



YEVROPA ITTIFOQI



Adliya Vazirligi
Davlat Xizmatlari
Agentligi



“Improved Public Service Delivery and
Enhanced Governance in Rural Uzbekistan”

Summary of Best Practices of Public Private Partnerships in Public Service Delivery



Project Manager: *Abror Khodjaev*

Research Coordinator: *Bakhtiyor Sayfitdinov*

International Consultant: *Marius Birsan*

Design and layout: *Rimma Mukhtarova*

Contacts:

UNDP in Uzbekistan

100029, Uzbekistan, Tashkent city, T. Shevchenko street 4

policybrief@undp.org

www.uz.undp.org

Tel: (998 78) 120 34 50;

(998 78) 120 61 67

Fax: (998 78) 120 34 85

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European Union Delegation in Uzbekistan
United Nations Development Programme in Uzbekistan
Ministry of Justice of the Republic of Uzbekistan
Public Services Agency under the Ministry Justice
of the Republic of Uzbekistan

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Summary of Best Practices of Public Private Partnerships in Public Service Delivery

*Marius Birsan
International Consultant
September 2020*

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Executive Summary

This report was prepared within the framework of the joint project “Improved public service delivery and enhanced governance in rural Uzbekistan”. The project is implemented by the Public Services Agency under the Ministry of Justice of the Republic of Uzbekistan and United Nations Development Programme, and is financed by European Union. The report summarizes the main findings following the desk review of relevant information on Public-Private-Partnerships and similar contracting modalities in Member States of the European Union, related to improving the delivery of public services and goods. The findings of the report will be used to streamline, pilot or test private sector involvement in Public Service Delivery, to organize study tour in the EU and to replicate best practices in Uzbekistan. The Public-Private-Partnerships (PPPs) have various definitions and acceptance across the world. Refining the main principles and approaches of various definitions, PPP is a procurement model in which the value for money is optimized through efficient allocation of risks, whole life service approach, private sector management skills, as well as synergies from inter-linking the design, finance, construction and operations.

The PPP model evolved along the time, with three recognized generations. The United Nations Economic Commission for Europe recently coined the concept of the latest generation – “people-first” PPPs, and coordinated generation of appropriate standards.

The need to involve private capital and expertise in delivering public goods and services derives from the limitations of public resources and the ever-increasing demand of quality public goods and services. Additionally, the adherence of all countries to the Sustainable Development Goals (SDGs) raised the demand, generating an unprecedented financing gap.

The PPPs are not a “silver bullet” solution for the various needs, constraints or preferences. Similar contracting modalities are also used, such as management contracts, Affermage contracts, design-build, or turnkey contracts, financial lease contracts, concessions, outsourcing, Public-Voluntary Sector Partnerships (PVSPs). The differences sometimes are subtle, and the appropriateness of each contracting modality has to be made on a case-by-case approach.

Through the long-term contracting orientation and the volume of generated financial resources mobilized, the PPPs suited mostly to large infrastructure projects. By the time, the need to involve the private sector actors in public contracts determined the creation of new contracting modalities, more flexible and suitable to segment and deliver for smaller public services. Thus, PPPs have been employed in health, education, water and sanitation and prison management sectors.

Together with the trend of digitalization, the public authorities started to rethink the model of delivering “soft” public services, both informational and transactional. This modernization trend needs new approaches and innovation. This is where the private sector (either for-profit or not-for-profit) can contribute with their expertise.

In the European Union, many initiatives of modernizing/digitalization the delivery of public services was achieved with support of the EU Funds (especially EU Regional Development Fund). The private sector was left a few entry points, and successful examples of PPPs in Public Services Delivery in European Union are limited. The few examples of private sector involvement in delivery of public provided in this research paper could constitute feasible entry-points for UNDP in Uzbekistan to understand the suitability of this contracting modality.

In order to understand the needs to be covered, the challenges and opportunities, as well as the lessons learnt from implementing PPPs in PSD, the project team and representatives from Uzbek authorities should participate in a study tour in several EU countries. Depending on the preference and suitability, PPP projects should be visited in Germany, France, Spain and/or Ireland. Additionally, discussions with national, regional and local authorities should be pursued, and - where applicable - with private sector partners. The Annex 1 presents a proposal of the Study Tour.



