVID–19 crisis is resulting in a sudden slowdown of economic activity and straining of public finances. The economy of Moldova is facing a recession in 2020.

In March, the Parliament of Moldova declared the state of emergency. It announced measures to harness the impact of the crisis through rescheduling of payments for mortgage loans, delaying payments of personal income tax, relaxing lending policy, provision of temporary financial support to agri–food firms and a VAT cut for tourism and catering industries, as well as increasing subsidies for first–home mortgage loans.

Additional economic stimulus measures include the following:

- the National Bank of Moldova has decreased the base rate applied to the primary short–term monetary policy operations by 2.25 % points to 3.25 % so as to support the economy, ease liquidity conditions, and enhance financial system resilience.
- the Executive Board of the National Bank of Moldova (NBM) has approved a decision that allows licensed banks to postpone or change the payment deadlines and/or the amounts of due payments on loans granted to economic agents until the end of June.
- regarding infrastructure investment, Avia–Invest, a concessionaire at Chisinau International Airport, has announced that it will soon sign a loan agreement of € 170 million to develop the airport's infrastructure: the construction of a new passenger terminal, cargo terminal and the completion of a new runway. The projects will create about 9.000 new jobs, which are extremely important for the Moldovan economy.

Romania

Estimates of the World Bank reflect the substantial negative impact of the COVID–19 pandemic on the economy, at least in the

first half of 2020. As a result, economic growth is projected to slow significantly to 0.3 % in 2020, from an estimated 3.8 % before the crisis.

The Government has implemented a range of measures to delay the spread of coronavirus and to support people, jobs, and businesses. The authorities declared a state of emergency in March. The measures restricted internal and external mobility to limit the spread of the virus, including in terms of schools closure, suspension of events and limits on the activity of public institutions.

The key tax and spending measures[1] announced so far include:

1. additional funds for the healthcare system;
2. measures to support deferral of utility payments for SMEs;
3. government guarantees for loans and subsidized interest for working capital and investment of SMEs;
4. faster reimbursement of VAT;
5. suspending tax authorities' control;
6. discounts for paying corporate income taxes, and postponement of property tax by three months;
7. raising of the ceiling for credit guarantees for SMEs affected by the coronavirus crisis.

In April, EBRD approved a new strategy for Romania for 2020–2025 to mitigate the impact of COVID–19 pandemic and support the economic recovery. The strategy focuses on sustainable infrastructure and regional development.

Russia

In Russia, GDP is expected to contract by 1.0 % in 2020. Most of the negative impact stems from the plunge in commodity prices amid the pandemic–driven lower external demand. The recession is likely to be accompanied by an increase in unemployment, inflation and bankruptcies of SMEs.

The central Government has allowed regional authorities to implement containment policies with regard to the extent of infection in their regions. In order to support the economy, the Government has adopted a package, which is currently estimated at 2.9 % of GDP. The key measures include compensation for medical staff, interest rate subsidies for SMEs and systemically important enterprises; tax deferrals for most affected companies on most taxes; guaranteed loans to SMEs and affected industries.

Additional economic measures include:

- provision of no penalties for specific government contracts in case of violation of obligations due to the coronavirus;
- a six–month moratorium on initiating bankruptcy proceedings;
- deferral of lease payments until October 2020 for companies and individual entrepreneurs in hard–hit industries.

According to the estimates of the National

[1] Account to ~ 2 % of GDP

Centre for PPP, the implementation of more than 340 ongoing PPPs has become at risk due to an overall slowdown of economic activity, quarantine, currency volatility and other consequences of the pandemic.

Turkey

According to the EBRD estimates, Turkey's GDP is expected to fall by 3.5 % in 2020 because of the pandemic.

The Ministry of Treasury and Finance has indicated that with additional policy measures, total measures to counter the effect of the Covid–19 pandemic have risen to over $ 51 billion, including deferred loan repayments. The Turkish government has adopted a package of measures of $ 11.6 billion. The vital supportive measures include reduced and postponed taxes for affected industries, an extension of corporate income tax filing deadlines, debt relief for local governments' earmarked revenues, direct support to Turkish Airlines and other affected entities.

Regarding infrastructure investment, Izmir (Turkey's third–largest city) is going to receive a new funding boost under the Green Cities initiative to finance the expansion of the city's metro network, taking € 25 million loan under EBRD.

The PPP Centre of Excellence has identified priority directions of PPP development after the pandemic:

- digitalization and development of IT–infrastructure for urban and rural communities (including a move to digital networks and remote work);
- upgraded carbon audit and increased attention to carbon footprints of PPPs;
- preference for local projects rather than big national projects (education, health);
- development of standardized documentation for a steady stream of projects maintain;
- transfer of risks and contingency accounting for projects economic efficiency maintain.

Ukraine

The COVID–19 pandemic is forcing a sudden slowdown in economic activity in Ukraine. The IMF expects that Ukraine's GDP will fall by 7.7 % in 2020. According to the estimates made by the World Bank, the efficient policy response requires public health interventions, social assistance for vulnerable households, and reforms to mobilize adequate international financing and support growth after the pandemic.

The Government of Ukraine has outlined a five–stage plan for lifting quarantine measures. Its implementation has started in May and depends on the epidemiological situation in every region. The economic stimulus includes a prohibition on penalties or fines on consumer loans until June, on carrying out state supervision over commercial entities (except for high–risk) and introduction of some tax measures.

The Ministry of Economic Development, Trade and Agriculture has developed a strategy, considering the economic growth through infrastructure investments. It is planned to increase Ukraine's GDP by 40 %, create 1 million jobs and attract $ 50 bn of investments. The investment priorities include transport infrastructure: roads, ports, railway networks, the development of river transport, the capital attraction to which can be trough PPP mechanisms.

The National Investment Council of Ukraine is going to identify the most attractive sectors of the economy for foreign investors after the COVID–19 pandemic.

1.2 Tackling Risks of Contingent Liabilities

The focus on managing contingent liabilities is receiving more considerable attention in many countries all over the world. It reflects the growing awareness of the ability of contingent liabilities to impair fiscal sustainability. Uncontrolled fiscal risks can affect government revenues and expenditures directly as well as have an impact on the government's balance sheet.

Following the recent global financial crisis and the COVID-19 pandemic, governments have increased efforts in holistically identifying and managing fiscal risks. The fiscal risks may be provoked by global macroeconomic shocks, specific risks, and institutional risks.

The COVID-19 outbreak has caused the financial and economic consequences, increasing fiscal deficits and public debt ratios. According to the estimates made by the IMF, the increased expenditures on health and supportive measures are currently estimated at $ 3.3 trillion globally. The public sector loans and equity injections ($ 1.8 trillion), guarantees and other contingent liabilities ($ 2.7 trillion), using as supportive measures to curb the pandemic, may create fiscal risks.

The sources of fiscal risks in PPPs may be explicit or implicit stemming from direct or contingent public liabilities.

- **Explicit** liabilities are obligations based on contracts, laws, or clear policy commitments.
- **Implicit** liabilities, on the other hand, are political or moral obligations and sometimes arise from expectations that the government would intervene in the event of a crisis or a disaster.
- **Direct** liabilities are predictable obligations that arise in any event.
- **Contingent** liabilities are probabilistic and refer to payment obligations, the timing and amount of which are contingent on the occurrence of a particular discrete/uncertain future event or series of future events.

Following the best international practices, a sound system of assessing and managing contingent liabilities arising from PPPs is crucial for governments participating in infrastructure PPPs. It includes four essential elements of managing contingent liabilities:

- Assessing the affordability of financial commitments to PPPs either by fore-

casting budget limits or by introducing budget rules;
- Controlling aggregate exposure to PPPs;
- Budgeting for government commitments to PPPs;
- Fiscal Accounting and Reporting for PPPs.

As for instruments in support for a better understanding of risks arising from PPPs, IMF and the World Bank have developed the PPP Screening Tools (PST) and the PPP Fiscal Risk Assessment Model (PFRAM).

- PST is used for preliminary screening of projects to determine their potential suitability for PPP procurement. The tool helps to evaluate projects using qualitative and quantitative variables. It identifies how suitable it would be to implement a project as a PPP and whether it should be followed up by detailed studies.
- PFRAM is a tool that assesses potential fiscal costs and risks arising from PPP projects. The assessment entails gathering specific project information and determining a government's role at crucial stages in the project cycle.

The country experiences of the Black Sea region below illustrate the practices, related to the assessment, management and disclosure of risks from contingent liabilities.

Albania

According to the estimates made by Moody's, the chief fiscal risks in Albania stem from contingent liabilities arising from the energy sector and PPPs. As of 2018, Albania had signed PPP contracts (mostly concessions) with an estimated value of more than 30% of GDP and an additional 15% of GDP is in the pipeline.

According to the report of the EBRD, the contingent liabilities arising from recent PPP contracts in Albania, some of which have been already assessed, pose risks for a further increase in public debt.

Armenia

In 2016, the investment commitments of four PPPs currently operating in Armenia accounted for 10.2 % of GDP. The Ministry of Economy publishes the size of the investment commitments provided for by PPPs.

For two PPPs, the Veolia water/sewerage and Armenian Railways concessions, the risks of shortfalls in concession fees payable to the government and other fiscal risks materializing have been disclosed in 2018 annual budget documentation.

Bulgaria

In 2020, Fitch Ratings published sovereign rating review on Bulgaria, stressing the fact that among all influencing factors that could lead to Bulgaria's rating was underlined a prolonged rise in public debt driven by fiscal easing or the materialization of contingent liabilities on the sovereign's balance sheet.

For 2018, Bulgaria has reported no liabilities related to off-balance PPPs. At the same time, government guarantees accounted for 0.2 % of GDP in 2018.

Georgia

According to the Law on PPP, The Ministry of Finance of Georgia assesses fiscal risks, arising from PPPs. Georgia discloses many obligations and exposures under PPPs.

Among factors that influenced Georgia's ratings, RAEX Europe highlighted the contingent liabilities stemming from inefficient and unprofitable SOEs, as well as power purchasing agreements (PPAs) attributed to hydropower companies with attached government guarantees and public-private partnerships (PPPs), remain elevated and the risk of materialization is moderately high.

Moldova

Regarding the disclosure of contingent liabilities, Moldova published the first Fiscal Risk Statement (FRS) in 2017. The FRS provides a comprehensive overview of critical fiscal risks facing the country and is a useful tool for assessing the consistency and credibility of fiscal policies.

In the 2020 FRS, Moldova is going to expand the coverage of contingent liabilities arising from state-owned enterprises, PPPs, and the Prima Casa program guarantees in FRS. Moreover, Moldova is continuing to improve coverage, monitoring and reporting of risks and take actions to reduce them.

Romania

According to the IMF, Romania is evaluated as advanced in identifying and reporting government guarantees and the risks associated with sub-national governments. It scores less well in reporting on other specific risks, such as financial sector exposure and environmental risks. For 2018, Romania has reported no liabilities related to off-balance PPPs. At the same time, government guarantees accounted for 2.1 % of GDP in 2018.

Russia

According to the various expert estimates, the matter of contingent liabilities has not become a pressing issue in Russia so far, because the total number of PPPs and the number of subsequent government liabilities remain at a reasonable level and may have little impact on the fiscal sustainability.

Turkey

OECD has listed the primary sources of contingent liabilities in Turkey:

- credit guarantees by the Ministry of Treasury and Finance;
- contingent liabilities arising from PPPs;
- Ministry of Treasury and Finance support to the Credit Guarantee Fund;
- banking sector bail-outs;
- direct and contingent liabilities of non-central government public institutions;
- natural and environmental disaster relief.

The Ministry of Treasury and Finance has been issuing guarantees for more than 30 years. It has been able to collect data on historic default events and financial information of the respective beneficiaries, allowing the ministry to adopt a statistical model based on historic risk materialization. The model outcomes support the decision on whether to grant guarantees/on-lend funds, the setting of guarantee and on-lending limits, the setting of guarantee fees, the degree of risk coverage, and appropriations to the risk account.

1.3 Improving Quality of Infrastructure Investments

The world is facing a $ 15 trillion infrastructure gap by 2040. A massive gap in financing for investment in new and existing infrastructure could generate a severe bottleneck to economic growth and development or provision of secure and reliable public services.

Globally, a number of countries have already committed to providing quality infrastructure to meet the global infrastructure demand. The emphasis on quality infrastructure investment (QII) will mobilize financing, including institutional sources, for example, multilateral development banks, contribute to closing the infrastructure gap, develop infrastructure as an asset class, and maximizing the positive impacts of infrastructure investment according to country conditions.

Quality infrastructure is considered as an investment asset. More than $ 146 trillion are managed by global financing organizations and institutional investors. It is believed that the implementation of the QII principles can boost economic activities and create positive spillover effects in neighbouring communities and regions.

The impact of the COVID–19 pandemic has reinforced the importance of quality infrastructure in order to meet essential societal needs: maintaining reliable standards in laboratory testing of samples; ensuring safely manufactured medical supplies and personal protective equipment, and continuing trading within essential value chains. Quality is the keyword that should drive infrastructural investments in the post–COVID–19 period because quality infrastructure can ensure sustainability and positive spillovers on long–term growth for the economy.

Utility infrastructure, waste management, roads and railways, ports and airports, kindergartens, schools and universities — these and other types of infrastructure have an impact on people's quality of life, company productivity and economic growth. Therefore, the infrastructure development not only leads to economic growth, but also produces positive spillover effects on the environment, climate and society.

The six principles of QII, endorsed by the leaders of G20 in 2019, cover various aspects of the preparation and implementation of infrastructure projects and lay the groundwork for developing the assessment tools to allow any investor, including an institutional one, to make an informed decision on financing a specific project.

The six principles of QII include:

1: Maximizing the positive impact of infrastructure to achieve sustainable growth and development
2: Raising Economic Efficiency in View of Life-Cycle Cost
3: Integrating Environmental Considerations in Infrastructure Investments
4: Building Resilience against Natural Disasters and Other Risks
5: Integrating Social Considerations in Infrastructure Investment
6: Strengthening Infrastructure Governance

The assessment for compliance with QII principles in projects is conducted in the pre-project phase. By screening the project for PPP potential at an early stage, the infrastructure and PPP projects have increasing chances for successful implementation in order to create quality infrastructure. Well-designed infrastructure can cause a boom in development, boosting education and regional economies and creating opportunities and business. Given that assessment of the infrastructure and PPP project in compliance with QII principles might be of a priority for the countries of the Black Sea regions, the draft of the high-level milestones for the PPP project preparation, including approaches for risk assessment of PPP projects is attached as an annexe to the report.

Some initiatives in quality and green infrastructure in the countries of the Black Sea are described below.

Albania

In 2019, Tirana joined the Trees in Cities Challenge as part of climate action agenda. The campaign was launched at the United Nations Climate Action Summit in September 20219 and will initially run until the end of 2020. City mayors can pledge, track their

progress, and share their experiences on the Trees in Cities Challenge platform.

Importantly, Tirana joined the EBRD Green City initiative in February 2017. Albania's capital actively implementing policy actions and investments, as outlined in the Green City Action Plan to improve environmental quality and revitalize the urban landscape.

Armenia

The World Bank has approved a loan of € 17.9 million for the social investment and local development project in 55 communities across Armenia. The program provides for improving the quality and accessibility of infrastructure and the provision of services in local communities. The funds will go towards supporting socio-economic initiatives for the development of the local population and improving the work of the Armenian Territorial Development Fund.

Currently Armenia is focusing on environmental issues, climate change challenges, biodiversity preservation and desertification prevention, for example by holding 2019 Forest Summit: Global Action and Armenia.

As for water management, Armenia has signed a grant program with the French Development Agency to increase the sustainability of water resources in Ararat and Armavir regions.

Azerbaijan

The European Bank of Reconstruction and Development intends to provide over $ 250 million to infrastructure and PPP projects in Azerbaijan in 2020. The Bank is interested in launching the Green City project in Azerbaijan with total investments over $ 150 million.

Bulgaria

Bulgaria's capital Sophia announced public hearings on Green City Action Plan to collect opinions of the neighbouring communities about the project. All residents, communities and enterprises can send their applications by mail, which will be published on the Sofia Portal for Public Consultation in the form in which they were received. Sophia and Varna joined EBRD Green Cities in May 2018-2019.

Georgia

Georgia's capital Tbilisi is going to benefit from a € 75 million sovereign loan, with € 65 million provided by the EBRD and € 10 million by the Green Climate Fund (GCF), for the modernization of the metro network. It is the first EBRD Green Cities co-financing with GCF. Both Tbilisi and Batumi have joined EBRD Green Cities.

Greece

The European Investment Bank (EIB) is going to provide Greece with € 200 million to support infrastructure projects in the North Aegean and Evros in health care, water supply, housing and other social spheres. The Bank is to support private sector investment in education, training and education for both migrants and the local population in Greece. The Bank also plans to assist other regions of the country affected by the migration crisis.

Moldova

In Moldova, the project Moldova Sustainable Green Cities is being implemented between 2018 and 2022 by the United Nations Development Program (UNDP) and GEF. The goal of the project is to catalyze investments in low carbon green urban development based on integrated urban planning approach by encouraging innovation and partnerships between public and private sector entities.

