Public-private partnerships

for developing functional areas

FUNCTIONAL AREAS IN THE EU

Crossing administrative boundaries for green transition and sustainable development

Contents

Public-private partnerships in a nutshell

Public-private partnerships (PPPs) are a strategic option for sub-national administrations, as they offer a means to **mobilise substantial resources that exceed available public financing**. To fully address the comprehensive investment needs at the functional area level, PPPs enable the mobilisation of private resources for delivering public services and infrastructure and fostering innovation, while optimising taxpayer value. These partnerships are vital tools for public administrations, offering a unique blend of resources, expertise, and risk-sharing mechanisms.

What is a PPP?

Public-private partnerships involve public bodies and the private sector in an agreement, aiming to deliver public services through **risk sharing, pooling of private sector expertise or additional sources of capital** (EU Common Provisions Regulation, 2021). As a procurement method, establishing a PPP must be based on a reliable comparative analysis, demonstrating that it creates increased value-for-money than traditional public procurement. A PPP is not only about financing a project, but about long-term delivery of public services with a private actor that has the knowledge and experience to deliver them.

While regarded primarily as tools for public procurement, the narrative around PPPs is increasingly changing towards **their role as tools for development, that should be implemented at all levels, on a larger scale**: "It's time to stop thinking of PPPs as a tool for public procurement and start thinking of them as a tool for development (...). With this mindset, we can also contemplate smaller-scale PPPs at the local level."[1]

[1] Ziad-Alexandre Hayek, *PPPs for COP27 and beyond: What does this mean?*, World Bank Blog: https://blogs.worldbank.org/en/ppps/ppps-cop27-and-beyond-what-does-mean

Public-private partnerships offer mutual benefits

Private-Public Partnerships are based on a **long-term contract** between a government entity (the Contracting Authority) and a private party (the Private Partner), defining the role of each partner and their risk allocation. The contract may include clauses linking the Private Partner's payment with the performance achieved, or the Private Partner may earn financial rewards solely from project revenues.

PPPs offer benefits to both partners: public entities gain access to capital and expertise, higher efficiency and quality of public services, while private partners enjoy stable contracts and business opportunities, cooperating with reliable partners, and easier access to financing as a result of the partnership with a public authority.

Public entity	Private partner
• Access to private capital • Access to know-how • Stabilization of the price level • Effective operation • Higher quality of public services	• Stable, long-term contract • Business confidence and stability • Cooperation with a reliable partner • Chance to apply innovations • Easier access to financing

Source: Knowledge Exchange on Public-Private Partnerships - Bartosz Mysiorski

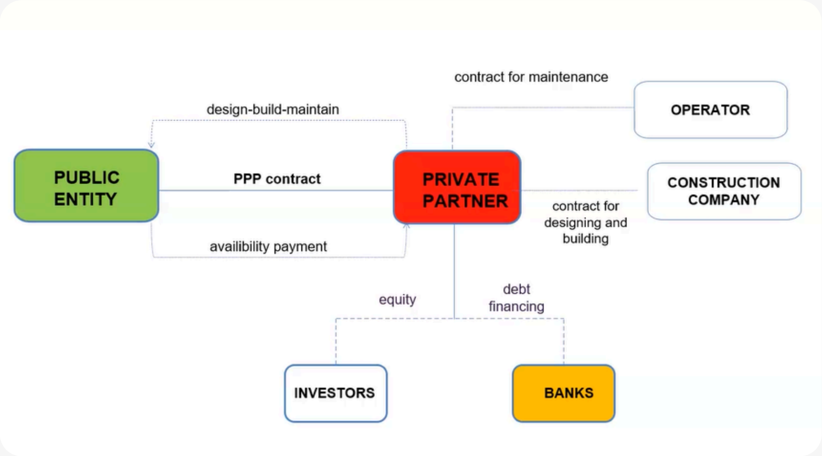
Most importantly, PPPs should be employed to provide the highest value for citizens. Public-private partnerships have the potential to deliver on the dual objective of **value for money** and **value for society** (economic, social, environmental and other benefits). For example, value for society in smart city services may be achieved through benefits such as heightened energy efficiency, a reduced environmental footprint, increasing safety and wellbeing, and improving air quality.

More recently, the **People-Public-Private Partnerships** (4P) and **Public-Private-Community Partnerships** (PPCP) models reflect an evolution in partnership frameworks by explicitly [2] incorporating people and the community as central stakeholders. This approach not only ensures that the voices and interests of the people are integral to the project, but also harness the value that they can bring into it. In particular, these models hold a strong potential for involving citizens in the climate neutrality transition, through projects in areas such as energy production cooperatives.

[2] Moisés Covarrubias Pérez, *Public-Private-Community-Partnerships for Renewable Energy Cooperatives*, 2015. Available at: https://edepot.wur.nl/337095

What are the typical roles in a PPP?

The diagram below maps out the roles, relationships, contracts, and financial arrangements in a typical PPP setup.



