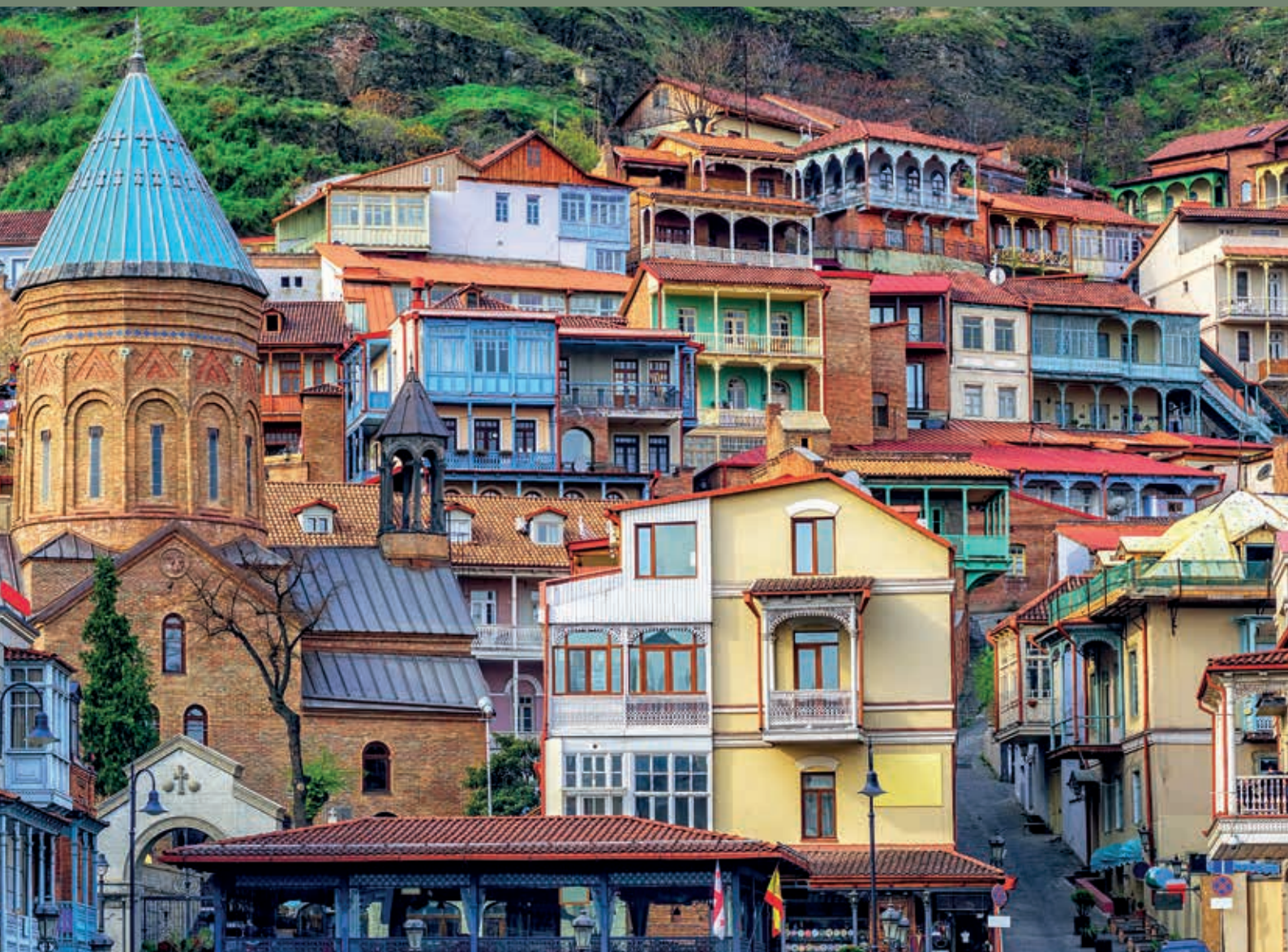




# PPP REGIME DEVELOPMENT IN ARMENIA, AZERBAIJAN AND GEORGIA: FURTHER REGULATORY EFFORTS COULD STIMULATE PRIVATE SECTOR PARTICIPATION



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Each of the three countries in focus has turned to the mechanism of public-private partnerships (PPPs) at different times and with varying appetites for implementation and records. Thus each country is at different stage of its experience with PPP regulation and projects implementation.