UNDP and GEF project activities are directly linked to the Czech–UNDP Partnership project aiming at the elaboration of the Sustainable Urban Mobility Plan, leading to improvements in the urban transport network and supporting Green Urban Development.

Additionally, in 2020 the Green City Action Plan was approved by Chisinau's city council as part of the Moldovan capital's participation in the EBRD Green Cities. Chisinau was the first city in Moldova to join the program. Balti also signed it up.

Romania

Romania is a member of ConnectGREEN project, aiming at maintaining and improving the connectivity between natural habitats and other protected areas of transnational relevance in the Carpathian ecoregion to overcome the conflict between infrastructure development and wildlife conservation.

In 2020, the Romanian road authorities supported the implementation of the tunnel solution agreed by the environmental organizations. The road authorities consider the solution recommended by environmentalists as the most efficient, including from the technical and the economic perspectives.

Russia

In September 2019, an open discussion on the adaptation and implementation of the QII principles took place with participants of the infrastructure market. The discussion focused on the introduction of the best foreign infrastructure development practices that are on the agenda of the G20 IWG. It is planned to draft methodology for assessing

infrastructure projects in compliance with the principle of QII in 2020-2021 and have the system launched by 2025.

Turkey

Izmir is one of the participants of the EU-funded project URBAN GreenUP, which is implementing a set of innovative urban actions focused on mitigating the effects and risks of climate change and improving the air quality and water management. The Municipality of Izmir is developing a strategy to save green areas in the city. For example, a reforestation campaign was launched after wildfires in summer of 2019.

The strategy includes peri-urban parks creation or preservation as green zones between rural and urban areas, to establish a connection between the central greenbelt and natural ecosystems such as forests.

Moreover, the urban river systems connected to Izmir Bay will be considered as an integral part of the city's green infrastructure.

Regarding the green finance, in 2019, Isbank issued the first 100 % green bond in the total amount of $ 50 million for a 10-year period to be used, for example in renewable energy, energy efficiency, resource efficiency, clean transportation and green buildings.

In 2016, Rönesans Healthcare Investment issued Turkey's first green infrastructure project bond to help finance the development of the Elazığ City Hospital for the total amount of € 288 million.

Ukraine

The Ministry of Energy and the Environment of Ukraine has drafted the Concept of Green Energy Transformation of Ukraine until 2050, developed according to the global energy trends with a focus on climate change. The Concept is aimed at increasing renewable energy share in the national energy balance up to 70 % by 2050. To achieve such a strategic target, Ukraine should introduce and implement new technologies in practice.

1.4 Harnessing the Potential of Digitalization and InfraTech

Such global trends as globalization, urbanization, climate change and the implications of the COVID-19 pandemic are complex challenges facing infrastructure development. Technology development can become a useful tool to meet the challenges, spur economic growth and offer new opportunities for infrastructure investors by creating new markets and potential for enhanced project revenues.

According to the estimates of KPMG, technologies will influence almost all infrastructure sectors shortly. Nowadays, infrastruc-

ture operators are already giving priority to digital enablement in their development strategies.

The G20 QII Principles stressed the importance of leveraging innovative technologies to increase economic efficiency. The G20 Infrastructure Working Group (IWG) encourages the initiative of InfraTech by highlighting the crucial role of technology development in countries to make well-informed decisions and achieve more efficient financial outlays, by mobilizing private-sector investment, enhancing service delivery and achieving environmental, social and economic benefits.

As such, InfraTech can be a useful tool to respond to the COVID-19 health and economic crisis through:

- enabling data collection and advanced analytics needed for evidence-based public health and economic policy decision-making;
- maintaining economic and social activities (e.g. education) during social distancing through connectivity and digital solutions;
- helping ensure continuity of essential energy, utilities, transport and telecommunication services by better targeting maintenance interventions, extending the life of existing assets and developing new modes of service delivery;
- enabling effective monitoring of and support for food and production supply chains;
- upgrading the safety and resilience of logistics and transport lines.

To a full extent, the directions of InfraTech development include:

Connectivity & Communication	development of wired or wireless technologies, enabling data transfer to connect people
Analytic & Computation	implementation of machine learning to process large amounts of unstructured data
Cloud & Data Storage	solution for the efficient mass movement and storage of large data sources
Devices & Automation	use of physical interfaces and components to perform specific tasks or enhance automation
Platforms & interfaces	complex systems, combining multiple technologies
Materials, Energy & Construction	applied science and engineering directly efficiency or quality for OPS and construction

Realizing the potential of InfraTech for PPPs may yield the following benefits:

- Improving efficiencies and reducing costs across a project's life-cycle through enhanced analytical functions, data management, communications and automation.
- Enhancing economic, social and environmental value by creating jobs and economic opportunities and broadening of access to essential social services.
- Creating new markets through technology and infrastructure by changing the underlying mechanics of infrastructure demand models to offer opportunities for new domestic and global industries to emerge.

As a cross-cutting issue, InfraTech still may pose threats to specific spheres of economy and society, including through the following issues:

- **Implementation risks:** adverse impacts on safety and reliability because of technological uncertainty.
- **Economic and labour force risks:** growing unemployment rate.
- **Social risks:** due to inequality in access to technologies and infrastructure services.
- **Environmental risks:** unintended spillover environmental costs.
- **Obsolescence risk:** increased capital expenditures to modernize ongoing projects.

Smart City initiatives open a route towards InfraTech as well. According to the International Data Corporation, the global spending on the smart city initiatives is expected to total nearly $ 124 billion in 2020, an increase of 18.9 % over 2019.

Some InfraTech initiatives in the countries of the Black Sea region, such as approaches for Smart City and the national infrastructure databases are set out below.

Albania

All procurement procedures, including concessions and PPP bidding procedures, in Albania, are conducted via the E-procurement platform of the Public Procurement Agency. The electronic system includes databases for conducting procedures and the archive for completed procedures.

As for the Smart City initiative, the city platform «My Tirana» informs the locals about the traffic jams, transport, tourism, parking lots, air quality in pilot areas with smart metering solutions. The citizens of Tirana via the platform can respond to the problems with waste and environmental pollution.

Armenia

In Armenia, the technological industry shows rapid and sustainable growth. As for national platforms, E-Gov.am is the electronic governance tool and database of the Armenian state agencies.

The Union of Advanced Technology Enterprises (UATE) is making Armenia one of the international High-Tech market leaders by developing and implementing IT-technologies. UATE has participated in preparation the World Congress on Information Technology, which took place in Yerevan in 2019 and hosted over 2000 delegates from 70 countries. The congress included sessions on topics of artificial intelligence, virtual reality, smart cities to cybersecurity and climate change.

Azerbaijan

In Azerbaijan, the primary function of the Innovation Agency under the Ministry of Transport, Communications and High Technologies is to assist the local business entities in acquiring modern technologies and digital solutions. The agency stimulates the use of modern technologies to create high-tech products and services.

According to the National Strategy on High Technologies of Azerbaijan for 2020-2025, the project of modernization of information and communications technology is being implemented to focus on Artificial Intelligence, Cloud Technologies and Robopark initiative. The project aims at upgrading infrastructure and industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.

Bulgaria

As regards the integration of digital technology, Bulgaria ranks 28th among all EU countries. Bulgaria has adopted a National Program Digital Bulgaria 2025, which outlines measures to improve connectivity, public services and private sector integration of digital technologies. The Program identifies priority areas to achieve smart, sustainable and inclusive digital growth in the period up to 2025.

In 2019, Bulgaria signed the EuroQCI declaration towards the development of a quantum communication infrastructure (QCI) across Europe. The underpinning vision of Declaration is to develop in Europe the Quantum Internet, interconnecting quantum computers, simulators and sensors to distribute information and quantum resources securely all over Europe.

Georgia

In 2020, as part of Georgia's programme on Broadband Infrastructure Development, the strategy for the development of broadband networks 2020-2025 was approved by the Government. The strategy aims at creating infrastructure, as well as establishing Georgia as a digital and information hub.

InfraTech initiatives are implemented in Georgia by the Innovation and Technology Agency. The mission of the agency is to create an ecosystem of innovations and technologies, which can stimulate the growth of the economy.

As for Smart Cities and Inclusive Innovation, Georgia Tech's initiative develops cutting-edge approaches to shaping resilient and sustainable communities through a suite of applicable technology and data applications.

Greece

Regarding the uptake of digital technologies by businesses, Greece ranks 22nd among EU countries. Greece's National Digital Strategy for 2016-2021 is aimed at developing the Information and communications technology ecosystem and promoting innovation and entrepreneurial development in Information and communications technology sectors and other sectors of the economy.

In 2016, the Greek Government established a new Ministry for Digital Policy, Telecommunications, and Media with the functions for the policy-making, design, overall coordination and monitoring of the implementation of the Information and communications technology investments in the country.

In the field of e-health, Greece has been implementing a national e-prescription system since 2013. It covers the medication, registration of consultations and the examinations referrals.

The several cities in Greece such as Athens, Egaleo, Kalamata, Patras, Thessaloniki, Trikala and Zografou have been participating in the 5G implementation initiative, which creates a potential for new markets, smart cities, e-health, smart transport and education.

Moldova

The Digital Park in Moldova is designed to become a hub for IT companies and innovative startups, providing various governmental benefits for the residents.

As for Smart Cities, the project Moldova Sustainable Green Cities is planned to be implemented from 2018 to 2022. The project aims to activate investments in low carbon green urban development based on an integrated urban planning approach by encouraging innovation and making partnerships between a variety of public and private sector entities.

An example to illustrate the smart cities in Moldova is the city Hincesti, the digital infrastructure of which was significantly ramped up with fibre optics providing access to high-speed Internet, 4G and free Wi-Fi. The networks helped to develop the intelligent management of the public lighting system. The streets are illuminated depending on the amount of traffic and time of day, thereby offering energy consumption savings of 50 %.

Romania

Romania ranks 27^{th} out of the 28 EU Member States in the European Commission Digital Economy and Society Index 2019. The country is a member of the European High-Performance Computing Joint Undertaking. Romania has signed the Declaration creating the European Blockchain Partnership, the Declaration on Cooperation on Artificial Intelligence and EuroQCI declaration towards the development of a quantum communication infrastructure across Europe.

In cities Alba Iulia City, Cluij-Napoca and Bucharest, the initiative of 5G networks is being developed to create more potential for new market growth, e-health, and transport and education development.

As for the Smart Cities, Alba Iulia Smart City 2018 is a national project aimed at building the most modern and intelligent city in Romania, including through PPPs. Romania initiated the pilot project of Alba Iulia Smart City in 2016, to create a 100 smart city solutions project. Now Alba Iulia becomes more and more "smart" city every day in education, public transportation, lightening and e-Health.

Russia

In Russia, the platform ROSINFRA provides a comprehensive digital solution for developing and launching infrastructure and PPP projects. Its mission is to overcome such obstacles of the infrastructure market as lack of experience and low awareness of public and private actors, difficulties and high costs of attracting qualified experts, as well as the shortage of comprehensive data reflecting current state and trends of infrastructure and PPP market.

As for the Smart City initiative, the national projects "The Housing and Urban Environment" and "Digital Economy" focus on managing the urban environment. The project Smart City is designed to provide better management of the city by the introduction of high tech technologies in utilities, energy, transport and social security management.

A regional example of the smart city initiative under the Smart City program can be smart-city Sarov in the Nizhniy Novgorod Region. The project provides an interactive city map of city problems, site cleanups, e-health.

Turkey

Regarding the smart cities initiative, the Government is planning to turn Turkey into a modern and advanced country, by transforming cities Sakarya, Kayseri, and Gaziantep into smart cities. The smart applications are developed to span many areas and vital sectors such as traffic, sustainable energy, health, security and sustainable environment.

Since 2017 the Novusens Smart City Institute has been running «Canakkale on my Mind», which is the Smart City Transformation Initiative. The city of Canakkale

has been applied to a systematic smart city transformation process.

Ukraine

To transform Kyiv into a technologically advanced the city, the Kyiv Smart City 2020 Concept has been approved to create opportunities for the evolution of the capital, combining a strategic approach, technological advancements, and widespread involvement of the people into the decision-making processes.

Based on the principles of open data, digital services and transparent management, the Kyiv Smart City initiative is aimed at developing smart urban infrastructure, including such areas as E-Dem, Smart Mobility, Smart Urban, Development of innovation environment, safe city, education and environmental and energy efficiency issues.

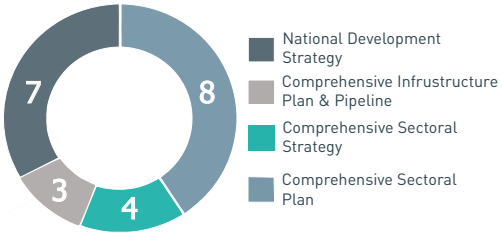
Chapter 2

Specifics of Launching and Implementing PPP Projects

Considering the diversity of country approaches towards infrastructure and PPP projects, the research on PPPs in the BSTDB Member States underlying this Chapter provides reference on the frameworks for infrastructure financing through Public–Private Partnership in the Black Sea areas, focusing on systems of infrastructure policy governance, legal approaches to PPP implementation, and fiscal and other supportive measures. The research has aimed to collect country experiences on various aspects of infrastructure policy and PPPs to allow for cross–country analysis.

This Chapter aims to provide a better understanding of country strategies and approaches to PPP implementation in the Black Sea areas. The research has relied on publicly available information from official sources, including relevant websites of countries' authorities and international organizations.

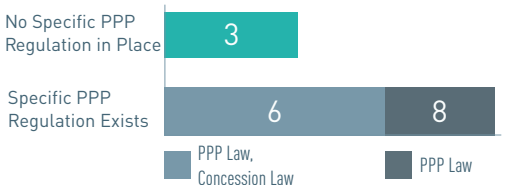
Country Strategic Documents



Despite the fact that all **11** BSTDB countries have strategic infrastructure documents in the form of strategies and development plans, the strategic approaches to managing infrastructure development are diverse. **7** countries, including **Azerbaijan**, **Georgia**, **Moldova** and **Turkey**, rely on National and Development Strategies, specifying priorities and allocation of budgets.

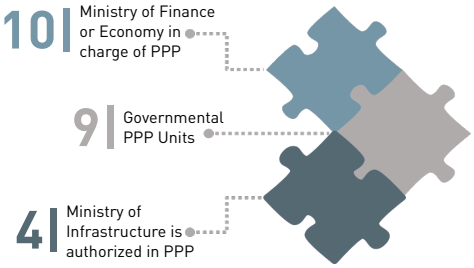
Albania, **Armenia**, **Romania** and **Ukraine** have comprehensive sectoral development strategies in transport, energy and innovation. **8** countries have several sectoral plans that cover infrastructure priorities, while **Bulgaria**, **Romania** and **Turkey** have comprehensive infrastructure plans and pipelines, adopted by the national government or the President.

Legal Approaches to PPP Implementation



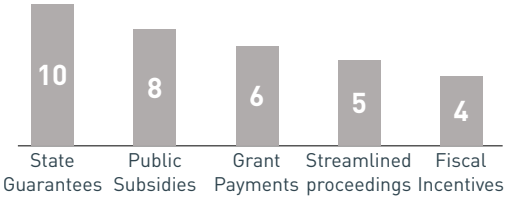
All **11** BSTDB member states belong to the civil law family. **8** countries have specific legislation for Concession agreements (~ user–pays PPPs). **6** countries also have specific legislation for PPP agreements (~ government–pays PPPs). **Azerbaijan** and **Turkey** have comprehensive frameworks of several legal acts related to PPP projects.

Special Public Institutions and Infrastructure & PPP Units



Given the necessity to coordinate the infrastructure policy, most BSTDB membering countries have charged certain public bodies or expert institutions with such a task. In **10** countries the Ministry of Finance or Economy coordinates and facilitates PPP market development, in **4** countries, Ministry of Infrastructure is involved in infrastructure projects implementation. As regards PPP units, **9** out of **11** countries have established dedicated PPP units as government subordinate structures.

Fiscal and other Measures in Support for PPPs



The BSTDB member states use various measures to support PPPs. **10** countries provide state guarantees for PPPs and **8** countries provide financial support for PPPs by means of subsidies or grant payments. **4** countries incentivise PPPs with the help of fiscal and tax incentives.

2.1 Albania

Key Indicators by Country

Population (mln people)	3
GDP - purchasing power parity (bln, $)	36
GDP - real growth rate (%)	3.8
GDP - per capita (PPP) ($)	12,500
Budget revenues ($ bln)	3.6
Budget expenditures ($ bln)	3.87
Public debt (% of GDP)	71.8

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

In 2016, the Government of Albania adopted the National Transport Strategy and the corresponding Action Plan for 2016-2020. The documents came into force by the Decision of the Council of Ministers "For the approval of the Transport Strategy and Action Plan 2016–2020".