Source: Knowledge Exchange on Public-Private Partnerships - Bartosz Mysiorski

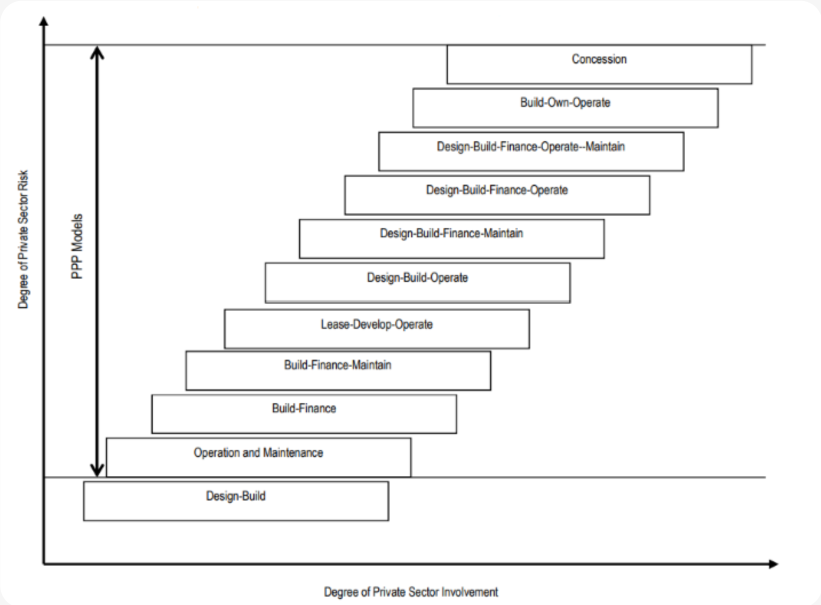
The key entities involved in typical PPP and their roles are:

1. **Public Entity:**
   - The public entity organises the selection process and signs the PPP contract with a private partner.
   - Responsibilities may include making **availability payments** to the private partner in exchange for the services provided.
2. **Private Partner:**
   - The private partner enters into a PPP contract with the public entity, agreeing to design, build, and maintain a project.
3. **Investors:**
   - May provide equity to the private partner, representing a stake in the project and a share in the returns.
4. **Banks:**
   - May offer debt financing to the private partner to fund the project, typically in the form of loans that need to be repaid with interest.
5. **Construction Company:**
   - Is contracted by the private partner for the construction company for the design and building of the project.
6. **Operator:**
   - Is contracted by the private partner for the maintenance of the project post-construction.

Types of PPP agreements

A categorization of PPP agreements based on the **degree of private sector involvement and private sector risk** is presented below. According to the European Court of Auditors, the most common form of PPP supported by EU funds is the "**Design-Build-Finance-Maintain-Operate" (DBFMO)** contract. This type of contract entails that the private partner is responsible for all project phases.

PPP Models



Source: Guidebook on Promoting Good Governance in PPPs (UN Economic Commission for Europe), showcasing PPP models, summarised by the Canadian Council for Public-Private Partnerships

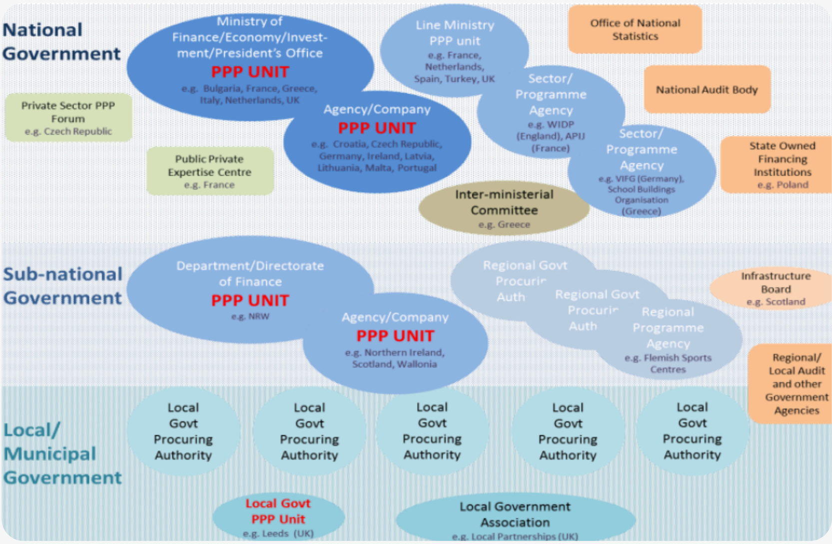
In a typical PPP model, the role of the private partner is to design, build, finance, maintain and operate the infrastructure.

Public-Private Partnership coordination units

National PPP Units

National institutions such as ministries may act as a central coordinating and management unit for public-private partnerships, through PPP Units. These units can provide support for improving the legal framework to enable public-private partnerships, disseminate guidelines and good practices, conduct trainings, workshops or study visits and monitor the performance of PPPs.

National, sub-national and local PPP Units



Source: Establishing and Reforming PPP Units, EPEC

National PPP Unit: Poland

In Poland, a national PPP Unit is organized under the Ministry of Development, Funds and Regional Policy (https://www.ppp.gov.pl/), with the aim of supporting the development of PPPs. It offers complex advisory services for public entities and guidance on analysing the usefulness of applying the PPP formula for a specific investment. Two other national institutions also support the development of the PPP market in Poland, along with the PPP Unit:

- PPP Center (www.centrum-ppp.pl)
- Institute for PPP (www.ippp.pl)

Local PPP units

At the local level, a PPP unit may take the form of a local government procurement authority, within the City Hall. The role of the unit (also referred to as “agency” or “task force”) is to directly support the development of partnerships between public and private actors.

Example: Trieste, Italy
The municipality of Trieste has significant experience in dealing with PPP projects to drive local development. A dedicated unit was established within the City Hall for Public Private Partnership Management. Moreover, a team was set up to drive the promotion and development of Public Private Partnerships. The areas considered by the municipality of Trieste for future PPPs encompass a range of sectors including energy initiatives such as the implementation of photovoltaic panels and building management systems to regulate energy consumption, heating, and cooling. Additionally, there are plans for public parking solutions, partnerships for the development of a congress center, urban regeneration projects within industrial areas, and enhancements to sports facilities.