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### ARMENIA

In 2017 the government of Armenia approached the EBRD with a request for assistance in developing a modern PPP regime. The EBRD initiated a technical cooperation project by retaining a group of international and local advisers to assist in preparing a PPP policy and a PPP law, drafting secondary legislation and building capacity in the context of the new PPP law. The documents were drafted based on analysis of the local legal system, socio-economic situation, public needs and priorities and internationally accepted standards and best practices. They were discussed with government officials in 2017. Feedback from relevant institutions led to an adjustment of certain concepts and provisions of the draft law.



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The Law of the Republic of Armenia on PPPs which was signed on 16 July 2019 and entered into force on 1 January 2020 broadened the foundation for PPP development. Further thinking may be required in the context of private partners' selection procedures, the institutional framework set-up, and other aspects influencing PPP project structures. The bankability, effectiveness and efficiency of PPP projects should be at the core of such thinking.

This can unlock new PPP opportunities, which the EBRD would continue supporting with funding and advice. Successful and well-structured flagship projects create a positive momentum for a broader rollout of PPP schemes. The EBRD works with the authorities to explore PPP opportunities. Structured properly and with due regard to management of long-term contingent liabilities and risks, these might alleviate pressure on the budget and help to crowd in international investor interest, thus providing positive multipliers.



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## AZERBAIJAN

In 2016 Azerbaijan adopted the Law "On the implementation of special financing for investment projects related to construction and infrastructure facilities" and the Presidential Decree on its basis "On the establishment of conditional for the realisation of investment projects within the build-operate-transfer model". Despite the adoption of these acts, no new infrastructure projects with private sector participation have been initiated in the country.

Therefore, Azerbaijan's regime for PPP projects requires a substantial upgrade to comply with internationally recognised standards and best practices. The Ministry of Economy, initially through the PPP Centre within its Small and Medium Business Development Agency, requested that the EBRD provide them with technical assistance to support the design and development of a modern investor-friendly PPP regime in the country.

In 2019 the EBRD engaged international and local consultants for their assistance in drafting PPP strategy and law. Both the draft PPP strategy and draft law have been developed and presented to the government and are under consideration pending various comments before their submission for official endorsement. The EBRD has agreed to further assist the Ministry of Economy with the development of regulatory and in particular the PPP-enabling framework and practical documentation such as guiding methodologies and templates.



There are a number of projects in the country that could benefit from the new legal and institutional framework. Azerbaijan plans an improvement of its transport infrastructure and a number of projects are at the planning stage. Some of the projects are expected to be capital intensive and support in structuring and subsequently financing from the EBRD and/or other international financial institutions (IFIs) is likely to be needed.

Pilot PPPs could be considered in the road and port sectors as well as in intermodal projects involving roads, logistics, rail and shipping, and underwater cable connections. It would also allow the creation of a digital infrastructure such as data-processing centres and the installation of fibre optic cables.

## GEORGIA

In 2015 the government of Georgia requested the EBRD's assistance with the development of legal instruments to attract private sector participation and investment in public infrastructure. Although the laws of Georgia allowed PPP structuring without a specific PPP law, the government of Georgia, similar to many other countries, decided it would be beneficial to promote PPP. The EBRD's Legal Transition Programme, together with international and local consultants have helped draft a PPP policy in accordance with internationally recognised standards and best practices that the government approved in June 2016. In addition the EBRD assisted the government in developing a modern, investor-friendly and transparent PPP law. On 4 May 2018

the Parliament of Georgia approved the Law "On Public-Private Partnerships" and the relevant amendments to primary legislation. In August 2018 Georgia adopted secondary legislation developed by the Asian Development Bank (ADB) with extensive comments from the EBRD team.

The PPP Agency has been established following the PPP law enactment. It is looking at international experience and is active in discussing possibilities for future projects with private investors and IFIs. The EBRD plans to provide assistance to the PPP Agency with capacity enhancement and drafting practical documentation to facilitate project preparation and implementation.

The prospects of implementing PPP projects in quite a number of sectors could be considered.

Georgia's PPP market has good experience in the energy sector (whether one refers to PPP or quasi-PPP when talking about the energy sector this is a matter of definition and project particulars), with further projects under discussion.

There is a fair potential for the development of the country's infrastructure both in the merchant and social sectors and PPP mechanisms would surely be useful. A few healthcare projects are being discussed. Road rolling may be a potential and the EBRD and the ADB have each examined it in their respective studies. Municipal transport may also become attractive.

## CONCLUSION

All three countries are making efforts in the development of their public infrastructure by way of attracting private investors' finance, efficiency, management skills and know how. Authorities are generally open to international cooperation with investors and financial institutions and welcome advice as well as technical and financial assistance. It is particularly important for any initial pilot PPP project to be a success in order to ensure a broader take-up of the whole PPP programme in a respective country, thus paving the way for further PPP projects.