The main goal of the National Transport Strategy is to establish an efficient transportation system, integrated in the regional and the EU transportation networks, as well as to promote economic development and boost people's quality of life. In the mid–term, the National Transport Strategy and its Action Plan for 2016–2020 are to facilitate further development of Albania's national transportation system, and to significantly improve its sustainability, interconnectedness and interoperability.

Comprehensive Plan for Infrastructure Development

The National Transport Strategy includes the Action Plan for 2016-2020, listing the strategic priority actions and identifying the related list of tasks, for example, to increase the transport sector governance to provide better transportation services for citizens and businesses and ensure the harmonization with the EU regulatory framework while creating common market conditions and safety standards at the national level and within the neighboring region.

Government Structures in Charge of Infrastructure Development

The Council of Ministers approves a strategic policy document defining the primary sectors for PPP-based investments, preferred forms of PPPs and other issues related to the overall policy framework for concessions and PPPs in Albania.

The Ministry of Finance has specific competences related to concessions and PPPs, in particular with regard to the financial aspects of contracts and their impact on the budget.

Any project requiring state financial support, as determined by the feasibility study, shall require a prior approval by the Ministry of Finance concerning the fiscal affordability, sustainability, and feasibility. All prospective concession or PPP agreements should be assessed and approved by the Ministry of Finance, which performs these functions paying attention to tax–related issues, impact on fiscal sustainability, and relevant contingent liabilities.

The National Transport Strategy is implemented under the leadership of the **Ministry of Infrastructure and Energy**, in close cooperation with other line ministries and institutions and with the support and technical assistance provided by many international development partners.

Ministry of Infrastructure and Energy is responsible for infrastructure development, as well as for issues related to energy generation and provision of electricity, water, wastewater services.

Albanian Road Authority (ARA) is the public institution under the Ministry of Infrastructure and Energy in Albania, tasked with constructing and maintaining roads and infrastructure in rural areas and between urban areas.

Contact: Ministry of Infrastructure and Energy (MoIE), Albanian Roads Authority (ARA)

Expert and Analytical Support

The Concessions Treatment Agency (ATRAKO) under the Ministry of Economy, Trade and Energy is a specialized agency established to promote PPPs and serves as the Central PPP Unit in Albania. ATRAKO supports the contracting authority in performing the procedures associated with feasibility studies, drafting tender documentation, evaluation of proposals, and contract–signing negotiations.

The Public Procurement Agency drafts standard tendering documents, provides advice and technical assistance to contracting authorities.

Contact: Concessions Treatment Agency (ATRAKO), Public Procurement Agency

Legal Conditions for PPPs

The legal framework on concessions and PPPs in Albania is based on the following pieces of legislation:

- Law no. 125/2013 "On Concessions and Public Private Partnerships";
- Decision of the Council of Ministers no. 575, date 10.07.2013 "On the approval of rules for the assessment and granting by Concession/Public Private Partnerships";
- Decision of the Council of Ministers no. 130, date 12.03.2014 "On the electronic conduct of competitive procedures of Concessions/Public Private Partnerships";
- Decision of the Council of Ministers no. 634, dated 01.10.2014 "On the approval of the rules for evaluation and granting of Concessions and Public Private Partnerships for the public Works and services for the construction, operation and maintenance of national roads".

The Law on concessions and public private partnerships is the main legal act related to concession contracts in Albania and contains provisions assuring fair and transparent PPP implementation. The Concession under the Law means the agreement between the Contracting Authority and the concessionaire, which provides for requirements and conditions in terms of which the Concessionaire:

1. carries out an economic activity which would otherwise be carried out by Contracting Authority related to a concession project, management contract or other public services;
2. assumes all or substantial part of risks related to such economic activity;
3. receives a benefit by way of:
    - direct payments paid by or on behalf of contracting authority;
    - tariffs or fees collected from users or customers;
    - a combination of such direct payments and tariffs.

State Supportive Measures

According to the Law, all concession agreements can be supported by any type of monetary or non–monetary support and/or through the financing provided by the public sector including without limitation the subsidies, financial or other guarantees, contributions of capital and the transfer of property rights.

2.2 Armenia

Key Indicators by Country

Population (mln people)	3
GDP - purchasing power parity (bln, $)	28.3
GDP - real growth rate (%)	7.5
GDP - per capita (PPP) ($)	9,500
Budget revenues ($ bln)	2.6
Budget expenditures ($ bln)	3.1
Public debt (% of GDP)	53.5

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

Armenia has developed several national strategic documents that cover the development of infrastructure. Among them:

- Prospective Development Strategy (PDS) for 2014–2025;
- Government Program (GP) for 2017–2022;
- 4^{th} Armenia Action Plan for 2018–2020.

Comprehensive Plan for Infrastructure Development

Armenia's plans for infrastructure development are normally prepared by line ministries to determine sector specific strategies, as well as by the communities in the form of regional development plans.

Examples of such documents include Yerevan's Development Program for 2018-2022, and Yerevan's Sustainable Energy Development Action Plan for 2016–2020.

Government Structures in Charge of Infrastructure Development

In respect of infrastructure development, the Government of the Republic of Armenia identifies strategic investment priorities, including in the sphere of PPP, and promotes

private investments in infrastructure.

The Ministry of Finance oversees fiscal sustainability of the PPP market, whereas the Ministry of Economy is tasked with the facilitation of PPPs and development of its institutional and legal framework.

Contact: Government of the Republic of Armenia, Ministry of Finance of the Republic of Armenia, Ministry of Economy of the Republic of Armenia

Expert and Analytical Support

The Ministry of Economy of the Republic of Armenia is a specialized government entity that facilitates PPPs in Armenia.

Contact: Ministry of Economy of the Republic of Armenia

Legal Conditions for PPPs

The Law on PPP, adopted in 2019 in Armenia, came into force 1 January 2020. The law establishes a comprehensive legal framework for regulation of PPPs, including the rules and procedures related to the development and implementation of PPPs, the institutional framework for governance, applicable criteria and other issues related to the PPP projects.

The PPP Law sets out the criteria for an investment project to be classified as a PPP project, including:

- at least five years of duration;
- purposes of construction / improvement / operation and technical maintenance of public infrastructure;
- certain risks borne by the private party.

In a broader sense, the legal framework for regulation of PPPs in Armenia includes:

- Law on Procurement;
- Guidelines for preparation and procurement of PPPs.

State Supportive Measures

According to the legislation of Armenia, public supportive measures in favor of PPPs include:

- state guarantees (e. g. minimum revenue guarantee);
- grants or subsidies, aimed at covering certain costs and returns on investments;
- non–financial assistance in PPPs implementation.

Moreover, the Government of Armenia according to the legislation can provide additional supportive measures for PPPs.

2.3 Azerbaijan

Key Indicators by Country

Population (mln people)	10.2
GDP - purchasing power parity (bln, $)	172.2
GDP - real growth rate (%)	0.1
GDP - per capita (PPP) ($)	17,500
Budget revenues ($ bln)	9.6
Budget expenditures ($ bln)	10.2
Public debt (% of GDP)	54.1

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

The Strategic Road Map on National Economy and Key Sectors of The Economy of Azerbaijan covers national economic perspectives in 11 economic sectors. It consists of 12 documents related to the country's short–, medium– and long–term economic horizons.

Comprehensive Plan for Infrastructure Development

In 2016, the "Primary Directions of Strategic Roadmaps for National Economy and Main Sectors of Economy" introduced economic development concepts and action plans for 2016–2020. For example, the Strategic for Development of Telecommunications and Information Technologies was developed for 2025 to strengthen the country's ICT infrastructure.

Government Structures in Charge of Infrastructure Development

The BOT Law defines competent authority as the relevant executive body authorized to conclude agreement with investors under BOT model. The Ministry of Economy of the Republic of Azerbaijan assumes the role of a competent authority for all BOT projects according to the BOT Order. The Ministry of Economic Development is the central executive authority, establishing and carrying out state policies in socio–economic devel-

opment and international co–operation. The Ministry executes BOT agreements and supervises PPPs.

The Ministry of Economy coordinates the draft of investment agreements and related documents with the Ministry of Finance.

Contacts: Ministry of Economy of Azerbaijan, Ministry of Finance of Azerbaijan

Expert and Analytical Support

The specialized government entity that facilitates the PPP program in Azerbaijan is the Ministry of Economy. As the competent authority, according to the BOT Law and the BOT Order, the Ministry of Economy assumes a prominent role in the development and implementation of PPPs.

Legal Conditions for PPPs

Azerbaijan has no comprehensive PPP law yet has several legal acts that deal with such matters. The PPP legislation in Azerbaijan provides mechanisms for the potential financing of the BOT model, without referring to other PPP models. The main acts, regulating the BOT, are the Law on the Implementation of Special Financing for Investment Projects in Connection with Construction and Infrastructure Facilities (Infrastructure Investment Law) and the Order on the establishment of conditions of the realization by investors (BOT Order).

The Infrastructure Investment Law envisages a list of infrastructure facilities, which can be qualified for BOT–financing, including, but not limited to the following: bridges; tunnels; dormitories; educational, health, cultural and tourism facilities; industrial parks; highways; underground stations. The Law also limits the term of BOT agreement to 49 years, executed between the investor and public sectors.

State Supportive Measures

The supportive measures for PPPs in Azerbaijan include state loans, guarantees, and tax incentives. A state guarantee is provided with regard to the contractual obligations undertaken under the BOT project. If the BOT agreement is terminated at the initiative of the investor, the Ministry of Economy is not responsible for obligations undertaken by the investor in respect of the investment project. The investor is exempt from state duties and charges in connection with the BOT investment project.

2.4 Bulgaria

Key Indicators by Country

Population (mln people)	6.9
GDP - purchasing power parity (bln, $)	153.5
GDP - real growth rate (%)	3.6
GDP - per capita (PPP) ($)	21,800
Budget revenues ($ bln)	20.35
Budget expenditures ($ bln)	19.35
Public debt (% of GDP)	23.9

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

The National Development Programme: "Bulgaria 2020" is the major strategic and programming document that identifies the objectives of the development policies of the Bulgaria till 2020, including in terms of infrastructure development.

Comprehensive Plan for Infrastructure Development

Adopted by the Bulgarian Council of Ministers, the Action plan for the State Concessions for 2019-2020 provides for the launch of new tenders for major seaports and airports.

The Action Plan specifies the duration of each planned concession, scope of public obligations under the concession, and sets out the objectives for the development of transport infrastructure by means of long–term concession agreements.

Government Structures in Charge of Infrastructure Development

The Council of Ministers determines the State policy on concessions.

According to the Concessions Act, the Ministry of Finance implements the state policy regarding the effective and efficient spending of public resources upon the planning and performance of concessions.

The Concessions Coordinating Council pro-

poses to the Council of Ministers to approve the National Concessions Development Strategy and the Action plan for State concessions.

The Privatisation and Post–Privatisation Control Agency exercises independent external control on the performance of particular concession contracts.

The Economic and Social Policy Directorate within the Administration of the Council of Ministers provides methodological guidelines for the implementation of the Concessions Act.

The State Aid and Real Sector Directorate under the Ministry of Finance assists the Minister of Finance in the field of concessions.

Contact: Ministry of Finance, Council of Ministers, Ministry of Transport, Information Technology and Communications, Ministry of Energy

Expert and Analytical Support

The State Aid and Real Sector Directorate under the Ministry of Finance serves as a specialized unit for PPP development in Bulgaria and organizes the execution of the powers of the Minister of Finance in regard to the government policy in terms of the effective and efficient spending of public resources in the implementation of PPPs.

Contact: State Aid and Real Sector Directorate

Legal Conditions for PPPs

In Bulgaria, the Concessions Act governs PPPs whereas an economic operator executes works or provides services awarded by a public authority by way of a *works* or *services* concession. The purpose of the Act is to ensure the development of a high–quality and affordable infrastructure and services of general interest through the partnership between public authorities and economic operators. The Concession Act defines three types of concession agreements:

- Works Concession;
- Services Concession;
- Concession for extraction.

State Supportive Measures

According to the legislation of Bulgaria, state supportive measures for PPPs include financial support in the form of grants, guarantees and compensations. The latter commonly imply partial compensations in favor of the concessionaire for construction, services and management expenses. Such compensations are provided by the respective contracting authority.

2.5 Georgia

Key Indicators by Country

Population (mln people)	4.0
GDP - purchasing power parity (bln, $)	39.85
GDP - real growth rate (%)	5
GDP - per capita (PPP) ($)	10,700
Budget revenues ($ bln)	4.4
Budget expenditures ($ bln)	4.9
Public debt (% of GDP)	44.9

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

Social–economic Development Strategy "Georgia 2020" reflects the priorities and problems that need to be resolved in order to achieve long-term, sustainable and inclusive economic growth. Government of Georgia plans to form an efficient mechanism for PPPs, which is crucial for attracting infrastructure investments.

The Regional Development Programme of Georgia is a medium–term government document setting out main goals in Georgia's regional development and determining priorities and measures for the period 2018–2021. It provides a coherent framework for public and private investments promoting regional development.

The Government Program 2019–2020 sets priorities in modernizing infrastructure, including transport systems, cultural, sports, education and healthcare infrastructure improvement.

Comprehensive Plan for Infrastructure Development

Georgia has several sectoral plans for infrastructure development. For example, in the energy sector in 2016, Georgia has signed the protocol on the "Accession of Georgia to the Treaty Establishing the Energy Community" and adopted National Renewable Energy Action Plan (NREAP). NREAP outlines the current state of affairs and relates to the legislative and institutional framework for renewable energy and proposes policy and investment measures to be undertaken to meet the target of 30% of the energy con-

sumed coming from renewable energy for 2020 and implement the Renewable Energy Directive.

Government Structures in Charge of Infrastructure Development

The Ministry of Regional Development and Infrastructure and the Ministry of Economy and Sustainable Development are in charge of infrastructure development.

The Ministry of Finance of Georgia is in charge of the review of initial PPP proposals and assessment of all kinds of fiscal risks.

The government economic development agency "Enterprise Georgia" is operating under the Ministry of Economy and Sustainable Development of Georgia and focuses on increasing the competitiveness of the private sector, enhancing the country's export potential and promoting/supporting foreign direct investments in Georgia. On its website, all investment opportunities, including PPP proposals, are available.

Contact: Ministry of Finance of Georgia, Ministry of Regional Development and Infrastructure, Ministry of Economy and Sustainable Development, Enterprise Georgia

Expert and Analytical Support

The Public Private Partnership Agency of Georgia (PPP Agency) was created in 2018 in accordance with the PPP law under the Government of Georgia. The PPP Agency is accountable to the Prime Minister of Georgia and identifies potential PPP proposals, manages a database of PPPs and draws up PPP standards.

Contact: PPP Agency of Georgia

Legal Conditions for PPPs

In May 2018, the Parliament of Georgia adopted the Law on Public–Private Partnerships (PPP law) that provides a legal framework for co–operation between the public and private sectors while developing public infrastructure or providing municipal services.

The Law determines the legal basis for PPP, including the rules and procedures related to the development and implementation of PPP projects, the principles of PPP, and relevant institutional systems, as well as all other matters related to PPP.

The PPP Law and its bylaws guide the rules related to project identification, initiation and preparation, as well as detailed procedures for the selection of private partners and managing unsolicited proposals.

The PPP Law sets out the criteria for a project to be classified as a PPP. These criteria include:

- duration not less than five years;
- cost not less than GEL 5,000,000 and after 1 July 2020 – the amount that shall be determined by the Government of Georgia;
- the provision of a public service or the establishment and maintenance and (or) operation of public infrastructure by a private partner;
- the distribution of risks between state and private partners;
- full or partial financing of a project by a private partner.

State Supportive Measures

According to the legislation of Georgia, the government provides the following supportive measures for PPPs:

- availability payment and performance–based compensation;
- provision of state guarantees (for consumption, consumers and income; for tariff or cost of public services);
- assistance in transferring land or granting permits and licenses provided for by the legislation of Georgia;
- granting exclusive rights (to intellectual property to a private partner; to establish and maintain and (or) operate and maintain a facility under a PPP agreement and (or) to provide public services within certain territories).

2.6 Greece

Key Indicators by Country

Population (mln people)	10.6
GDP - purchasing power parity (bln, $)	299.3
GDP - real growth rate (%)	1.4
GDP - per capita (PPP) ($)	27,800
Budget revenues ($ bln)	97.99
Budget expenditures ($ bln)	96.35
Public debt (% of GDP)	181.8
Total infrastructure investment ($ mln, last 5 years)	6,305
Private infrastructure investment ($ mln, last 5 years)	710

Source: cia.gov, GIH InfraCompass & Oxford Economics

Strategic Planning Documents

General Framework Plan for Spatial Planning and Sustainable Development

In 2015, Greece adopted the Sustainable Development Goals to be achieved by 2030 in order to build sustainable economic growth. The General Framework Plan for Spatial Planning and Sustainable Development provides guidelines for the spatial structuring of transportation networks and services. Further upgrades of railway and marine infrastructure are also envisaged, in order to make these means of transport more SDG–aligned.