Example: Local PPP Unit: Leeds, UK

The Public-Private Partnerships Unit (former Facilities Development Unit), is a division of Leeds City Council established in 2001. The Unit's mandate includes supporting other public sector organizations in the area with large-scale, complex projects, acting as an interface between the public and private sectors. It offers guidance in all stages of the process, from the preparation of business cases and options appraisals, project finance and procurement, to project delivery and management, facilities management and construction, contract management and change management.

“A growing number of local governments are turning to PPPs for municipal services, solid waste management, recycling, water and sanitation, energy-efficient street lighting, primary health care, local transport terminals, public markets, parking facilities, parks, affordable housing, municipal facilities and ‘smart city’ applications”

(World Bank, *Guidance Note on Municipal PPPs).*

The sub-national lens: opportunities for PPPs at the local and functional area level

While PPPs have been commonly implemented by national public entities, there are significant opportunities for such partnerships at the **municipal or metropolitan / functional area level.** Similarly to national authorities, municipalities and functional areas need to evaluate the added value of a PPP, as opposed to other options for delivering the project. The most important criteria are **value for money and value for society,** along with efficiency in service delivery, fiscal risk management, and capital planning.

The local and functional area level governance bodies are perfectly positioned to partner with private actors to support sustainable development. Many areas suitable for PPPs are under the mandate of local or functional area level authorities. They often possess strategically located land parcels that may be attractive for private sector involvement in commercial development. Traditional funding sources frequently prove insufficient for meeting the investment demands and public bodies may lack the necessary resources and expertise to ensure the delivery of high-quality services, making PPPs a viable option.

What are the sectors in which municipal / functional area PPPs are best suited?

While PPPs may be structured for a wide variety of purposes, the best suited sectors include:

- **urban regeneration**
- **transportation**
- **power and energy (e.g., renewable energy generation and storage)**
- **water and wastewater**
- **solid waste management**
- **telecommunications**
- **public lighting**
- **public markets**
- **business, cultural or sports infrastructure**
- **healthcare**
- **education**
- **social infrastructure (e.g., social housing).**

The local and functional area level governance bodies are perfectly positioned to partner with private actors to support sustainable development.

Leveraging EU Funds in blended public-private partnerships

While EU money has been a significant source of funding for major infrastructure projects and services, it is increasingly recognised that a change of approach is necessary, to ensure **a more efficient use of funds.** For example, EU funds may be used to leverage additional private funding, through the creation of a "blended PPP".

"Blending" refers to the process of implementing PPP projects by **combining EU funds with private finance**. In such an arrangement, part of the public funding is secured in the form of a grant from a European Structural and Investment Fund (ESI). According to the European PPP Expertise Center (EPEC), "blending can be attractive from an ESI Funds perspective as the use of a PPP structure may bring additional disciplines in the deployment of funds and improve value for money."

Blended PPPs have many benefits - on one side, the increased efficiency ensured by the involvement of the private sector, and on the other side - encouraging private partners to invest in higher-cost projects, partially covered by EU funds, which would otherwise be unprofitable. Moreover, due to EU participation, projects benefit from increased credibility in relation with financial institutions, thus increasing access to private funding.

2011

In 2011, the Commission White Paper on Transport invited Member States to employ PPPs more often, while bringing up that not all projects are appropriate for such an approach.

2013

A key step forward in the EU regulatory framework to support PPPs was the publication of the 2013 Common Provisions Regulation (CPR), which introduced a definition for PPPs and provisions to facilitate the use of ESI Funds in PPP projects.

2014

The 2014-2020 multi-annual financial framework supported PPPs as leverage for merging public and private funds. PPPs are considered to be potentially effective in implementing large infrastructure projects, in both the CPR for the 2014-2020 period and the CEF regulation.

2020

The importance of PPPs was also emphasised in the Europe 2020 Agenda. According to the strategic document, one of the crucial key areas Europe should focus on in order to achieve its goals is leveraging financial resources by merging private and public finance and developing innovative tools to finance the necessary investments.

2021

The new CPR published in 2021 also endorses PPPs, as a means "to provide public services through risk sharing by the pooling of either private sector expertise or additional sources of capital or both;"

Blended public-private partnerships are receiving increasing attention at the EU level, with the aim of more intensive **leverage of public funds.** However, a thorough comparative analysis is required to determine whether the option of a public-private partnership is the one that provides the most value.

An auditing report prepared in 2018 by the European Court of Auditors identified **84 blended PPP projects implemented during 2000-2014**, accounting for a total cost of EUR 29,2 billion, out of which EUR 5,6 billion came from EU funds. The sources for the EU contribution were ERDF, Cohesion Fund, Marguerite Fund, Loan Guarantee Instrument for Trans-European Transport Network Projects (LGTT), Project Bond Initiative (PBI), and Joint European Support for Sustainable Investment in City Areas (JESSICA). **The transport sector accounted for approximately 88% of the share of costs of blended PPPs during 2000-2014, followed by ICT with 5%.**

Structural and Cohesion Funds grants represented the main EU funding source for blended PPPs and were used in 67 out of the 84 projects. For the remaining projects, the Commission provided other financial instruments, often in cooperation with the European Investment Bank. PPP projects were also supported by the EFSI (European Fund for Strategic Investments), a joint Commission-EIB initiative, since 2015.