Strategy for Greece

In 2016, the European Bank for Reconstruction and Development developed the Strategy for Greece, which guides the Bank's engagement in Greece until 2020 in order to support transport, logistics and energy infrastructure enhancing Greece's integration with regional markets, including gas and power interconnections.

Government Structures in Charge of Infrastructure Development

In accordance with the Law 3389/2005, two administrative bodies have been established in order to improve the effective preparation

and management of PPP projects.

The **Inter–Ministerial Committee for Public–Private Partnerships** (ICPPP) is the collective governmental body, which sets the general policy for PPPs and approves projects that should proceed to implementation through the PPP framework.

ICPPP Members include:

- Minister of Economy and Development (Head of Committee);
- Minister of Finance;
- Minister of Environment and Energy;
- Minister of Infrastructure and Transport;
- Minister(s) who supervise(s) each of the Public Bodies that examine the implementation of PPP projects, under their competencies.

The ICPPP is responsible for:

- the approval to include a PPP project into the framework as read in L/3389, as well as for the cancellation of such approvals;
- decisions associated with the provision of any contractual consideration to the private partner in the Public Investments Programme;
- decisions about the level of public sector's participation in the financing of a PPP project.

The Special Secretariat for PPPs (PPP Unit) has been established within the Ministry of Finance. The Unit identifies projects that can be delivered via a PPP scheme, promotes their implementation and provides support and assistance to IM PPP Committee and to the Public Entities in the context of all necessary procedures for the finalization of a PPP project.

Expert and Analytical Support

The Special Secretariat for Public–Private Partnerships is a dedicated PPP Unit in Greece under the Ministry of Economy and Finance.

Each public authority can seek the support and knowledge of the Secretariat and conversely in PPP, the Secretariat is expected to function as a central point of reference, to collect all relevant information, and support with its expertise the public administration. Further, the Secretariat acts as a consulting and supporting body.

Functions of the Secretariat include the following:

- identification of the works or services which may be constructed or provided through PPP mechanisms;
- promotion of the construction of projects or the supply of services through the PPP framework;
- facilitation and support of Public Entities in pursuing the Contract Award Procedures, as defined in Law 3389/2005, for the selection of Private Entities that will be under taking the construction of projects or the supply of services under PPP arrangements;
- monitoring of the implementation of Partnership Contracts and Ancillary Agreements, regularly briefing the

ICPPP, preparing and submitting policy recommendations;
- preparation and presentation of an annual report to the respective committee of the Parliament.

Contact: Special Secretariat for PPPs

Legal Conditions for PPPs

Greece has two different legal instruments in relation to non–concession and concession PPPs:

PPPs are governed by Law 3389/2005 (PPP Act)

The PPP Act establishes a legal framework for the implementation of Public–Private Partnerships in Greece. The law aims at promoting PPP projects, taking into consideration the experience gained from concession agreements that have been previously successfully implemented in Greece.

The PPP Act defines PPPs as partnerships between public entities and private entities that observe certain requirements. Among other requirements, PPPs have the purpose of performing construction works or providing services in the area of competence of the public entities, under a provision of the law, or a contract, or under public entities' articles of incorporation. In PPPs, private entities are paid either in a lump sum or in instalments by the public entities or by the final users of these works or services.

The PPP law governs concessions which meet the following cumulative criteria:

- relate to services or projects that belong to the competence of public authorities;
- allocate – for a consideration – an essential part of the risks related to the financing, construction, availability or demand of the project to the private sector;
- stipulate that the financing is arranged by the private sector; and
- do not have a contractually budgeted cost over €200,000,000.

Greek Law on PPPs considers only the category of contractual PPPs. The PPP Act was enacted in order to provide a simplified legal framework for other forms of partnerships beyond concession. In other words, the PPP Act was enacted to implement projects for which the end users are not charged. The implementation of those projects presupposes their future payment directly by the state on an annual basis.

Concessions are governed by Law 4413/2016 (Concessions Act), which incorporated EU Directive 2014/23 ("Directive") into national law

The Concessions Act follows the definition of the Directive in relation to "concession contracts" defining it as a written agreement for pecuniary interest by which one or more contracting authorities or contracting entities entrust the execution of works or the provision of services to one or more economic operators, and the consideration of which

for such execution of works or provision of services consists of either the sole right to exploit the works / services in question, or of such a right together with some additional payment.

State Supportive Measures

The PPP Act contains certain tax provisions applicable to the project companies, consistently with the practice that has been followed in the existing concession agreements:

- no income tax on accrued interest until commencement of operation period;
- any state contribution is treated as capital subsidy and relieved from VAT, income tax and other levies;
- losses can be carried forward and deducted from taxable earning for 10 years;
- refundable VAT is refunded within 90 days from the relevant application.

2.7 Moldova

Key Indicators by Country

Population (mln people)	3.3
GDP - purchasing power parity (bln, $)	23.7
GDP - real growth rate (%)	4.5
GDP - per capita (PPP) ($)	6,700
Budget revenues ($ bln)	2.9
Budget expenditures ($ bln)	2.95
Public debt (% of GDP)	31.5

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

The National Development Strategy "Moldova 2020" is the main national strategic planning document adopted by the Parliament in 2012 for the period until 2020. It is focused on the increasing public investment in the national and local road infrastructure, in order to reduce transportation costs and increase the speed of access.

Comprehensive Plan for Infrastructure Development

The Consolidated Action Plan is the main tool for the implementation of the National Development Strategy "Moldova 2020". The priority of the National Development Strategy has been further developed in two strategic planning documents: the Transport and Logistics Strategy for 2013–2022 and the National Road Safety Strategy. Both strategies encompass the vast majority of elements from the relevant chapters of the strategic vision laid out in the National Development Strategy.

Government Structures in Charge of Infrastructure Development

The Government of Moldova approves the list of state property goods and the list of works and services of proposed for PPP procurement, along with the objectives, general requirements and the general conditions for the selection of the private partner.

The Ministry of Economy and Infrastructure of Moldova develops main documents and legal acts, regulating PPPs. The Ministry of Finance examines proposals on state budget participation in PPPs, initiated and approved by the Government, and monitors the process of state budget expenditure by the public partner.

Contact: Ministry of Economy and Infrastructure of Moldova, Ministry of Finance

Expert and Analytical Support

The PPP Directorate under the Public Property Agency is a specialized government entity that facilitates PPP market development in Moldova. The Agency is aiming at coordinating PPPs at the national level, developing general requirements for the private partner selection and standard documentation for PPPs, monitoring and evaluating PPPs implementation.

The National Council for Public–Private Partnership is established under the Government in order to assess the state policy on PPPs to develop priorities and strategies for implementing PPPs in Moldova.

Contact: PPP Directorate

Legal Conditions for PPPs

The regulatory framework for PPPs in Moldova includes the following pieces of legislation:

- Law on Public Private Partnership No. 179 dated July 10, 2008;
- Law on Concessions No. 534 dated July 13, 1995;
- Law on Public Procurement No. 131 of 2015 dated July 3, 2016;
- Government Resolution No. 476 dated July 4, 2012 on approving the Regulation on Standard Procedures and Conditions for Selection of the Private Partner;
- Order No. 143 of August 2, 2013 of the Ministry of Economy on approving the Preliminary Matrix of the Project Risk Allocation;
- Government Decision No 255 dated 11 April 2013 on the establishment of the Inter–ministerial Network of Public Private Partnership.

State Supportive Measures

According to the legislation of Moldova, public supportive measures for PPPs include state guarantees, grant payments and subsidies aimed at covering specific costs and returns on investments. The public partner is supposed to assist the private partner in obtaining the permissions, authorizations and other documents related to the implementation of a PPP project.

2.8 Romania

Key Indicators by Country

Population (mln people)	21.3
GDP - purchasing power parity (bln, $)	483.4
GDP - real growth rate (%)	6.9
GDP - per capita (PPP) ($)	24,600
Budget revenues ($ bln)	62.14
Budget expenditures ($ bln)	68.13
Public debt (% of GDP)	36.8

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

The Fiscal and Budgetary Strategy for 2019–2021 and the Government Program 2018-2020, which is based on the provisions of the strategy, establish strategic investment projects in PPP, scheduled to be launched.

The National Strategy for Research, Development and Innovation 2014–2020 sets the investment priorities in health, energy and IT spheres.

Comprehensive Plan for Infrastructure Development

The Romanian Government has approved the National Action Plan for the period 2018–2020, that sets goals for infrastructure development.

Government Structures in Charge of Infrastructure Development

The Ministry of Finance elaborates regulation of PPPs.

In transport, many PPP projects are implemented by public bodies: the Ministry of Transport and the National Company for Motorways and National Roads.

InvestRomania is the Government's leading body in promoting and facilitating foreign investment in Romania.

Contact: Ministry of Finance, Ministry of Transport, National Company for Motorways and National Roads, InvestRomania

Expert and Analytical Support

The National Commission for Strategy and Prognosis provides expertise in the preparation and award of strategic investment projects that are to be implemented as PPPs.

Romania has adopted a list of strategic investment projects to be prepared and launched as PPPs by the National Commission for Strategy and Prognosis, which is according to the Emergency Ordinance no. 39/2018 on PPPs, is the institution dealing with the preparation and award of strategic PPPs. According to Emergency Ordinance no. 28/2018, the National Commission for Strategy and Prognosis is the central unit of substantiation and award for the strategic investment projects carried out between the public sector and private partners.

Legal Conditions for PPPs

In Romania the main legal acts, regulating PPPs, are:

- Law No. 100/2016 on works concessions and services concessions;
- Government Decision No. 867/2016 on approving the Methodological Norms for applying the provisions relating to the award of works concessions and service concessions;
- Law No. 233/2016 on public-private partnership;
- Emergency Ordinance no. 39/2018 on PPPs dated May 2018.

The law on PPP regulates the conclusion and carrying out of PPP projects. The Emergency Ordinance no. 39/2018 has been adopted in light of the provisions of the Government Program 2018-2020, which proposes a significant increase in investments in order to achieve the objectives of economic growth.

According to the legislation, the share of the public partner's contribution to financing investments in a PPP agreement shall not exceed 25 % of the total investment, including from European funds. A PPP project always involves the set-up of an SPV held either entirely by the private partner (in case of contractual PPPs) or by both public and private partners (in case of institutional PPPs).

State Supportive Measures

In accordance with the legislation, PPPs can be supported by government financial support or by state guarantees. The public partner may support the project including with non-reimbursable EU funds (together with the contribution of the Romanian State related to such funds). Further, the public partner may also directly provide guarantees to and undertake obligations towards such financiers as well as conclude direct agreements between the public partner and financial organizations.

2.9 Russia

Key Indicators by Country

Population (mln people)	141
GDP - purchasing power parity (bln, $)	4,016
GDP - real growth rate (%)	1.5
GDP - per capita (PPP) ($)	27,900
Budget revenues ($ bln)	258.6
Budget expenditures ($ bln)	281.4
Public debt (% of GDP)	15.5
Total infrastructure investment ($US millions, last 5 years)	277,304
Private infrastructure investment ($US millions, last 5 years)	6,063

Source: cia.gov

Strategic Planning Documents

Strategy for Spatial Development until 2025

Adopted in 2019, Strategy for Spatial Development until 2025 is the national strategy for infrastructure development in Russia.

National Projects

A number of National Projects exist that augment the scope of the national strategy in respect to the corresponding spheres and sectors of economy. To date, the following National projects are in place:

1. Healthcare;
2. Education;
3. Safe and quality roads;
4. Housing and urban realm;
5. Ecology;
6. Culture;
7. Science;
8. Demography;
9. SMEs and sole proprietorship;
10. Digital economy;
11. Labor productivity and employment;
12. International cooperation and trade export;
13. Trunk infrastructure (transport corridors and pipelines).

Other Strategic Documents

In addition, over 100 state and regional strategic documents exist, that provide funding for infrastructure projects in various fields. Such strategic documents and the National Projects share the same strategic goals and vision.

Government Structures in Charge of Infrastructure Development

The Ministry of Economic Development is charged with overall infrastructure development of Russia, whereas implementation of specific National Projects and state programs lies in the authority of sectoral public agencies.

The Ministry of Finance allocates state funding for infrastructure development, while the Bank of Russia creates favorable investment conditions for infrastructure development including through an increase in available loan funds and funds of institutional investors (non–state pension funds and insurance companies).

VEB.RF is a major national development institution which through its Project Finance Factory provides expertise and project financing to high value-added and high-technology infrastructure projects.

Contact: Ministry of Finance, Ministry of Economic Development, VEB.RF

Expert and Analytical Support

National Center for PPP is recognized by the World Bank as an official PPP development institute in Russia.

Its mission is to develop and promote PPPs in Russia and to consolidate organizational, analytical and expert resources of the PPP market through a "single–window" approach.

Its core activities are as follows:

Research and methodology, Education and publishing, Promotion of PPP in regions of Russia, Launching strategic projects targeting PPP development in Russia Regulatory expertise both at federal and regional levels.

Contact: National Center for PPP

Legal Conditions for PPPs

In Russia, there are two federal laws that provide the foundation for infrastructure PPP projects:

- Federal Law "On public–private partnership, municipal–private partnership in the Russian Federation and the Introduction of Amendments to certain legislative acts of the Russian Federation" of 2015 No. 224-FZ (**PPP Law**).

- Federal Law "On concession agreements" of 2005 No. 115-FZ (**Concession Law**)

The **PPP Law** establishes fundamentals of legal regulation of PPP project preparation on federal, regional and municipal levels, dwelling on conclusion, execution and termination of a PPP agreement, state and local authorities, guarantees of rights and legal interests of parties to the PPP agreement.

Objects of the PPP agreement under the **PPP law** can be the following:

1. private motor roads or sections of private motor roads, bridges, protective road structures, artificial road structures;
2. public transport, except for the subway;
3. railway transport objects;
4. pipeline transport objects;
5. sea and river ports;
6. marine and river vessels, mixed river–sea going ships;
7. aircraft, air fields, airports, technical and other facilities for support of aircraft operation;
8. facilities for generation, transmission and distribution of electric power;
9. hydraulic structures, stationary and/or floating platforms and artificial islands;
10. underwater and underground technical constructions;
11. healthcare facilities;
12. educational, cultural, tourism and sports facilities;
13. facilities used for processing, utilisation, decontamination and disposal of solid utilities waste;
14. land improvement objects;
15. melioration systems.

The **Concession Law** regulates the relationships arising in connection with preparation, conclusion, implementation and termination of concession agreements, establish guarantees of the rights and legitimate interests of the parties to a concession agreement.

Under a concession agreement one party (the concessionaire) shall undertake to construct and/or reconstruct property, the right of ownership to which either belongs or shall belong to another party (the conceder) and to conduct its activity by using (operating) the object of the concession agreement while the conceder shall undertake to grant to the concessionaire for a period fixed under the agreement the rights of possession and use of the object of the concession agreement for the purpose of conducting said activity.

The **Concession Law** envisages the following objects that can be granted on concession:

1. motor roads or sections of motor roads, artificial road structures;
2. railway transport objects;
3. pipeline transport objects;
4. sea and river ports;
5. sea and river vessels, mixed type (river–sea) vessels;
6. airfields or buildings and/or structures designed for takeoff, landing, taxiing and parking of aircraft;
7. objects of production and engineering infrastructures of airports;
8. hydro–engineering facilities;
9. facilities for generation, transmission and distribution of electric and thermal energy;
10. systems of public communal infrastructure and other objects of public

utilities;
11. subway and other public use transport;
12. public health facilities;
13. education, culture, tourism and sport facilities.

State Supportive Measures

In Russia, there are several types of fiscal and supportive measures for PPPs:

1. Tax exemptions and preferences;
2. Subsidies and public investments in priority sectors, e.g. in STI;
3. State and municipal guarantees for investment projects. Article 20 of the Concession Law provide certain guarantees to the concessionaire in relation to the change of the agreed price of tariffs. A concessionaire also may have certain guarantees under the sector specific legislation depending on the type of the facility.;
4. Participation of public entities in equity of economic entities and nonprofit organizations;
5. Debt financing;
6. Creation of state development funds;
7. Legal mechanisms of compensation of foregone earnings due to unfavorable legislative and fiscal changes;
8. Special economic zones and territories of priority development which provide for preferential and free taxation schemes, preferential and free land use terms;
9. Continuous elimination of administrative burdens, including through "single–window" arrangements;
10. Public awareness and outreach activities.

2.10 Turkey

Key Indicators by Country

Population (mln people)	82
GDP - purchasing power parity (bln, $)	2,186
GDP - real growth rate (%)	7.4
GDP - per capita (PPP) ($)	27,000
Budget revenues ($ bln)	172.8
Budget expenditures ($ bln)	185.8
Public debt (% of GDP)	28.3
Total infrastructure investment ($US mln, last 5 years)	102,043
Private infrastructure investment ($US millions, last 5 years)	49,225

Source: cia.gov, infracompass.gihub.org

Strategic Planning Documents

National Strategy for Infrastructure Development

Adopted in July 2019, the 11^{th} 5–Year Development Plan 2019–2023 was is the primary national strategy and covers five years, addresses the infrastructure sector and includes sub–sector specific (energy, transport, health, etc.) strategies.