Blended PPPs for the period 2000-2014, in million euro, by country

Countries	Number of projects	Total Cost	EU Contribution	% of EU contribution
Greece	**8**	**6 806**	**3 301**	**58.53 %**
Portugal	3	2 379	564	10.00 %
France	**21**	**9 856**	**324**	**5.74 %**
Spain	**4**	**2 422**	**311**	**5.51 %**
Poland	4	388	272	4.82 %
Germany	14	2 147	254	4.50 %
Italy	6	553	210	3.72 %
United Kingdom	3	2 212	110	1.95 %
Belgium	2	686	101	1.79 %
Ireland	**3**	**1 286**	**81**	**1.44 %**
Lithuania	3	99	40	0.71 %
Slovenia	10	52	36	0.64 %
Croatia	1	331	20	0.35 %
Malta	1	21	12	0.21 %
Estonia	1	4	4	0.07 %
Grand Total	**84**	**29 242**	**5 640**	**100.00 %**

Source: European Court of Auditors, based on data provided by the EC, EPEC and selected MS.

To address identified issues resulting in inefficient public-private partnerships supported by EU funds, the European Court of Auditors has formulated a set of recommendations. These refer to basing the decision to opt for PPPs on a sound comparative analysis of procurement options (Public Sector Comparator), establishing clear PPP policies and strategies, mitigating the risk of increased cost for public partners due to delays and renegotiations, along with improving the EU framework for PPPs.

What to consider when initiating a PPP?

Invest in human capital and garner political support. Ensure that PPP initiatives are championed by political leaders and supported by qualified individuals within the public sector. Political champions can provide the necessary backing for projects, while having qualified personnel involved ensures effective decision-making and management throughout the PPP lifecycle.

Conduct a thorough comparative analysis in terms of value for money. An auditing report prepared in 2018 by the European Court of Auditors highlights that the potential benefits of PPPs were hindered by delays in implementation, increases in cost, and under-usage of the infrastructure. This was a result of inadequate analysis before opting for a PPP and the lack of a proper institutional and legal framework, leading to ineffective spending. A particular issue identified was that in many cases, a thorough comparative analysis was not undertaken, in order to demonstrate that the PPP was the option generating the most value for money.

Ensure value for society and the buy-in of citizens and relevant stakeholders. Gaining the support and involvement of the community is vital for succesful PPP projects, in particular those that directly impact citizens. Transparency fosters trust and accountability, essential elements for effective collaboration and sustainable outcomes in PPPs. In urban regeneration projects, where the impact on communities is particularly significant, participatory approaches should be initiated in the early stages of project preparation. By engaging citizens in decision-making processes and incorporating their input, PPPs can address local needs more effectively and enhance project legitimacy.

Develop a clear framework for the use of PPPs, aligned with development goals outlined in the integrated strategy. This may be in the form of a policy document or strategy, outlining what are the preferred areas for PPP implementation, the institutional setup for the organisation, coordination and monitoring of projects (e.g., a dedicated department or team).

Engage professional advisory services to provide expertise and guidance throughout the PPP process. This expertise is necessary particularly when getting started, and there is no internal team specialised in PPPs within the functional area governance body. It can also contribute to maximizing project benefits and minimizing risks, by considering both short-term objectives and long-term sustainability of the project.

Get inspired

PPP for public transport infrastructure

Barcelona Metropolitan Area, Spain

The "Sustainable Bus Stops" project by the Metropolitan Area of Barcelona (AMB) stands out as an inspiring example for Public-Private Partnerships (PPPs) at supra-local level. In collaboration with private entities Clear Channel Spain and ZiclaCities, AMB has initiated contracts to enhance public transport services in the municipalities of Barcelona's metropolitan area.

Explore PPP opportunities for increasing accessibility and safety for essential services. AMB is in charge of the public transport services and manages more than 2.100 bus stops across the metropolitan area. This PPP project focused on improving accessibility and efficiency for public transport users, by installing bus platforms and bus shelters. Bus platforms alleviate discomfort for drivers and prevent illegal parking, facilitating smoother operations and faster service. Since 2011, over 110 bus platforms have been installed, with plans for 80 more in the next four years. Meanwhile, bus shelters provide protection and feature low-consumption displays for real-time service updates, enhancing user experience. With a modular design, these shelters can adapt to different locations, with AMB planning to install 260 shelters over the next seven years, ensuring widespread coverage and improved service quality.

Economic effectiveness and financial sustainability should be central considerations. The installed bus platforms are tested for high durability and the private partner ensures their installation, repair and transfer, based on fees paid by AMB. Moreover, the revenues from publicity from each bus shelter are used by the private partner for repairs. The private partner also cleans all bus shelters and ensures their transfer. By carefully planning and budgeting for maintenance and expansion, AMB ensures the longevity and viability of its infrastructure investments.

Ensure environmental sustainability and resilient infrastructure. The PPP project implemented circular economy principles in infrastructure development, such as using recycled materials in bus platforms and shelters. Through the reuse, repair, and recycling of materials, the project minimizes environmental impact and also promotes environmental awareness among citizens.

For more information:
UNECE, Case study database.
https://unece.org/sites/default/files/2024-01/Case_Study_Database_PPP_Forum_2023.pdf

Barcelona Metropolitan Area, Spain

Source: ZICLA

Source: ZICLA

Source: Clear Channel

PPP for urban regeneration of railway assets

Sopot Railway Station, Poland

Urban regeneration is one of the best suited areas in which PPPs can be successfully employed. At the functional area level, a specific sub-domain of urban regeneration with high impact is the urban regeneration of railway assets. Underutilised railway assets (railway stations, pertaining buildings or land in their proximity) are highly attractive for private sector involvement. Private companies may benefit from the creation of new businesses, shops, offices and quality public spaces, providing a valuable source of income.

Moreover, investment in railway assets supports the sustainable development of functional areas by increasing the attractivity of green rail transport and transit-oriented development. In a Concession PPP model, assets can be transferred for a fixed period of time to a private developer who will be responsible for construction works and services, share the risk and ensure increased economic efficiency and profitability.

The revitalization of the Sopot Railway Station in Poland is a scalable solution for other cities and functional areas. In this case, part of the land was purchased by the private partner for new developments, and the areas intended for revitalisation were managed by it for the duration of the PPP contract (8 years). The project included not only the revitalization of the station and the surrounding area, but also the creation of a multifunctional urban space, which combines different functions. It includes a modern passenger service center in the railway station, a hotel, a complex of commercial galleries and services, office spaces, green spaces and new parking facilities. The remuneration for the private partner is derived solely from the assets on the areas acquired by the company.

Organise a transparent selection process and set clear requirements. The Sopot Municipality, as the public entity owning the land and assets of the railway station, published an announcement containing their requirements. After reviewing the applications, the Bałtycka Grupa Inwestycyjna SA company was selected. Consequently, the private partner undertook the design and construction of commercial facilities, parking lots, and green areas, while also improving communication systems within public areas.

Explore options to blend EU and private funding. The private company responsible for the revitalisation works also accessed a low interest loan through the JESSICA (Joint European Support for Sustainable Investment in City Areas) programme developed by the European Commission and the European Investment Bank (EIB), in collaboration with the Council of Europe Development Bank (CEB).

For more information:
PPP Center https://centrum-ppp.pl/

PPPs for urban regeneration of railway assets

Sopot Railway Station, Poland

Source: PPP Center https://centrum-ppp.pl/

Source: ppp.gov.pl

PPP for urban regeneration of public spaces

Cluj-Napoca, Romania

One of the most successful public-private partnerships in Cluj-Napoca is the urban regeneration of the area around a shopping centre built by the Iulius Group real estate developer. The investment in the green area is the company's compensation for the concession of 1.4 hectares on the shore of the lake, in order to build the shopping centre. This case offers an example of a sustainable PPP, where private investments conducted on public land lead to the revitalization of the adjacent area.

Leverage underused public land plots for the revitalisation of urban areas through PPPs. In 2007, the Iulius Group private company (real estate developer) inaugurated the construction of Iulius Mall Cluj, one of the main shopping centres in the city. In 2013, the company decided to upgrade the public area from the nearby shopping centre, through a €500,000 investment. The project resulted in an impressive urban transformation, covering 30,000 square metres, including promenades, running tracks, cycling tracks, relaxation spaces (equipped with urban furniture and lighting systems with low energy consumption), and a pontoon. The private partner’s investment also covered the restoration of biodiversity through a variety of plants and trees. In August 2022, Iulius Group started a new investment of €300,000 for repair works of the promenade and the pontoon.

Identify commercial, social and environmental benefits and ensure alignment between the private and public sector‘s objectives. This PPP project in Cluj-Napoca mixes commercial, social and environmental benefits. The urban gardens attract more customers to the nearby shopping centre and offer a quality experience for those who choose to extend their shopping experience by unwinding in the adjacent park. The development aims to offer a qualitative urban space not only to customers, but to all citizens, extending the area of green spaces in the city. During the summer months, the park's lake cools down the surrounding areas, enhancing environmental reslience.

Promote long-term partnerships and trust building between the public and private sector. A key factor for the success of this PPP project is the long-term partnership and trust established between the public and private sectors. By consistently investing in public amenities and the environment over the years, the Iulius Group has demonstrated a commitment to the community beyond mere commercial interests. This ongoing relationship not only ensures the project's continuity and maintenance but also builds a foundation of trust, encouraging future collaborations. In this context, a new project developed in the form of a PPP involves the reconversion of a former industrial platform, and is the largest such investment in Romania. The browlnfield area will be transformed into a vibrant, accessible, and open space for the people of Cluj and connected to the city centre.

For more information:
https://www.iuliuscompany.ro/iulius-mall

PPP for urban regeneration of public spaces

Cluj-Napoca, Romania

Source: iuliuscompany.ro

PPP for urban regeneration of public spaces

Cluj-Napoca, Romania

Source: iuliuscompany.ro

PPP for mixed-use development and regeneration

Iași, Romania

Another flagship PPP project in Romania developed by the Iulius real estate developer is the "Palas urban complex" project, which redefined the heart of the city of Iași through a mixed-use development approach. The project exemplifies the successful transformation of an underdeveloped area into a vibrant community space through a public-private partnership with the city. It also showcases a best practice in terms of integrating newly built spaces with existing cultural landmarks.

Nurture a long-term vision of public-private partnerships to reimagine public spaces. The project includes five areas of intervention: Palas Mall, Palas Garden, Palas Campus and Palas Residential, in addition to the rehabilitation of the Palace of Culture. The stepping stone of the complex was Palas Mall which opened in 2012 as the first mixed-use development of Romania and featured a 50,000 square meters garden - the first public garden of Romania developed from private funds. The transformation of the area continued with reimagining f the use of the garden, the rehabilitation of the Palace of Culture, completed in 2016, and the development of the Palas Campus, an innovation and creativity center opened in 2023. The urban complex will continue to evolve through a residential project designed by UNStudio, which will represent a novelty for the Romanian architectural landscape.