The mid–term programs and annual programs (e.g. Medium–Term Program 2019 – 2021) with national strategies also cover sectoral infrastructure investment issues.

Comprehensive Plan for Infrastructure Development

The Public Investment Program, published by the Presidency of Strategy and Budget every October, provides information regarding all public investments under construction as well as the ones to be realised in the upcoming year. The Presidency annual program also includes proposals regarding infrastructure investments. Additionally, line ministries publish the individual pipelines such as, for example, the Ministry of Transport and Infrastructure's report.

Government Structures in Charge of Infrastructure Development

The President's Strategy and Budget Office and the Ministry of Treasury and Finance are in charge of infrastructure development. The President's Strategy and Budget Office is in charge of managing the public investment program, including infrastructure investments and PPPs, while the Ministry of Treasury and Finance is in charge of financing section of the projects. The infrastructure projects in Turkey are implemented by line ministries, responsible for project development and tendering. Each government party in charge of the provision of certain services or infrastructure has a division allocated to the PPP-related works.

Contact: President's Strategy and Budget Office, Ministry of Treasury and Finance

Expert and Analytical Support

There is no central PPP authority in Turkey, but several institutions provide expert, informational and analytical support for government policy elaboration in of infrastructure and PPP development. The Department of PPP is a subdivision under the President's Strategy, and Budget Office and Ministry of Treasury and Finance assess investments to PPP and allocate budget for PPP related payments as well as provide supportive measures. The Investment Office is responsible for preparing a PPP project pipeline and promotion activities.

Contact: Department of PPP of President's Strategy and Budget Office

Legal Conditions for PPPs

In Turkey, there is no single legal framework, covering all sectors and PPP models. All PPP models are codified in separate legislative pieces, the most important of which can be listed as follows:

- Law No. 3996 on the Procurement of Certain Investments and Services governs BOT-model infrastructure projects requiring both advanced technology and vast financial resources;
- Law No. 6428 on the Construction, Renovation and Purchase of Services by the Ministry of Health by way of the Public-Private Cooperation Model and Amendments to Certain Laws and Decrees with the Force of Law regulates BLT transactions in the health sector and education sector;
- Law No. 4046 on Privatisation Practices deals with the rules governing the privatisation of state assets;
- BO Law No. 4283 provides regulation to thermal power stations.

State Supportive Measures

In Turkey, fiscal incentives, state guarantees and transaction support are commonly used as supportive measures for PPPs.

State guarantees are commonly used in airport sector PPP projects. Also, motorway PPPs and urban transportation projects such as the Eurasia Tunnel rely on state guarantees. In the case of airports, guarantees amounting to a certain number of passengers in a given contract year are key subsidies in the Turkish context. If the actual number of passengers using the airport falls below the guaranteed number within the relevant year, the government party provides specific incentives accordingly. For motorways and tunnels, traffic guarantees are provided. If the car equivalent of all the vehicles which used the motorway/tunnel falls below the guaranteed level, the government pays for the remaining gap.

Most of these projects have a revenue-sharing mechanism which requires the private sector to share a certain proportion of the revenue exceeding the guaranteed level with the government. Equally, direct revenue guarantees are also seen in the airport sector. The mechanism typically works both ways: if the actual revenues in the relevant year are below the guaranteed total revenue for the relevant year, the government party pays the difference. Conversely, if the private partner generates more than the guaranteed revenue amount, the surplus revenue is shared with the government party.

2.11 Ukraine

Key Indicators by Country

Population (mln people)	43
GDP - purchasing power parity (bln, $)	369.6
GDP - real growth rate (%)	2.5
GDP - per capita (PPP) ($)	8.8
Budget revenues ($ bln)	29.82
Budget expenditures ($ bln)	31.55
Public debt (% of GDP)	71

Source: cia.gov

Strategic Planning Documents

National Strategy for Infrastructure Development

In Ukraine so far, no comprehensive strategy at the national level exists that would cover infrastructure policy issues.

At the same time, several sectoral strategies exist that cover infrastructure policy issues in the respective fields. These include:

- National Strategy for Transportation until 2030 (adopted in 2018);
- National Strategy for the Development of Sea Ports until 2038 (adopted in 2013).

All new strategic documents appear at the constantly renewed official portal of the Cabinet of Ministers of Ukraine.

Comprehensive Plan for Infrastructure Development

In Ukraine, there are several sectoral plans that refer to infrastructure projects. Such plans normally are affiliated to the aforementioned sectoral strategies.

For instance, the National Strategy for Transportation is accompanied by the plan of its implementation for 2019-2021. The latter covers specific tasks and projects in transport infrastructure.

Government Structures in Charge of Infrastructure Development

In Ukraine, the **Ministry of infrastructure** formulates and implements state policy in the fields of air, road, rail, sea, river and urban electric transport, as well as on issues related to the use of Ukrainian airspace, subway systems, roads, postal services, transportation safety, merchant shipping and navigational/hydrographic support for vessels.

The main tasks of the Ministry are:

- formulation and implementation of state policy on issues related to transport, the use of Ukrainian airspace, roads and postal service;
- formulation and implementation of state policy on issues related to transportation safety, merchant shipping and navigational/hydrographic support for vessels;
- participating, within the limits of our authority, in the formulation and implementation of state tariff policies and public procurement policies in the postal service field;
- the Minister of Infrastructure coordinates with the State Aviation Administration, the National Sea and River Transport Inspection Agency, the National Land Transport Inspection Agency and the National Automotive Road Agency.

Contact: Ministry of Infrastructure of Ukraine

Expert and Analytical Support

The Institute "**Ukrainian Centre for Public–Private Partnership Development**" (UKRPPP) is the dedicated PPP unit in Ukraine. It is a non–commercial organization found in 2010.

Its mission is to foster PPP development in terms of launching new projects, as well as evolution of institutional and regulation framework.

The main tasks of UKRPPP include:

educational and enlightenment activities; scientific and analytical research; expert support for development of new PPP laws and regulations; monitoring of developments in the Ukrainian infrastructure and PPP market.

Contact: Ukrainian Centre for Public–Private Partnership Development

Legal Conditions for PPPs

In Ukraine, there are two federal laws that provide the foundation for infrastructure PPP projects. These are:

- Law "On Concession" of 2019 No. 155-IX (Concession Law);
- Law "On Public–Private Partnership" of 2010 No. 2404-VI (PPP Law).

PPP projects can also use other legal organizational forms, i.e. corporate partnerships, that provide for the implementation of essential principles of PPP.

The PPP Law defines the legal framework for the interaction of state partners with private partners and the basic principles of PPP on a contractual basis. PPP in the context of this law is defined as cooperation between the public side, represented inter alia by the state, territorial communities, local authorities, as well as by national academies of sciences, and the private party represented by legal entities (except for state utilities).

The PPP Law identifies the following signs of PPP:

- creation, reconstruction, overhaul and / or management, which includes use, operation and maintenance;
- the longevity of the relationship: 5—50 years;
- assignment of a part of risks to a private partner;
- private investment obligations.

The law provides for the following contractual forms of PPPs:

- concession agreements;
- property management agreement (in the presence of investment obligations of a private partner);
- agreement on joint activities;
- other contractual forms.

The Law on PPP stipulates that if the project is implemented in the form of a concession agreement, then the provisions of the Concession Law apply. If the project complies with the principles of PPP, but does not fall under the requirements of the Concession Law, it should be implemented within the framework of the PPP Law.

The new **Concession Law** suggests the definition of the concession as the form of state and private partnership. The partnership is envisaged as granting to a concessionaire one or several rights of:

construction or development (new construction, reconstruction, restoration, capital renew or modernization) of particular piece or infrastructure; management (use, exploitation, maintenance) of a piece of infrastructure; and/or supply public services in accordance with relevant concession agreement.

The concession sets forth operational risks to be on the side of the concessionaire, including the risks of market demand or supply.

Thus, the government may transfer into concession any state–owned pieces of infrastructure (like roads, airports, transport stations, ports) or certain rights aiming at development of particular projects of public importance. Generally, according to concession agreements, concessionaires will be required to pay the state or vice versa, the state will compensate the concessionaires. The Law appears to be flexible on terms of the concession agreements.

State Supportive Measures

The PPP Law defines a following set of guarantees for all of the above mentioned contractual forms of projects:

- national regime for investment and other business activities for foreign investors;
- legislation in force at the time of conclusion of the contract regulates the terms of the contract throughout its term (if not otherwise ruled by the Law).

The PPP Law also reads that if prices (tariffs) for services that are provided during the implementation of PPPs are set below the economically justified costs of their provision, the private partner has the right to compensation for losses in the manner prescribed by law.

In addition, if the use of a land plot is necessary for the implementation of a project, the public partner provides the private partner with the opportunity to use such a plot for the period established by the PPP agreement.

The new **Concession Law** provides for measures for attraction and support of concessions. In particular, the state support is available for concessionaires via:

- compensation upon commissioning;
- purchase of particular volume of goods or services as agreed under relevant concession agreement;
- supply of particular volume of goods or services as agreed under relevant concession agreement;
- development (at the expense of state or municipal budgets) of additional infrastructure, thus, ensuring sufficient capacity of electric, gas, water or heat supply.

At the same time, the state support provided under any concession agreement shall not cover more than 50% of operational risks related to market supply and demand and the support may not exceed concessionaires' expenses. Relevant tender documentation will cover the matters of state support for each particular concession.

The Law also provides for the following:

- introduces transparent tender procedure for appointment of concessionaires (concession tender, competition dialogue);
- provision on engagement of advisors and independent experts for development of concession provisions and state–private partnerships in the form of concession;
- guarantees for the concessionaires and creditors;
- peculiarities of concession in natural monopolies;
- allotment for the construction needs;
- competence of international commercial arbitration or investment arbitration; and
- introduction of audit and monitoring of concession projects, etc.

Chapter 3

Cases of PPP Projects

*BSTDB member countries are planning and implementing a number of PPP projects that attract significant private financial resources and reflect good management practices and market trends. The selected **45** project cases are presented further.*

3.1 Albania

Durres Port East Terminal

Summary	The Port of Durres is the largest in Albania, representing 80 % of all seaborne export-import activity. The East Terminal of the Port has two berths (10 and 11) with an area of 500 m and corresponds to roughly one-quarter of the total quay length of the Port (2,275m). The concession consists of the management, operation, construction, maintenance and technical improvement of the terminal, as well as meeting its current and future traffic needs. There were no Key Performance Indicators included in the contract. However, the concessionaire is obliged to establish quality systems following ISO standards within two years (by May 6 2015).
Current stage	Operation
Date of signing the contract	May 6, 2013
Put into operation	July 15, 2013
Duration	35 years
Estimated project cost	$ 51,3 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payments
Governmental support	N/a

Tirana International Airport concession

Summary	Located on the old International Airport "Mother Tereza", modernised and expanded, Tirana International Airport's serves international flights from and to Tirana. The object of the concession was the construction, operation and maintenance of the International Airport "Mother Teresa" of Tirana. The concessionaire's assignment is to design, finance, install, build, maintain, operate, manage and develop the new terminal construction based on the old Airport. The planning and construction of the Airport were made to British standards. Also, the construction of 7 km of access roads, which shorten the distance to the capital Tirana by 8 km, a new air cargo terminal, renovation and construction of the airport infrastructure, a new car parking area and a wastewater treatment plant was completed in 2007. The concessionaire was given exclusivity rights since the Government of Albania guarantees that during the term of the concession no other airport will be licensed, authorised or operated any international commercial flights (cargo and passenger) in the Republic of Albania, except for emergency landings. On April 1, 2016, the Government of Albania and TIA signed an amendment to the Concession Agreement and the Concession Period was immediately extended by two years, i.e. until April 2027.
Current stage	Operation
Date of signing the contract	March 3, 2005
Put into operation	March 21, 2007
Duration	20 years + 2-year extension
Estimated project cost	$ 87 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Own-Operate-Transfer (BOOT)
Source of revenues	User Payment Rental income from Commercial Areas
Governmental support	N/a

Devoll Hydropower concession

Summary	The 278MW Devoll hydroelectric power plant is the first large-scale public-private-partnership (PPP) investment project being undertaken in Albania, and one of the most massive hydropower investments in the Balkans region. The project includes the construction of three hydropower stations namely Banjë, Moglicë and Kokel on Devoll River. Groundbreaking ceremony for the project was held on June 8 2009. The Banjë and Moglicë plants are expected to come online in 2016 and 2018 respectively, following which investment decision on the Kokel plant will be made. The Banjë and Moglicë power plants are estimated to generate more than 700GWh and are expected to increase Albania's electricity production by approximately 20 %. On December 19, 2008, Devoll Hydropower was awarded the right to develop hydropower projects under a concession agreement (CA) made with the Government of Albania (GoA). The agreement came into force from April 1 2009. The project is being developed as a build, own, operate and transfer (BOOT) concession agreement, which was endorsed by the Albanian parliament in 2009.
Current stage	Operation
Date of signing the contract	December 19, 2008
Put into operation	September 23, 2016
Duration	35 years
Estimated project cost	$ 600 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Own-Operate-Transfer (BOOT)
Source of revenues	User Payment
Governmental support	N/a

Vehicle Technical Control concession

Summary	The concession was awarded for ten years to SGS Automotive Albania, a member of the AGS Group. The scope of the contract was for: construction of a new Technical Control Center in the district of Tirana; completion of the reconstruction of existing infrastructure; installation of new technical control equipment; implementation of electronic control systems etc. With the new contract extended for 16 months, the company which is in charge of the 10-year concession will continue to operate until the end of 2020.
Current stage	Operation
Date of signing the contract	September 3, 2009
Put into operation	September 14, 2010
Duration	10 years + 16 months extension
Estimated project cost	$ 5,5 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

3.2 Armenia

Yerevan Combined-Cycle Power Plant

Summary	RENCO has developed, in collaboration with the Government of the Republic of Armenia, a public-private partnership project for the design, construction and operation of a 25-year combined cycle power plant of 253 MW in Yerevan (Armenia), to be financed through Project Financing. The project is the largest greenfield project-finance in the history of the Republic of Armenia and has strategic importance for the country. Scheduled for commissioning in 2021, the power plant is expected to produce 2,000GWh of electricity a year. It is also anticipated to generate up to 1,200 employment opportunities during construction and up to 230 jobs during operations.
Current stage	Investment
Date of signing the contract	March 2017
Put into operation	N/a
Duration	25 years
Estimated project cost	$ 240 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Zvartnots International Airport expansion

Summary	The proposed project involves the completion of the construction of a new international passenger terminal, the upgrade of airside facilities and the procurement of new terminal equipment at Zvartnots International Airport in Yerevan, Armenia. Improvements at the Airport were carried up to 2010. The first phase of the improvements, completed in 2005, mainly involved upgrading the runway and runway lighting system at the Airport costing $ 7m and $ 5m, respectively. Besides, across the Airport, the drainage system was also renovated along with the electricity substation. A vital investment was also made in heavy-duty vehicles. The second phase required over $ 100m and included a 19,200m² extension of the original terminal building (this was for the arrivals hall, which opened in September 2006, and other facilities) and a refurbishment of around 45,000m². The Airport has also built a 1,000-space car park and fitted out a new cargo terminal with capacity for 100,000t a year. In 2008, construction of a new $ 244m terminal began. The 52,000m² terminal was completed in 2011.
Current stage	Operation
Date of signing the contract	December 2001
Put into operation (Phase 1/2/3)	2005/2006/2011
Duration	30 years
Estimated project cost	$ 320 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment Rental income from Commercial Areas
Governmental support	N/a

Armenia Railway Concession

Summary	The concession agreement lasts 30 years, with an option to extend for another ten years after the first 20 years of operation. RZD has pledged to invest $ 400 million in upgrading Armenian Railways' (AR) infrastructure and a further $ 170 million is to be spent on rolling stock improvement. SCR (Concessionaire) intends to bring AR into the line with Russian regulatory standards for maintaining infrastructure and rolling stock, communications equipment and staff training in vital areas of focus.
Current stage	Operation
Date of signing the contract	January 16, 2008
Put into operation	N/a
Duration	30 years
Estimated project cost	$ 570 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment
Governmental support	N/a

Veolia water and wastewater services affermage contract

Summary	Under the contract, Veolia (Private partner) is entrusted with managing drinking water production and distribution and wastewater treatment facilities, developing and improving the yield of the country's drinking water network. Drinking water production, distribution and invoicing will amount to almost 174 million cubic meters a year by the end of the contract. Veolia will be extending its standards to the entire Armenian population. At the moment its service quality and continuity are being provided to the one million residents of the country's capital, Erevan. International financial institutions, such as the European Bank for Reconstruction and Development (EBRD), KFW Development Bank and the European Investment Bank (EIB) will also be contributing to this significant project in Armenia by financing the $ 200 million investment required over the coming four years.
Current stage	Investment
Date of signing the contract	2016
Put into operation	N/a
Duration	15 years
Estimated project cost	$ 1,14 bn
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment
Governmental support	N/a

3.3 Azerbaijan

Construction and operation of a waste-to-energy plant in Baku

Summary	The agreement on designing, building, operating and provision of technical services for "Waste-to-Energy Plant in the city of Baku" was signed with the winning bidder "French Constructions Industrielles de la Mediterranee S.A." ("CNIM" S.A.) on December 15, 2008. The contract is on a "turn-key" basis and is being carried out on a Design-Build-Operate basis. Thus, the designing, building and operating are entirely being implemented by "CNIM" SA. The construction of the future Waste-to-Energy plant is considered in 20 hectares area located in Balakhany settlement on Absheron peninsula. Consisting of two 33 t/h incineration units, the plant can treat 500,000 tonnes of household waste and 10,000 tonnes of hospital waste per annum. 231,500 MWh of electricity produced by heat generation supplies the equivalent of more than 50,000 households.
Current stage	Operation
Date of signing the contract	December 15, 2008
Put into operation	2011
Duration	20 years
Estimated project cost	N/a
Greenfield or Brownfield project?	Greenfield
Type of PPP	Design-Build-Operate (DBO)
Source of revenues	User Payment
Governmental support	N/a

Contract on the management of Central Clinic in Baku

Summary	During the first year of Azerbaijan independence, for a short time, the hospital was working as Hospital №1 under the Rehabilitation department of Ministry of health. By the personal order of the National leader Heydar Aliyev, from 01.05.1999 to 01.03.2001 reconstruction of the hospital was completed. At 24.04.2001, new international standard hospital under the Turkish AHSEL Holding was opened. AHSEL Holding rented a hospital for ten years. From that period, self-financing Central Clinical Hospital under the Ministry of Health started to work.
Current stage	Completed
Date of signing the contract	April 2001
Put into operation	N/a
Duration	Ten years
Estimated project cost	N/a
Greenfield or Brownfield project?	Brownfield
Type of PPP	Management contract
Source of revenues	User Payment
Governmental support	N/a

Contract on the management of Shahdag Ski Resort

Summary	An agreement has been signed between the Shahdagh tourism complex and Andorran company PGI Management. According to the agreement, the management of Zirva, Gaya Residence hotels and Shahdag Hotel & SPA located on-site has been transferred to PGI Management for three years.
Current stage	Operation
Date of signing the contract	N/a
Put into operation	N/a
Duration	Three years
Estimated project cost	N/a
Greenfield or Brownfield project?	Brownfield
Type of PPP	Management contract
Source of revenues	User Payment
Governmental support	N/a

Construction of Baku State University and Azerbaijan State University of Oil and Industry

Summary	The Asian Development Bank approved a $ 1.5 million technical assistance (TA) grant for Azerbaijan. Within this grant project, two universities in Baku have been selected for whose student's accommodation facilities will be delivered in accordance with Azerbaijan's legal framework on build-operate-transfer (BOT) modality. These are Baku State University and Azerbaijan State University of Oil and Industry. The main part of the TA is to assist the government to conclude well-prepared BOT contracts for construction and subsequent management of these dormitories. The private parties, which will include experienced operators, will be selected on a tender basis. It is expected that such a contract will be concluded for a long period of time, depending on the level of commitments and undertakings by both parties.
Current stage	Structuring
Date of signing the contract	N/a
Put into operation	N/a
Duration	N/a
Estimated project cost	N/a
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

3.4 Bulgaria

Varna and Bourgas Airports Concession

Summary	A consortium led by Fraport has been awarded the concession to modernise, expand and operate Bourgas and Varna airports – gateways to the famous Black Sea tourist region – under a 35-year contract. During the first ten years of the concession, the operator of the Black sea airports has made significant investments worth approximately €180 million and has planned to invest an additional €130 million in both airports by 2027.
Current stage	Operation
Date of signing the contract	June 2006
Put into operation	
Duration	35 years
Estimated project cost	$ 530 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment Rental income from Commercial Areas
Governmental support	N/a

Sofia water system concession

Summary	A consortium Sofiyska Voda, comprising United Utilities/International water (56,25 %), Municipality of Sofia (25 %) and EBRD (18,75 %) was awarded a 25-year concession agreement to finance, develop, operate and maintain the Municipality of Sofia's water and wastewater infrastructure.
Current stage	Operation
Date of signing the contract	October 2000
Put into operation	N/a
Duration	25 years
Estimated project cost	$ 400 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment
Governmental support	N/a

Sofia Airport concession

Summary	The concessionaire is expected to develop and enhance the position of the Airport as a regional hub airport, develop new routes from/to Sofia, including new direct scheduled long haul, intercontinental routes (passenger and cargo traffic) without damage or compromise to the existing route network. Subject to the terms and conditions of the agreement, the concessionaire is also expected to construct the required infrastructure and ancillary facilities as per the terms of the agreement taking into account the projected traffic growth, improve operation and performance standards in line with international best practices, comply with all European Union and other Laws and ensure a regular revenue stream to the concessionaire for the benefit of the Public party according to the agreement and at the concessionaire's risk.
Current stage	Operation
Date of signing the contract	2019
Put into operation	N/a
Duration	35 years
Estimated project cost	$ 656,6 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Build-Rehabilitate-Operate-Transfer (BROT)
Source of revenues	User Payment Rental income from Commercial Areas
Governmental support	N/a

Port Terminal Burgas East

Summary	In June 2011 the Council of Ministers of Bulgaria awarded the 35-year concession for Port Terminal Burgas East to BMF Port Burgas EAD. Covering an area of approximately 42 hectares and offering nearly 1.6 kilometres of combined deep-sea berths, Port Terminal Burgas East is one of the largest port terminals on the Black Sea, offering the unique potential for cargo handling and storage. Under the concession, Port terminal Burgas East shall be further developed into a modern and multifunctional deep-sea terminal, capable of handling and storing various types of cargo including general cargo, dry bulk, liquid bulk and containers.
Current stage	Operation
Date of signing the contract	June 2011
Put into operation	N/a
Duration	35 years
Estimated project cost	$ 100 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment
Governmental support	N/a

3.5 Georgia

Tbilisi International Airport

Summary	In September 2005, TAV signed a build operate transfer (BOT) contract with the Joint Stock Company "Tbilisi International Airport" for design, construction, operation and maintenance of overall airport renovation for 20 years. The renovation project was initiated in January 2006 and completed in February 2007. It involved the construction of a new terminal building with an area of 24,500 square meters and a capacity to handle 2.8 million passengers each year. A parking lot with an area of 5,570 square meters with a parking capacity of 200 vehicles was also constructed. The project will be co-financed with the International Finance Corporation (IFC) who will provide a senior loan of USD 25,9 million.
Current stage	Operation
Date of signing the contract	September 6, 2005
Put into operation	February 2007
Duration	20 years
Estimated project cost	$ 77 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment Other commercial activity
Governmental support	N/a

Dariali Hydropower Plant

Summary	The agreement on construction was signed between the Government of Georgia and the company Dariali Energy JSC on May 19, 2011. Before $80 million EBRD loan approval, the company had actively used the domestic resource to boost the project development as much as possible. The company is supported by a top European project engineering conglomerate (Landsvirkjun Power & Verkis) which provides the project's engineering supervision and preparation and implementation of the construction project. Construction and electromechanical contracts have been executed according to FIDIC standards, which makes the employer-contractor relationship the transparent and effective. The total cost of the project was $123 million, reasonably close from the initially-planned $120 million, 23% of which corresponds to the state contribution.
Current stage	Operation
Date of signing the contract	May 19, 2011
Put into operation	2017
Duration	40 years
Estimated project cost	$123 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Anaklia Deep Sea Port concession

Summary	Anaklia Deep Sea Port will serve as the main gateway for imports for approximately 17 million inhabitants of landlocked Caucasus and Central Asian countries and provide critical supply routes for nearly 146 million people living within the Port's immediate region. The goal is to provide a new trade route between China and Europe. Set to open in 2021, the $ 2.5 billion Anaklia Port Project will be constructed throughout 9 phases. The Port will be 16 meters deep and handle multiple cargo and vessel types, such as Panamax, Handymax, and Aframax, with capacities up to 10,000 TEUs. Phase 1 of the project includes the construction of a container terminal with a capacity of 900,000 TEUs and a dry bulk cargo facility with a capacity of 1.5 million tons. On February 8, 2016, the Government of Georgia awarded the Anaklia Development Consortium with a 52-year concession under the Build-Operate-Transfer (BOT) scheme. As part of the agreement, the Georgian government will invest $ 100 million in the construction and development of the transportation links connecting the Port to the region.
Current stage	Investment
Date of signing the contract	October 3, 2016
Put into operation	2021
Duration	52 years
Estimated project cost	$ 2,5 bn
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Nenskra Hydropower Plant Project

Summary	Nenskra Hydropower Plant Project comprises construction of Nenskra Hydropower Plant (HPP) – the most significant strategic hydropower plant in the new history of Georgia. The project is to be developed by JSC Nenskra Hydro, founded in 2015 as an outcome of cooperation between K-Water, Korea Water Resource Corporation (investor), and JSC Partnership Fund. Nenskra HPP with 280 MW of installed capacity will annually provide Georgia with total energy generation of 1,200.00 GWh which will be entirely consumed by the local energy market. The project has faced significant opposition from representatives of all communities in Upper Svaneti, but despite that fact, construction is scheduled to start in 2020. 75 % of the finance is planned to come from public sources. The Korean Development Bank has already (KDB) provided $ 86 million loan. The European Bank for Reconstruction and Development (EBRD) has approved a $ 214 million loan together with an additional 5 % equity share (USD 15 million) in early 2018, but as of June 2019 has not signed a loan agreement. The European Investment Bank (EIB) has approved $ 150 million loan in early 2018, but as of June 2019 has not signed a loan agreement. The Asian Infrastructure Investment Bank (AIIB) considers $ 100 million. The Asian Development Bank (ADB) considers awarding the project $ 314 million.
Current stage	Pre-investment
Date of signing the contract	2015
Put into operation	N/a
Duration	41 years
Estimated project cost	$ 1 bn
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

3.6 Greece

Serres waste management PPP

Summary	Design, financing, construction, maintenance, technical management and operation of the Solid Waste Treatment Plant in Serres is an investment of € 36.2 million (with a financial contribution of the NSRF of € 15.2 million) with the capacity of 45,000 tonnes per year and the possibility of processing up to 63,000 tonnes per year of mixed and organic waste. The plant produces recycled products such as paper, plastic, metal, glass and compost, using state-of-the-art technology.
Current stage	Investment
Date of signing the contract	June 13, 2017
Put into operation	N/a
Duration	27 years
Estimated project cost	$ 39 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	Availability payments
Governmental support	N/a

Epirus waste management PPP

Summary	The partnership agreement provides for the design, financing, construction, insurance, operation and maintenance of the waste management project for the next 25 years. The total duration of the agreement is 26.5 years and consists of an 18-month construction period as well as of a 25-year operation period. The project is equipped to process 105,000 tons of waste annually through the Sewage Treatment Plant (STP), recycle at least 17,000 tons of appropriate materials and produce green energy with a capacity to satisfy the needs of 3,000 households, thereby offering CO2 emission savings measuring of 12,000 tons.
Current stage	Operation
Date of signing the contract	July 2017
Put into operation	2019
Duration	26 years, six months
Estimated project cost	$ 56 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	Availability payments
Governmental support	N/a

Western Macedonia waste management PPP

Summary	The waste management plant, which commercially started operating in June 2017, can process 120 000 tonnes of waste annually. The plant includes a mechanical sorting facility, where the residue is separated from recyclable materials and biodegradable fraction. Some 200 temporary jobs were created during the construction of the plant. The plant's operation, along with the waste transfer within the region created about 150 new permanent jobs.
Current stage	Operation
Date of signing the contract	June 2015
Put into operation	June 2017
Duration	27 years
Estimated project cost	$ 53 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	Availability payments User Payment
Governmental support	N/a

Integrated Telematics System

Summary	The object of the partnership is design, financing, construction, maintenance, technical management and operation of an integrated telematics system which will serve the whole fleet of thermal buses and trolleys in Athens for 12 years. This PPP project is part of the strategic targets of Athen's Urban Transport Organization. It aims to solve a significant number of problems arising from the existing system, by upgrading the quality of the civil transport, the working conditions of the staff involved and the services provided to the users of the buses of the greater Athens area.
Current stage	Operation
Date of signing the contract	June 1, 2014
Put into operation	June 2017
Duration	12 years
Estimated project cost	$ 21 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	Availability payments
Governmental support	N/a

3.7 Moldova

Public-Private Partnership within the Republican Clinical Hospital for Radiological and Diagnostic Imaging Services

Summary	The project was initiated by the Moldovan Ministry of Health, which turned to IFC to attract private sector investors through public-private partnerships in the health sector. Magnific S.R.L., a Moldovan healthcare services provider, won the 12-year concession to renovate, construct, equip and operate a new diagnostic imaging and radiology centre at the Republican Hospital in Chisinau. The transaction mobilised $ 7 million in private sector investment and benefits over 100,000 people annually. The hospital provides the facilities, refers patients, and pays for the costs of essential radiology services. Complex radiology services (MRI and CT) are directly contracted and reimbursed by the NHIF. The operator: renovates and constructs the new centre; provides state-of-the-art equipment, including CT scan, MRI, and digital x-ray machines; provides all clinical services and operates the facility. The operator receives reimbursement from the NHIF and the hospital for each service rendered to public inpatients and outpatients within yearly fixed volume contracts. The provider can also provide services to private patients at market rates. The operator returns five per cent of annual revenues to the Republican Hospital, with an estimated annual value of $ 50,000.
Current stage	Operation
Date of signing the contract	November 2011
Put into operation	March 27, 2013
Duration	12 years
Estimated project cost	$ 1,1 M in renovation/construction $ 5,5 M in equipment
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment Availability payment
Governmental support	N/a

Computerised tomography Centre at the IMSP Orhei District Hospital

Summary	The contract for the realisation of the Public-Private Partnership project "Computed Tomography Center within the IMSP Orhei District Clinical Hospital" was concluded between Orhei District's Council, IMSP Orhei District Hospital and "Euroclinic " SRL in 2011. The objective of the project is to finance and supply medical equipment for radiology and imaging diagnosis, which includes a computed tomography machine, a mammograph and an orthopantomograph as well as to provide the Center with the necessary medical personnel and operate the Center providing high-quality diagnostic services.
Current stage	Operation
Date of signing the contract	September 2, 2011
Put into operation	2012
Duration	25 years
Estimated project cost	N/a
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment
Governmental support	N/a

Public-private partnership for dialysis services

Summary	Following a single competition for the selection of the private partner, 3 PPP contracts at central level were awarded to the German company "BB-Hamodialyse Handelsgesellshaft MBH". The PPP contracts were signed on 17.04.2014 between the Ministry of Health and the consortium "BB-Hamodialyse HANDELSGESELLSHAFT MBH", with the medical institutions: IMSP Republican Clinical Hospital, IMSP National Scientific practical centre of Emergency Medicine and IMSP Institute of Mother and child, for 12 years and total value (for three contracts) of the planned investments - USD 16,500,000. The planned amount of contributions to be transferred to the public partner annually constitutes 5 % of all the private partner's income earned during the relevant fiscal year. The object of the PPP project is the dialysis services within these institutions. The dialysis centre within the IMSP of the Republican Clinical Hospital, according to the contract, was renovated and put into operation by the private partner in 2015 and is currently operating successfully. Balti Dialysis Center, under the contract signed with IMSP National Scientific practical centre of Emergency Medicine, was opened on 15.03.2018 and had been providing dialysis medical services since 26.03.2018. For the construction of the given Center, the private partner made investments of USD 1,6 million.
Current stage	Operation
Date of signing the contract	April 17, 2014
Put into operation	2015/2018
Duration	12 years
Estimated project cost	$ 16,5 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment
Governmental support	N/a

Laboratory Service within the IMSP Balti Municipal Clinical Hospital

Summary	Public-private partnership aims to renovate, equip and operate the laboratory service within IMSP Balti Municipal Clinical Hospital. Public partner – municipality of Balti, private partner – SC S. R. L. "Imunotehnomed". Project benefits: the private partner renovates, modernises and operates the laboratory services and pays the public partner a royalty of 6 % of the net benefit obtained for the provision of laboratory medical services, but not less than USD 11,400 annually.
Current stage	Operation
Date of signing the contract	April 30, 2014
Put into operation	N/a
Duration	20 years
Estimated project cost	$ 1,36 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment
Governmental support	N/a

3.8 Romania

Targu Neamt – Iasi Highway

Summary	The Târgu Neamț - Iași highway runs on the territory of Iași County and the total length of the route built on the highway profile will be 68 km. The highway is part of Unirii Motorway, Corridor V, which is the link of Moldova with Transylvania and Europe, it is part of the East-West connection of Romania and connects to already developed motorways or in different phases of implementation. According to the document posted on the website of The National Commission for Strategy and Forecasting (CNSP), the total cost for the 68 km stretch of Târgu Neamț - Iași is estimated at 1.2 billion euros, with VAT, and the works should be completed in four years. In total, the public-private partnership would run for a period of 30 years - the first 4 years being for financial closure, design and execution, and the next 26 years for the operation.
Current stage	Project initiation
Date of signing the contract	N/a
Put into operation	N/a
Duration	30 years
Estimated project cost	$ 1,2 bn
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Ploiesti-Comarnic-Brașov motorway