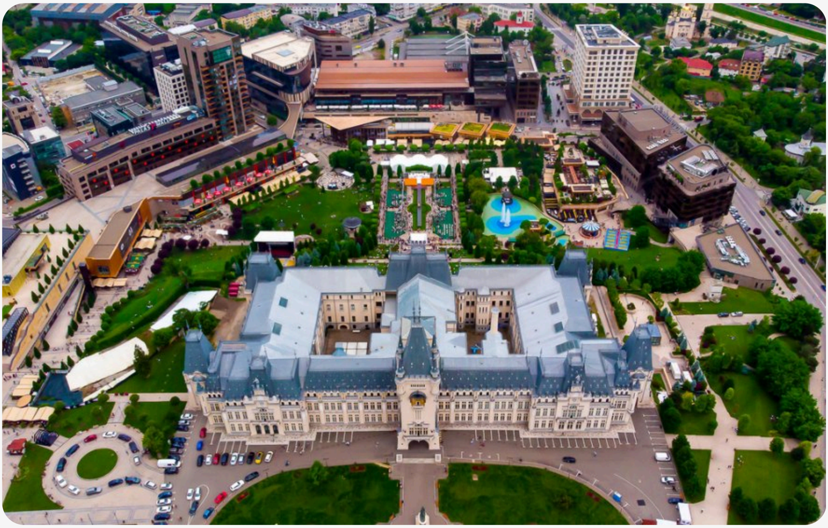
Implement PPPs to attract additional private investments that can boost the local and regional economy. The Palas Campus in Iași attracted world renowned companies to one of Europe's lagging regions. The office building spans over 60,000 square meters and currently hosts 13 multinational companies (in the fields of IT and automotive), with over 5,000 employees.

Promote sustainable and community-focused development. Recognized with LEED Neighbourhood Development certification, Palas Iași sets a benchmark for sustainable urban development in Central and Eastern Europe. The project's emphasis on leisure facilities, active mobility, and cultural events demonstrates its positive impact on the community, validating a vision of development that harmonises economic benefits with community wellbeing.

For more information:
https://www.iuliuscompany.ro/palas-iasi

PPP for mixed-use development and regeneration

Iasi, Romania



Source: wall-street.ro

Source: iuliuscompany.ro

PPP for social and educational infrastructure

Volos and Lamia, Greece

The University of Thessaly in Volos implemented a PPP in collabortion with a private partner and two municipalities for building and renovating student housing and educational infrastructure. The public partners involved were the General Secretariat for Private Investments and PPPs (PPP Unit), the Municipality of Volos, the Municipality of Lamia, the Public Utility Services company, the Ministry of Environment & Energy, the Ministry of Education and Religious Affairs.

Ensure that PPP projects address sustainability goals, promote social inclusion, and contribute to economic development. In Volos, the project targets the revitalization of an industrial site, offering housing to 785 vulnerable students, alongside educational and research facilities. In Lamia, the focus is on constructing student residences and infrastructure for another 120 vulnerable students. Environmental sustainability is prioritized through measures such as refurbishing abandoned buildings, promoting renewable energy, and implementing waste management strategies. Both campuses aim for EPC A+ certification and SILVER LEED Certification, aligning with climate change adaptation plans and EU regulations. The initiative also emphasizes inclusion and accessibility, with provisions for public transport connections and facilities catering to diverse needs, including access for people with disabilities. Finally, economic benefits include enhancing local economies, energy savings, and equal opportunities for students.

Prioritise financial sustainability, with balanced risk allocation and flexible financing options to attract private partners and ensure project stability. Financial sustainability is a key focus, with the project structured as an availability-based PPP. As the project develops social infrastructure without revenue streams, the University of Thessaly will make annual fee payments to the private partner, following the project's completion. Financing, comprising equity and debt, offers flexibility to bidders, with guarantees from the Greek State ensuring stability.

Establish comprehensive stakeholder engagement plans to involve all relevant parties throughout the project to ensure transparency, accountability, and long-term success. Stakeholder engagement is integral to the project, with a structured Stakeholder Engagement Plan facilitating ongoing communication and alignment with various stakeholders, including governmental bodies, local communities, and students. This approach ensures inclusivity and responsiveness to stakeholder concerns throughout the project lifecycle.

For more information:
UNECE, Case study database.
https://unece.org/sites/default/files/2024-01/Case_Study_Database_PPP_Forum_2023.pdf

PPP for waste-to-energy facility

Poznań, Poland

The "Waste Management System for the City of Poznań," project involves the construction of a municipal waste thermal processing installation with a capacity of 210,000 tons per year, generating electricity and thermal energy. The project is implemented through a PPP between the public entity, the City of Poznań, and the private partner, SITA Zielona Energia Sp. z o. o., ensuring sustainable waste management and resource recovery.

Plan for long-term cooperation and ensure the project contributes to sustainable development goals. The Poznań PPP agreement was signed for 25 years, offering the private partner a stable and predictable business environment, encouraging investment and commitment. The Poznań waste management system is aimed at reducing landfill waste, recovering resources, and producing energy from waste, thereby improving overall service quality and environmental sustainability.

Ensure a transparent and competitive selection process to choose a competent private partner. The City of Poznań organized a competitive dialogue process to select SITA Zielona as the private partner. Sita Zielona is a **Special Purpose Vehicle (SPV)** established by SITA Polska and Marguerite Waste Polska.

Clearly define and allocate risks between the public and private partners. In the Poznań project, the private partner assumed the construction risk and the risk of project availability. The City of Poznań retained the demand risk, ensuring the necessary waste stream to the installation.

Secure a robust financial structure involving various financing institutions and potential EU funding. The Poznań project was financed through a consortium of financial institutions (PKO Bank Polski, Bank Pekao SA, and the National Gospodarstwa Bank) and also received an EU grant.

Establish a clear and fair remuneration mechanism to ensure the private partner is motivated and compensated appropriately. The Poznań project's remuneration for the private partner was based on an availability fee model, meaning that payments began only after the facility became operational. The private partner also earns from the production and sale of electric and thermal energy, aligning financial interests with project performance.

Leverage the expertise and innovative capabilities of private partners. The Poznań project benefited from the technical expertise of HITACHI ZOSEN INOVA as the technology and installation supplier, providing state-of-the-art solutions for waste management and energy recovery.

For more information:
PPP Center: https://centrum-ppp.pl/

PPP for waste-to-energy facility

Poznań, Poland

Source: Marguerite.com

Source: Marguerite.com

Bundling of PPP projects in a functional urban area

Kraków Metropolitan Area, Poland

PPP bundling involves combining several similar investments (e.g., thermal modernisation of school buildings in a functional area, replacement of street lighting in several neighbouring towns, modernisation of roads, construction and modernisation of school and kindergarten infrastructure), as if they were one project.

Explore the possibility to bundle PPP projects at the functional area level to ensure economies of scale. The advantages of PPP bundling include increasing the negotiating power of local governments in talks with a potential private partner, spreading the costs of preparing investments under the PPP formula among several entities. This approach generates economies of scale by including smaller projects, that potential private partners may not be interested in. The bundling of projects may also reduce the cost of materials through large-scale purchasing, while increasing quality by attracting reputable private partners with experience in a given subject matter.

Identify a supra-local governance body to coordinate the bundling process. Conceptual work is currently underway for the preparation of a bundle of PPP projects by six municipalities in the Kraków metropolitan association. The Kraków metropolitan association office plays a key role in coordinating the bundling process. The PPP involves the construction of several public facilities (a kindergarten/school, an administrative centre, a train station with a shopping area and a parking lot) and is supported by World Bank experts. The private partner is responsible for the construction of infrastructure and its subsequent maintenance and management, and the estimated financial potential of the entire package of projects is about €50 million. The PPP package project aims not only to create new public facilities, but also to incorporate sustainability goals and achieve a positive impact on local communities within the functional urban area. The final decisions on the implementation of individual investments will be the result of an analysis of local conditions and the financial feasibility.

Launch a PPP pilot project to refine and expand a mechanism of cooperation at the functional area level. The implementation of the pilot project in Kraków metropolitan area will support the development of a mechanism for the preparation and implementation of other bundles of PPP projects. It is also an opportunity for wider promotion and dissemination of PPP formula among smaller local governments, deepening inter-municipal cooperation within functional urban areas and increasing their investment potential and propensity to implement projects with supra-local impact.

For more information:
http://metropoliakrakowska.pl/

USEFUL RESOURCES

The **European PPP Expertise Center** is a division of the European Investment Bank (EIB) which has been set up in 2008 to provide a wide range of guidance and resources to support Member States of the EU, EU Candidate States and others in their work on PPPs. The EPEC team supports 42 EPEC member organisations (most of them national or regional PPP units, and other public entities in charge of PPPs), as well as the European Commission. EPEC also provides "publications, market data and tools aimed at sharing experience and expertise, analysis and best practice relating to many aspects of PPPs", such as:

- **Guide to Public-Private Partnerships**: https://www.eib.org/en/publications/epec-guide-to-public-private-partnerships
- **Guidelines for blended PPPs using ESI Funds**: Blending EU Structural and Investment Funds and PPPs in the 2014-2020 Programming Period Guidance Note: https://www.eib.org/en/publications/epec-blending-ue-structural-investment-funds-ppps
- **European PPP Market Updates:** Review of the European PPP Market in 2021: https://www.eib.org/en/publications/epec-market-update-2021
- **Establishing and reforming PPP Units,** 2014 https://www.eib.org/en/publications/epec-establishing-and-reforming-ppp-units
- **Practical interactive tool for PPP preparation (Excel checklist):** PPP project preparation status tool, which can be downloaded here: https://www.eib.org/epec/what-we-do/index

The **Municipal Public-Private Partnership Framework developed by the World Bank** (2019) is a key resource for developing PPPs in a subnational context. The toolkit comprises 20 modules, including a series of projects "to inspire local decision-makers with innovative, creative opportunities for municipal PPP to help towns and cities provide better services and deliver sound infrastructure projects on an appropriate scale". This resource provides crisp, practical advice covering the full-range of aspects related to developing PPPs at the municipal level, which can also be used as a reference for public entities at the functional area level.

- Municipal Public-Private Partnership Framework, World Bank (2019) https://ppp.worldbank.org/public-private-partnership/subnational-and-municipal/municipal-public-private-partnership-framework
  - Municipal PPP Executive Summary, World Bank
  - Municipal PPP Guidance Note, World Bank
  - Municipal PPP Project Summaries, World Bank

PPP Knowledge Lab and Resource Book (World Bank)

- https://ppp.worldbank.org/public-private-partnership/ppp-knowledge-lab

USEFUL RESOURCES

PPP Contract types and terminology (World Bank):
- https://ppp.worldbank.org/public-private-partnership/ppp-contract-types-and-terminology

Guidance on PPP Contractual Provisions report (World Bank):
- https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/2021-03/Guidance%20on%20PPP%20Contractual%20Provisions_2019%20edition.pdf

United Nations Economic Commission for Europe (UNECE) Collection of case studies:
- https://unece.org/ppp/casestudies

Knowledge Exchange on Public-Private Partnerships (Functional Areas in the EU). Speakers: Bartosz Mysiorski (Poland PPP Center) Andrea Brunetta (Trieste Municipality)
- https://functionalareas.eu/knowledge-exchange-on-public-private-partnership/
- https://functionalareas.eu/the-knowledge-exchange-on-public-private-partnership-trieste-experience/

Resource Book on PPP Case Studies (DG REGIO):
- https://ec.europa.eu/regional_policy/sources/docgener/guides/pppresourcebook.pdf

Climate Toolkits for Infrastructure PPPs (World Bank):
- https://openknowledge.worldbank.org/handle/10986/37287