Summary	The 110 km Ploiesti-Brasov Motorway construction is a part of Romania's General Transport Master Plan (GTMP) and forms part of the comprehensive Trans-European Transport Network (TEN-T). The Project would complement the existing 60 km Bucharest-Ploiesti Motorway and would link Bucharest with the regional center of the Brasov area. More strategically, this would fundamentally change connectivity between Bucharest and the closest of Romania's most economically vibrant areas. As a result, the Project has become one of the government's flagship initiatives. The motorway will represent an important source of jobs both in the 4-year execution period and after being finalised, at the newly constructed fuel stations, the charging stations for electric cars, motels, restaurants. At the same time, the traffic flow would be more efficient; more safety is also expected in the transport of persons and goods with less accidents, lower fuel consumption, less time spent on the road and less pollution.
Current stage	Project initiation
Date of signing the contract	N/a
Put into operation	N/a
Duration	24 years
Estimated project cost	$ 1,36 bn
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Bucharest-Craiova-Lugoj Highway

Summary	The motorway, known as the "South Motorway", with a length of around 550 km, connects Bucharest with Romania's South and West borders, respectively with Bulgaria (via Calafat Bridge), Serbia (via Drobeta-Turnu-Severin) and Western Europe (via Lugoj) while crossing the historical area of Oltenia. The objective fulfillment ensures the connection to roads and areas with still untapped economic potential as well as the connection between important socio-economic centers such as Alexandria, Craiova, Calafat, Drobeta Turnu Severin, Lugoj.
Current stage	Project initiation
Date of signing the contract	N/a
Put into operation	N/a
Duration	N/a
Estimated project cost	N/a
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Bucharest airport expansion

Summary	The project involves the construction of a greenfield terminal and related infrastructure at Bucharest Henri Coanda International Airport in Romania. Currently, the Bucharest Henri Coanda International Airport enjoyed a rapid growth in travel demands, and the expansion project will greatly improve its capacity. Included in the project will be a new terminal building with four halls. Each hall will cover an area of 350,000m² and will be able to accommodate five million passengers per year. A 400,000m² aircraft parking platform featuring 70 stands is also planned, as well as 5km-long taxiways that cover an area of 125,000m², multi-level parking for 20,000 cars, and 10km of road, high-tech technological park and a multi-modal cargo platform, an underground train station, 5,000m² business centre and a hotel with a capacity of 200 people. The terminal will have 15 boarding gates. It would be connected to the A3 Bucharest-Brasov motorway, railway system and the Bucharest Metro system.
Current stage	Project initiation
Date of signing the contract	N/a
Put into operation	N/a
Duration	N/a
Estimated project cost	$ 900 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment Other commercial activity
Governmental support	N/a

3.9 Russia

Construction of several railway infrastructure objects in the dry-cargo area of the Taman seaport

Summary	Concession agreement signed between The Federal Railway Transport Agency and ZAO "Tamanneftegaz" for the construction of railways, contact system and technical equipment for the regulation and safety traffic of trains on a connecting track to the passing station on the 22 and 29 km of the Vyshestebliyevskaya-Taman-passazhirskaya railway.
Current stage	Investment
Date of signing the contract	June 17, 2016
Put into operation	N/a
Duration	Four years
Estimated project cost	$ 5 M (100 % private investments)
Greenfield or Brownfield project?	Greenfield
Type of PPP	Built-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Construction and operation of the Murmansk seaport infrastructure objects

Summary	Concession agreement signed between The Federal Marine and River Transport Agency and ООО "Morskoy torgoviy port Lavna" for the construction and operation of the Murmansk seaport infrastructure objects including operational waters and navigation equipment with an annual cargo turnover of 18 million tons of coal. Moreover, the concessionaire creates into his possession the $ 336 million "Lavna" coal handling complex in the Murmansk seaport and a $ 13 million private railway line from the Lavna station to the "Lavna" coal handling complex.
Current stage	Pre-investment
Date of signing the contract	November 19, 2018
Put into operation	N/a
Duration	20 years
Estimated project cost	$ 25 M (100 % private investments)
Greenfield or Brownfield project?	Greenfield
Type of PPP	Built-Operate-Transfer (BOT)
Source of revenues	User Payment Availability Payment Other commercial activity
Governmental support	Shortfall in revenue recompense

Construction of the Northern Latitudinal Railway (section Obskaya-Salekhard-Nadym)

Summary	Concession agreement signed between The Federal Railway Transport Agency and OOO "SShH" for the financing, construction and operation of the Obskaya – Salekhard – Nadym line. Scheduled for completion in 2023, the project is being implemented as a public-private partnership. It involves building a 400km line linking Salekhard and Nadym and new bridges across the Ob and Nadym rivers. The line is forecast to carry 23,9 million tons of freight, primarily gas condensate and crude oil.
Current stage	Pre-investment
Date of signing the contract	October 2, 2018
Put into operation	N/a
Duration	35 years
Estimated project cost	$ 1,8 bn ($ 1,7 bn private capital investment)
Greenfield or Brownfield project?	Greenfield
Type of PPP	Built-Operate-Transfer (BOT)
Source of revenues	User Payment Availability Payment
Governmental support	Shortfall in revenue recompense Guaranteed Minimum Income

Construction, rehabilitation and operation of objects which are included in the property of the Pulkovo Airport

Summary	Beginning April 29, 2010, Northern Capital Gateway LLC — the Pulkovo Airport Operator carries out major reconstruction of the Airport according to the Public-Private Partnership Agreement. In order to increase the Airport capacity and improve passenger service quality, Northern Capital Gateway LLC performs modernisation of existing terminals and construction of new terminal, north boarding gallery and concomitant infrastructure. The total area of terminals will be increased up to 160 thousand square meters. The new terminal with a capacity of up to 17 million passengers per year was started up in December 2013.
Current stage	Operation
Date of signing the contract	October 30, 2009
Put into operation	N/a
Duration	30 years
Estimated project cost	$ 700 M (100 % private investments)
Greenfield or Brownfield project?	Brownfield
Type of PPP	Design-Build-Own-Operate-Transfer (DBOOT)
Source of revenues	User Payment
Governmental support	N/a

3.10 Turkey

Eurasia Tunnel

Summary	The project connects the Asian and European sides of Istanbul via 5.4 km long two-storey tunnel going underneath the seabed of Bosporus, reducing travel time from 100 to 15 minutes. The tunnel was constructed between Kazlicesme on the European side of Istanbul and Goztepe on the Asian side of Istanbul with the planned daily capacity of 120 000 vehicles. It is part of a 14.6 kilometres highway project.
Current stage	Operation
Date of signing the contract	February 2011
Put into operation	December 20, 2016
Duration	25 years, 11 months
Estimated project cost	$ 1,2 bn
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	Minimum Demand Guarantee Exchange Rate Guarantee for Minimum Demand Guarantee Assumption of Debt in Case of a Default

Gebze-Orhangazi-Izmir Motorway

Summary	The $ 6.3 bn road project will connect Gebze (located just east of the capital city Istanbul) and the city of Izmir in the Aegean region of Turkey with a 377 km six-lane (three lanes in each direction) motorway. Access roads of 44 km will also be built along the motorway. The motorway project is being built through a public-private partnership and is the first road project in Turkey to be procured under the Build-Operate-Transfer (BOT) model.
Current stage	Operation
Date of signing the contract	September 27, 2010
Put into operation	August 4, 2019
Duration	22 years, four months
Estimated project cost	$ 6,3 bn
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	Minimum Demand Guarantee Exchange Rate Guarantee for Minimum Demand Guarantee Assumption of Debt in Case of a Default

Elazig City Hospital

Summary	The project will provide access to healthcare services to 1.6 million people in Elazig, a city of 350,000 inhabitants in eastern Anatolia, and the surrounding provinces. It will have 1,038 beds divided among different health facilities including a general hospital, a women's/maternity and children's hospital, a high security forensic psychiatric hospital, and a dental clinic, serving up to 20 000 patients. Moreover, this is the first green and social bond certified PPP hospital in Turkey.
Current stage	Operation
Date of signing the contract	2016
Put into operation	August 2018
Duration	25 years
Estimated project cost	$ 391 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Lease-Transfer (BLT)
Source of revenues	Availability Payment Rental income from Commercial Areas
Governmental support	Permission for the Use of Publicly Owned Lands Exchange Rate Guarantee for Availability Payments Guaranteed Minimum Income

Istanbul Basaksehir City Hospital

Summary	The Istanbul Basaksehir City Hospital with the total bed capacity of 2,682 is Turkey's third-largest health investment project under a Public-Private Partnership agreement model launched by the Ministry of Health. It will provide healthcare services to 23,600 patients daily in Istanbul and its neighbouring provinces.
Current stage	Operation
Date of signing the contract	2016
Put into operation	April 2020
Duration	29 years
Estimated project cost	$ 1.8 bn
Greenfield or Brownfield project?	Greenfield
Type of PPP	Build-Lease-Transfer (BLT)
Source of revenues	Availability Payment Rental income from Commercial Areas
Governmental support	Guaranteed Minimum Income

3.11 Ukraine

Port of Pivdennyi (Yuzhny) Grain Terminal

Summary	Under the terms of the agreement, MV Cargo will undertake the construction of a specialised grain terminal as well as a berth № 25 in the seaport of Yuzhny. In the first phase of the project, the capacity of the terminal will amount up to 5 million tons, and the second phase provides for the increase by another 2–4 million tons.
Current stage	Operation
Date of signing the contract	February 24, 2016
Put into operation	2018
Duration	N/a
Estimated project cost	$ 130 M
Greenfield or Brownfield project?	Greenfield
Type of PPP	Built-Operate-Transfer (BOT)
Source of revenues	User Payment
Governmental support	N/a

Kherson Port Concession

Summary	Kherson Sea Commercial Port is located on the both banks of the Dnieper river, key inland waterway in Ukraine going through main agricultural and industrial regions of the country. Within the terms of the agreement a concessionaire has to provide reconstruction and modernization of the port's existing infrastructure, co-investment into construction of new grounds for cargo transport outside Kherson, increase the capacity of transhipment facilities. Based on the discussions with labor unions, the following terms are proposed to be included in the concession agreement: no forced layoffs for five years; no reduction of salaries and keeping salary indexation for three years; no changes to Collective labor agreement (except for improvements of the agreement that are approved by the labor unions) for five years.
Current stage	Signing the agreement
Date of signing the contract	2020 *(planned)*
Put into operation	N/a
Duration	30 years
Estimated project cost	$ 8 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Rehabilitate-Operate-Transfer (ROT)
Source of revenues	User Payment Other Commercial activity
Governmental support	N/a

Olvia Port Concession

Summary	The Specialized Sea Port "Olvia" is located in the Mykolaiv region on the left bank of the Dnipro-Bug estuary on the northern Black Sea coast. Within the terms of the agreement a concessionaire has to provide the construction of: a new grain terminal or universal transhipment terminal with capacity of 2 million tons per year; industrial facilities or real estate which may be used for production / processing (including, but not limited to, LNG terminals, buildings or structures for palletizing meal or chemical fertilizers). Based on the discussions with labor unions, the following terms are proposed to be included in the concession agreement: no forced layoffs for five years; no reduction of salaries and keeping salary indexation for three years; no changes to Collective labor agreement (except for improvements of the agreement that are approved by the labor unions) for five years.
Current stage	Signing the agreement
Date of signing the contract	2020 *(planned)*
Put into operation	N/a
Duration	35 years
Estimated project cost	$ 49 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Build-Rehabilitate-Operate-Transfer (BROT)
Source of revenues	User Payment Other Commercial activity
Governmental support	N/a

Khmelnitsky Solid Waste Project

Summary	The private partner is to finance the rehabilitation and modernisation of solid waste infrastructure in the City of Khmelnytskyi. The Project is a part of the Green Cities Framework 2. The facility is designed to serve as a sector-wide catalyst for addressing environmental challenges at the city level. The phase I of the Project will address the City's urgent investment needs with respect to the rehabilitation of the existing landfill, the construction of a new engineered sanitary landfill in compliance with the EU standards adjacent to the old one, the acquisition of new landfill equipment to ensure sustainable operation of the new landfill, and improvements of the solid waste collection and transportation systems co-financed from the City's budget. The phase II of the Project includes the construction of a new material recovery facility for non-organic waste and a separate composting facility for pre-sorted organic waste that will reduce the share of solid waste going to the landfill by promoting recycling and providing a modern solid waste management infrastructure with respect to sorting and composting. The EBRD is ready to provide $ 31 million senior loan.
Current stage	Structuring
Date of signing the contract	N/a
Put into operation	N/a
Duration	15 years
Estimated project cost	$ 40 M
Greenfield or Brownfield project?	Brownfield
Type of PPP	Build-Rehabilitate-Operate-Transfer (BROT)
Source of revenues	User Payment Availability Payment
Governmental support	N/a

Annexe

DRAFT

High-Level Milestones for a PPP Project Preparation, Including Approaches for Risk Assessment of PPP Projects for the Countries of the Black Sea Region

I. Introduction

1. Pre-project planning is the crucial stage in infrastructure and PPP project cycle. Governments seek to develop PPPs that are cost-benefit justified, provide better value for money, and are fiscally sustainable. By screening the project for PPP potential at an early stage, the infrastructure and PPP projects have increased chances for successful implementation and financing from development banks[1].

2. The following milestones might serve as recommendations to the countries of the Black Sea region which are considering the development and implementation of Public-Private Partnerships in order to maximize their positive impact on the economy, environment, social sphere and development. The milestones describe the overall process and activities usually involved in PPP project development, implementation and management. The document has been developed as a general resource material for a better understanding of the whole process of preparation and structuring of PPP projects.

3. Across the globe, a well-functioning, modern infrastructure is central to economic development and quality of life. In developing economies, infrastructure can have a genuinely transformative impact on the lives of citizens and the prospects of businesses. It is a crucial driver of social progress, creating jobs, higher productivity and boosting trade. Such investments can help directly eradicate poverty and distribute service more effectively.

4. However, there is often a tendency of under-investment in infrastructure. According to Global Infrastructure Hub estimates the from 2016 through 2030 the world needs to invest about 3.8 per cent GDP, or an average of $ 3,3 trillion a year, in economic infrastructure just to support expected rates of growth. Emerging economies account for some 60 per cent of that need.

5. The impediments to infrastructure vary across the countries of the Black Sea region. Often they tend to have less access to external finance, insufficient legal frameworks and policy

[1] Hereafter development banks imply both national and multilateral financing institutions, including the Black Sea Trade and Development Bank.

tools required to facilitate long-term infrastructure planning, lack of technical expertise to prepare bankable projects. In response to this, and to help accelerate the flow of quality infrastructure projects, development banks have been established.

6. Development banks can - and should – play a very significant role in development. Compared to commercial banks and investment funds, they have a more significant potential to take risks than the financial intermediaries, providing long-term financing in local currency in their local credit markets. Development banks provide a transparent framework for filling the significant gaps in the nation's physical infrastructure and helps countries to achieve Sustainable Development Goals (SDG) by 2030. Their crucial role is to allocate increasingly scarce funds to their best and most productive use based on the objective assessment of potential public benefits against costs. They catalyze additional private and public resources for infrastructure, especially by leveraging their relationships with governments. Development banks help to facilitate, prepare, and structure complex PPPs and expand the pipeline of bankable infrastructure projects.

7. Common elements in the strategic planning and goals of the development banks include addressing the global climate agenda through raising minimum targets for operations that promote clean energy, stem greenhouse gas emissions, and support climate change adaptation. Climate change is now mainstreamed through development banks' policy-making, budgeting, and project preparation and execution processes. Climate resilience is a factor in operations and design to post-completion evaluation.

8. Promoting better value for money is central to the mandate of the development banks. This means adopting a business model that delivers the best development value for clients and stakeholders.

9. Well-structured development banks have several potential advantages which include:

- **better delivery of projects**. Development banks provide support to infrastructure through their assistance in project development, including structuring and tendering projects. Given their position as public sector institutions and centres of expertise on infrastructure finance, development banks are potentially positioned to mitigate project development bottlenecks.
- **better selection process**. Development banks lend or grant money on a project basis, after some type of benefit/cost analysis. Also, the projects would be of national or regional significance, offering the best value to people and community.
- **improved capital structure of infrastructure projects**. Traditionally, development banks provided long-term loans for big infrastructure projects. More recently, they go beyond senior debt, taking more risk by offering equity and subordinated loans.