APMG PPP Certification Guide
- https://ppp-certification.com/pppguide/download

KEY TERMS

Availability fee/payment: "Payment made over the lifetime of a PPP contract in return for the Project Company making the infrastructure available and in compliance with agreed performance standards. Non-compliance with the performance standards typically leads to payment deductions." (Global Infrastructure Hub, based on APMG Public-Private Partnerships Certification Program definitions)

Availability risk: "This refers to the risk (especially from the public perspective) of the infrastructure not being available to use and/or not meeting the quality requirements or expected performance levels." (APMG Public-Private Partnerships Certification Program)

Blended project: "A PPP project that combines EU funds with private financing resources". (European Court of Auditors)

Commissioning risk: "The risk of failure to meet the construction outcome as prescribed and/or the project, as constructed, failing to meet the completion acceptance criteria, causing a delay in earning revenue." (APMG Public-Private Partnerships Certification Program)

Concession: "A grant of economic rights of a public asset in an administrative law jurisdiction to a private party by the government, including the legal title to possess the site of the land. It may also refer to a PPP contract that is generally reserved for contracts where the majority of revenue comes from users." (APMG Public-Private Partnerships Certification Program)

Construction risk: "The possibility that during the Design and Construction Phase the actual project costs or construction time will exceed those projected." (APMG Public-Private Partnerships Certification Program)

Demand risk: "The risk that actual demand (that is, usage or patronage of the infrastructure) does not meet the forecast demand." (APMG Public-Private Partnerships Certification Program)

Design risk: "Defects in the design that result in the asset being built, but failing to meet the prescribed standards." (APMG Public-Private Partnerships Certification Program)

Due dilligence: "Review and evaluation of the project, the project contracts, and their related risks. It is carried out by project investors and lenders before deciding to participate in/lend to the project. The term may be also applied to the project preparation activities or some aspects of the preparatory works to be handled by the procuring authority before the tender launch." (APMG Public-Private Partnerships Certification Program)

KEY TERMS

Leverage effect: "In relation to financial instruments funded from the EU budget and national public funds, leverage is expressed in terms of how many euro of funding (public and private) have been effectively been available to provide financial support to final recipients for each euro of public funding (EU and national public funds) endowed to the instrument." (European Court of Auditors)

PPP contract: "A long-term contract between a public party and a private party for the development and/or management of a public asset or service, in which the private agent bears significant risk and management responsibility throughout the life of the contract. Remuneration is significantly linked to performance, and/or the demand or use of the asset or service." (APMG Public-Private Partnerships Certification Program)

PPP Pipeline: "A list of projects the government is considering for implementation as PPPs for a specific time frame (yearly, over 5 years, 10 years, and so on). " (APMG Public-Private Partnerships Certification Program)

Privately-initiated projects: "PPP projects originated and developed by private companies by way of an unsolicited or market initiated proposal." (APMG Public-Private Partnerships Certification Program)

Public Sector Comparator: "A commonly used comparative tool, which tests whether a private investment proposal offers value-for-money in comparison with the traditional form of procurement." (European Court of Auditors)

Public-private partnership: "A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance." (World Bank, PPP Reference Guide)

Retained risk: "The value of those risks or parts of a risk that the government bears under a PPP project." (APMG Public-Private Partnerships Certification Program)

Special purpose vehicle: "An entity created to undertake a single task or project in order to protect the shareholders with limited liability, often used for limited or non-recourse financing. In establishing a project consortium, the sponsor or sponsors typically establish a private partner in the form of a special purpose vehicle (SPV) which contracts with the government. The SPV is an entity created to act as the legal manifestation of a project consortium with no historical financial or operating record which the government can assess. An SPV/special purpose entity (SPE) is a legal entity with no activity other than those connected with the project. It also includes "private partner" or "project company"." (APMG Public-Private Partnerships Certification Program)

KEY TERMS

Traditional procurement: “The delivery of the infrastructure and associated services by the government using a design and construct procurement process, or other procurement process that would traditionally be used by the government.” (APMG Public-Private Partnerships Certification Program)

User-pays PPP: “A PPP project in which the revenues for the private partner are based on user-payments (for example, tolls for a road).” (APMG Public-Private Partnerships Certification Program)

Value for Money (in the PPP context): “The benefits relative to the costs of procuring a project using a PPP compared to other procurement options. Commonly referred by its abbreviation Value for Money (VfM). In a PPP context, Value for Money can be tested at two different points in the project cycle:

- during appraisal and structuring, a VfM test can determine whether the PPP alternative is a supportable procurement mechanism that is likely to provide best value to the public authority or better than the traditional procurement mechanism;
- during the evaluation of bids, a VfM test can determine whether bids offer Value for Money against the cost of conventional procurement.

A positive VfM result or the VfM expected from the PPP option is the result of the combination of private sector efficiency and innovation, risk transfer, whole life cost, and service provided by the facility.” (APMG Public-Private Partnerships Certification Program)

Value for People (VfP): “refers to whether the net benefits directly linked to the particular project (economic, social, environmental and other broader benefits in the territory) are enough to compensate the actual financial burden that users and/or taxpayers will have to bear over the years”. (https://blogs.worldbank.org/en/ppps/public-private-partnerships-20-value-people-and-value-future)

Value for Future (VfF): “looks at whether the project will contribute to enhancing the well-being of successive generations, taking into account the obligations linked to how it will be actually financed”. (https://blogs.worldbank.org/en/ppps/public-private-partnerships-20-value-people-and-value-future)

FUNCTIONAL AREAS IN THE EU

Crossing administrative boundaries for green transition and sustainable development