Development banks are mandated to invest and seek to attract investment from private sector investors and institutional investors, in revenue-generating infrastructure projects that are in

the public interest. To fulfil its mandate, investments should be made alongside the private sector and institutional investors as well as any other government sponsor, to maintain cost and risk-sharing where it is appropriate. Development banks' investments should be designed to minimize the amount of any government support required to make a project's business model financially viable. Development banks should contribute towards advancing PPPs through financial and non-financial instruments that help to fund, finance or reduce the risk associated with PPP construction and operation.

Development banks' activities significantly raise the effectiveness of project financing through the use of the following measures:

- identification of projects that best meet government priorities;
- assistance in project development in the early stages;
- interaction with state authorities regarding the allocation of public funds and provision of guarantees;
- provision of guarantees to private investors;
- introduction of project rating systems to attract private investors;
- establishing relations with private banks and financing institutions in order to facilitate financing and co-investment on the most favourable conditions with stake selling opportunities at the operations phase.

II. Objectives and considerations for the Milestones

10. The overall objectives of the Milestones are the following:

(a) Provide a voluntary set of principles and conditions that the countries of the Black Sea region could incorporate in their practice and strategies when undertaking PPPs;
(b) Assist the countries of the Black Sea region in order to improve PPP implementation by mobilizing their potential and reducing risks;
(c) Inform and educate all interested parties on how to create and implement a high-quality infrastructure project in the form of PPP.

11. PPP could become an essential instrument for development banks to leverage resources of the private sector and increase its participation in major infrastructure projects.

III. PPP project structuring

12. The preparation of infrastructure projects often requires intensive work across multiple stages to getting from an identified project need or concept through to feasibility evaluation, project structuring, reviews, and approvals, before it becomes procurement-ready.

Enabling legal, regulatory, and policy environments are critical to sustainable PPP. At a baseline level, a legal environment that can support private sector involvement in critical

services is needed. The legal environment has to minimize the likelihood of corruption and must be sufficiently reliable as to encourage private participation and investment.

13. Typical PPPs should meet the following basic requirements:

- **Increase access to essential services**. This implies increasing access to water and sanitation, energy etc. – to people, especially the socially and economically vulnerable;
- **Enhance resilience towards environmental sustainability**. PPP should cut CO2 emissions, foster green growth and be designed and built to be resilient to climate change impacts recognizing the need to address the interlinked nature of the SDGs and their role through a full life cycle impact on climate resilience, and mitigate and adapt to increasing climate change risks and environmental impacts;
- **Improve economic effectiveness and sustainability**. This implies successfully delivering projects that achieve financial sustainability and economic viability
- **Promote replicability and the development of further projects**. The projects imply replicability and scalability so that they can be repeated and/or scaled up to have the transformational impact required by 2030 Agenda for Sustainable Development.

14. The key PPP project areas of operation, which create economic stimulus and environmental benefits, should include, but not limited to, the following areas:

- **Transport infrastructure**. Better connectivity has numerous socio-economic benefits and is a crucial enabler of inclusive development, especially for disadvantaged urban and rural populations.
- **Sustainable urban development**. More efficient and sustainable urban environments have multiple positive spin-off effects on a living quality, energy use, economic productivity and inclusive access to opportunities.
- **Social Infrastructure**. Plays an essential role in developing healthy and inclusive communities and can provide opportunities to bring different groups of people together, contributing to social integration and desirability of a place.
- **Irrigation, water resource management and sanitation**. A modernized agricultural sector is critical for a country's development path and requires advanced and efficient irrigation systems and sound management of a country's scarce water resources.
- **Green infrastructure**. Serves to provide an ecological framework for the social, economic and environmental health of the surroundings.
- **Waste management infrastructure**. Improvements in waste management infrastructure have an essential role in delivering sustainable development.
- **Broadband infrastructure**. Sustainable broadband infrastructure will lead to economic growth because it can foster the diffusion of information and the development and adoption of innovation in society and the economy alike.
- **Information technology (IT)**. It is recognized as a powerful enabler for economic and social development that can enhance social inclusion, increase the quality of health and education services and improve governance at all levels.

- **Utilities (water, gas, electricity) sector**. The efficient and sustainable utility sector is essential to all aspects of society and supports economic productivity and quality provision of essential public services.
- **Economic cooperation and integration**. The projects support economic cooperation and integration among its member countries by financing projects that can strengthen the relationship between member countries and in which there is more than one country involved.
- **Sustainable development projects, not directly related to infrastructure**. This could include areas of critical concern such as climate change, natural resources depletion, biodiversity conservation and/or pollution, sustainable land use (including sustainable forestry and agriculture).

15. All projects require detailed planning and feasibility study based on the most recent data and information usually collected from a variety of primary and secondary sources and previous studies. The physical components of the project and their capacities are determined based on the outcomes of the feasibility study. These elements, in turn, determine the service requirements that the project has to deliver.

16. The success of a PPP project depends on the quality of the project planning, stakeholders' support, consideration of the significant implementation issues in the planning stage, and implementation arrangement. The PPP projects' planning phase should include:

- priority project identification and selection with further private sector engagement and competitive selection of parties;
- assessment of the optimum legal set-up, including pre-definition of expected roles, risks and viable commitments by stakeholders and participants (present or future) over the life of the project;
- assessment of a project's feasibility (including in respect of all relevant inputs, timelines and assumptions, whether related to historical data analysis and macro-economic forecasts or particular project-related demand expectations), economic viability and value for money taking into account commercial, financial and economic issues;
- realistic anticipated demand analysis and location decision-making that takes into account pricing of the product and related services, project's size and structure;
- assessing project affordability especially concerning public liabilities and government support that may be required;
- elaboration of technical issues, and selection of subcontractors based on their experience in constructing comparable project facilities;
- legal and regulatory aspects that the project has to satisfy;
- social and environmental impact assessment and pollution, climate and disaster mitigation measures;
- proper risk allocation within parties.

17. An essential element in project planning is the selection of the best solution option for the

problem. A thorough analysis of an existing problem with consideration of feasible alternatives for its solution should be explored with due participation of essential stakeholders from within and outside the government.

Realistic demand analysis should determine the parameters of the service that the project has to provide. Also, a realistic assessment of the service demand in the future should be provided.

To be successful, PPPs must be built upon a sector diagnostic that provides a realistic assessment of the current sector constraints. A successful PPP should be designed with careful attention to the context or enabling environment within which the partnership will be implemented. As a result of the sector diagnostic, it can determine to what degree an enabling environment exists for PPP.

18. The project should be a part of a comprehensive, scale-up transformative sector development plan that ideally helps deliver the SDGs by 2030. The scoping study may consider how the project fits in any broader plans and programmes of the government.

19. Financial analysis and evaluation of projects are two critical steps in due diligence process for ensuring prudent use of development banks' resources and for identifying and mitigating risks to project and entity sustainability. Robust financial analysis and evaluation is an integral part of a good project design and performed to ensure efficient allocation of limited development banks' resources. These analyses help establish whether a project has the potential to generate sufficient internal cash resources to cover all costs, including debt service fully.

20. All sovereign project investment proposals supported by development banks need to be assessed for financial sustainability and economic viability. The economic analysis measures the impact of the project on the national economy. In contrast, the financial analysis focuses on the adequacy of financial return to the project owners and operators to allow sustainable operation of the project during its economic life. A financially unsustainable project is unlikely to deliver the anticipated economic benefit. PPP projects are to be considered by development banks as acceptable for investment only if they are economically viable.

21. Any PPP project should be subject to Cost-Benefit Analysis (CBA) based on a proper feasibility study to examine its public as well as private benefits. Results of the analysis provide essential input for the political decision-making process.

Standard CBA should be structured in seven steps:

1. Description of the context
2. Definition of objective
3. Identification of the project
4. Technical feasibility and environmental sustainability
5. Financial analysis
6. Economic analysis

7. Risk assessment

22. A vital tool to support the analysis is financial modelling. A financial model reflects assumptions made about risks (and the associated cost of capital) and allocation of risks. It enables making informed choices about the project structure and the operation environment. The financial model can simulate overruns in construction cost, charges in operating cost, changes in project demand, or changes in inflation or interest rates. All cost calculations for a project should be based on its life cycle costs. Consideration of life cycle costs is necessary to establish the business case for a project, as well as to determine fundamentals of a PPP contract including amounts of debt and equity financing, public subsidies and length of the contract execution period.

It is essential to forecast the project's cash flows since disposable amounts of cash are to service debt obligations. The cash flow model should be developed. The following items are critical to any cash flow model:

- capital expenditures;
- operational and maintenance costs;
- financial structure and cost for finance from each source;
- terminal cash flow;
- discount rate;
- assumptions on parameter values.

IV. Project Financing

23. PPP projects in infrastructure are generally financed via project finance arrangements. Project financing activities need extensive due diligence work in technical, financial, legal and other aspects of the PPP deal. The due diligence is intended to ensure that the project company's (or SPV's) business plan is robust and the company can deliver on the PPP contract. It is equally important to assess the project-related public commitments and available support measures including in the form of subsidies, tax incentives and guarantees.

24. Development banks have developed sources of promoting infrastructure financing, including credit enhancement schemes as follows:

- **Standard Loan Products** are categorized either sovereign guaranteed loans, non-sovereign guaranteed loans and local currency loan products.
- **Syndicated loans** are a vital tool in financing a wide variety of infrastructure projects. It spreads the risk, allows the diversification of loan type and currencies, and involves less effort on behalf of the borrower.
- **Guarantees** can generally be classified into two categories: partial credit guarantees (PCGs) and partial risk guarantees (PRGs). PCGs can be used for both public sector and private sector investment projects, especially in infrastructure, to encourage the

extension of maturity and to improve access to capital markets. PRGs cover private lenders against the risk of the government, or a government-owned agency, failing to perform its obligations vis□àvis a private project.

- **Equity and Quasi-Equity**. Development banks could invest in equities either directly or indirectly □ through appropriate funds and other investment vehicles. Moreover, development banks may also choose to invest in quasi-equity instruments. These occupy a hybrid position in corporate capital structures, ranking junior to senior debt but ahead of pure equity. Examples include redeemable preference shares/preferred stock, subordinated loans and convertible subordinated loans.
- **Cofinancing**. Development banks could partner with other donors, multilateral institutions, and development agencies to mobilizes funding for grants, loans, and technical assistance activities in developing member countries. Official cofinancing aims to deliver low transaction costs, efficient processing, and transparency on the development impact of donor contributions.
- **Green bonds and other green finance instruments**. Development banks are actively exploring opportunities in green bonds and other green finance instruments, taking into account market trends, including the critical role that development banks have been playing in the green bond market. Some development banks are creating specialized organizations to focus on sustainable infrastructure and green projects.

25. In order to attract funding in the form of debt or equity, the project should be bankable. For a project to be bankable, development banks should be confident that the project company could service the debt. The bank should carefully assess project risks and how these risks have been allocated between the parties of the contract.

V. Risk analysis

26. Risk analysis should be an integral part of all PPP projects preparation study as in any other infrastructure projects. The risk allocation to parties in the contract and the management of risks are at the heart of a PPP structuring. This is also an essential element in establishing the business case for a PPP project. The risk analysis, allocation and management should involve the following activities:

- identification of all possible risks and assessing their likelihood;
- examining the likely effects of the risks in quantitative and qualitative terms;
- consideration of suitable mitigation measures that may be available;
- allocation of risks to parties.

27. A risk matrix should be applied to each project phase. PPP risks vary depending on the country where the project is implemented, the nature of the project, and the assets and services involved. Typical PPP risks include construction and completion risks, technology risks, environmental risks, commercial, financial and bankability risks. All such risks may also have several sub-categories.

28. All PPP risks should be assessed either quantitatively, or qualitatively. Many different techniques are available for the assessment of different risks in a project. Some risks will be much more significant than others: in terms of the likelihood of the risk occurring, the severity of its impact on project outcomes, or both.

29. Mitigation measures should be applied for most risks. The basic approaches to risk mitigation should include:

- transparency in the whole process, including the participation of key stakeholders from the beginning;
- properly executed project appraisal with details of risks and their likely effects, and return expectations;
- cash flow projections based on technical, market and financial analysis;
- structured finance16 to meet the characteristics of the project;
- security package and elaborate documentation; and
- project monitoring and contract compliance.

30. The most common instruments of third-party risk mitigation (credit enhancement instrument) should include guarantees, insurance policies, hedging mechanisms. The examples of such instruments could include:

- full or comprehensive credit guarantees – cover the full value of a project's senior debt for all risks;
- partial credit guarantees – cover loss in case of default up to a certain proportion of a project's senior debt.
- political risk insurance – protect the project sponsor and/or lender from loss due to political risks.
- currency swaps or forward contracts – swaps or forward contracts to hedge against fluctuations in currency or commodity prices.
- insurance or contingent credit lines against natural disasters – protect from loss due to natural disaster, or provide a contingent credit line to finance needed investments.

31. Besides, it is crucial to allocate risks between the party involved. PPP is best pursued when project designs take into account a reasonable assignment of risks for the private sector. Risk allocation should be at the centre of every PPP transaction, and a deep understanding of the risk allocation arrangements is a precondition to the drafting of every successful PPP contract.

32. The following general principles should be considered to manage and allocate risks:

- eliminate or reduce to the extent possible the chances of a risk to occur;
- allocate risks to the party that is best equipped to manage the most cost-effectively;

- consider an insurance (if available) to deal with risks which neither party can manage but still can maintain value for money in the project;
- when neither party is in a position to manage a risk effectively, it may be kept unallocated with an indication in the contract how the risk may be shared between the parties or assumed by a party in the event of its occurrence.

There should be a right balance in risk allocation between parties. The fundamental principle – the party who is in the best position to manage, should assume the risk applies to all situations, the party in the best position to manage a particular risk may vary from one situation to another.

VI. Sustainability and Environmental Framework

33. Significant investments are needed to support the global transition to a low-carbon, climate-resilient future. To this end, international climate finance is essential. Government resources cannot finance this transition alone, and fiscal austerity in developed countries has put increasing burdens on already constrained public budgets. Several barriers hamper private sector investments in climate change mitigation. Development banks should play a leading role in this context, both complementing and catalyzing private sector players.

34. The PPP project preparation should integrate the principles of sustainable development, by reflecting environmental considerations in the objectives of the project, setting specifications and awarding projects to those bidders who fully match the green criteria. Traditional infrastructure projects need to be designed and implemented in a way that avoids, mitigates or compensates for any adverse impacts on the environment and social groups.

35. PPP projects must contribute to sustainable development and protection of the environment as a critical priority. This must be achieved by balancing the public's current needs with the responsibility towards future generations. The countries of the Black Sea region should consider that the management of environmental and social risks and impacts is central to the success of a project.

36. Considering the attention given to the environment and the social problems vital to the development, development banks offer elaborated support for projects in the social and environmental development areas (such as health, education, urban infrastructure, water quality, renewable energy and energy efficiency, clean transportation and that reduce regional inequality).

37. Project financing from development banks should be leverage private investment, contributing directly to the incremental cost of implementing low-carbon policies through two main activities:

- increasing the demand for investments and financing in climate-friendly projects (pre-investment stage) by helping to address sector- and country-specific constraints, pro-

mote an appropriate and stable enabling environment for investment.
- providing the necessary incentives to mobilize the supply of climate-friendly investments from the private sector (investment stage) by offering financial instruments on adequate terms and conditions for these types of projects.

38. The countries of the Black Sea region' activities and instruments should address both demand- and supply-side financing needs to mobilize climate finance and can leverage at scale. Development banks should recognize the importance of green economic growth and the long-term benefits that it will provide.

39. The countries of the Black Sea region should endorse the three aims of the Paris Agreement of December 2015 to strengthen the global response to the threat of climate change, which is related to mitigation, adaptation and the redirection of financial flows. It supports the global adaptation goal of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change.

40. The countries of the Black Sea region could recognize the critical role played by workers and their representatives in the development process and their contribution to sustainable economic growth. It believes that the following measures contribute to the quality of the PPP: providing workers with living wages, safe and healthy working conditions and putting measures in place to prevent accidents, injuries and disease and having a healthy labour-management relationship based on an equal opportunity, fair treatment, non-discrimination. The countries of the Black Sea region should believe that social development and inclusion are critical for sound development.

VII. Monitoring

41. In managing a PPP project, the countries of the Black Sea region should aim at ensuring that the services being delivered to the users meet the agreed time, cost, quantity and quality standards. It is, therefore, necessary to create a well-defined institutional structure that oversees contract performance effectively. For this purpose, the requirements of monitoring and enforcement of the contract terms need to be fully understood and addressed in respect of each PPPs project. Monitoring could also consider various positive and negative loan covenants and other terms that underlie a project's financial sustainability.

42. The monitoring mechanism for overseeing the implementation of the agreed terms and delivery of specified services should be capable of ensuring that the concessionaire carries out its obligations per the concession agreement, especially concerning the provisions that affect user interest and the public exchequer. It should also be ensured that the medium and long-term objectives are identified and pursued.

43. A monitoring mechanism is a tool for ensuring that the objective of each PPP project is fulfilled. The process of performance monitoring needs to be dynamic and constantly reviewed as project's circumstances change over time due to the long duration of PPP contracts.