1. Public-Private-Partnerships (PPP) definition and short history

PPP allow transferring risk away from the public sector to the private and it also relieves the public household. While a public project requires immediate payment against the public budget, the costs within a PPP are spread over the lifetime of the facility. The government pays a user fee to a private operator that bears all costs in advance. There is no real monetary gain for the government, but it allows breaking free from the restriction of the household in the short run. When the contract expires, the government has to buy back the facility, or it will be transferred back automatically. Empirical data show that the performance of PPP is often questionable and vary within the branch¹.

So far, there is no universally accepted definition of a public private partnership.

The World Bank defines PPPs as «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».

The United Nations Economic Commission for Europe (UNECE) considers that the main objective of the Public-Private Partnerships is to increase the expertise of governments to identify, negotiate, manage and implement successful PPPs projects. Not all PPPs are “fit for purpose” for the Sustainable Development Goals.

Summing up the main ideas of various definitions and approaches, PPP is a procurement model in which the value for money is optimized through efficient allocation of risks, whole life service approach, private sector management skills, as well as synergies from inter-linking the design, finance, construction and operations.

¹ Institute of Public Policy Research, Building better Partnerships, (IPR) (2001).

The PPPs have come a long way and evolved over the time. PPP experts talk about **three “generations” of PPPs**, considering the degree of complexity and the form of financial and risk management:

- *The first generation of PPP* was largely done as an accounting exercise to put assets “off the country’s balance sheet”.
- *The second generation of PPP* was developed as a means of providing better services at an overall lower cost than through traditional public procurement, giving tax payers “value-for-money”.
- Currently, *a third generation of PPP* is emerging: partners are more widely spread and include “not for profit” and philanthropic entities. A stronger focus on the benefits of the public in the SDG’s perspective is also envisaged.

The UNECE “Introduction to People-first Public-Private Partnerships in support of the United Nations Sustainable Development Goals”² offers an overview of the modern approaches, and notes that “It is worth noting that for the reason of fiscal sustainability some countries do not treat PPPs as a tool to finance projects or to deconsolidate debt/ create off balance investments. For instance, in Germany and France, PPPs are regarded as only one of the possible delivery methods. The German system even prohibits the use of PPPs exclusively for financing reasons. A PPP is only eligible if it represents the most efficient choice compared to other solutions. In France the rationale for government-pay PPPs is based on the – overall advantages in comparison to alternative delivery methods rather than mere financing and is seen as a way to create appropriate risk incentives to the private partners to ensure quality in terms of service delivery and performance. In both countries, public interest objectives such as the Sustainable Development Goals have to be realized regardless of the delivery method.”

The “people-first PPPs” should be undertakings that simultaneously fulfill the following conditions:

- (a) Increase access and equity to essential services adapted to people’s needs during the project lifecycle (especially to vulnerable groups);
- (b) Have particularly strong economic effectiveness and transformational impact and contribute to fiscal sustainability;
- (c) Are replicable;
- (d) Cut or significantly reduce CO2 emissions, making infrastructure more resilient; and
- (e) Engage effectively with all stakeholders.

² http://www.unecce.org/fileadmin/DAM/ceci/ppp/Standards/ECE_CECI_2019_06-en.pdf



2. Overview on context for PPPs in the world and the need for PPPs

In order to reach equilibrium between the growth and welfare needs and the sustainable development principles, the world countries adopted under the auspices of United Nations the Sustainable Development Goals (SDGs) in September 2015. Under the aegis of SDGs, all countries of the world committed to achieve national targets according to their own needs, challenges and resources. To achieve the multitude of goals, the funding demand is vast. The Organization for Economic Cooperation and Development (OECD) estimates³ that annually there is an average of US\$ 3.9 trillion of investment needed, while the current annual funding levels cover around US\$ 1.4 trillion. The funding basis is made up by the current Official Development Assistance (ODA), amounting US\$ 135 billion. Additional funds are provided through philanthropy, remittances, South-South official assistance, and foreign direct investment (FDI). Together these sources amount to nearly US\$ 1 trillion. Accordingly, the governments and development actors have to organize to cover the outstanding US\$ 2.5 trillion yearly financing gap⁴. Both the public and the private sectors have to reconsider their roles to play, in order to contribute to achieving the SDGs.

Improvement of the financing balance for development can be done on both the revenues and the expenditures sides. While the countries are encouraged to increase the levels of their internal revenues and to make the allocation function more efficient, the focus is placed on mobilizing additional financing resources. The public financing through ODA funds has its limitations, as very few countries have met the target to allocate minimum 0.7 percent of their Gross National Income (as set by the international community under the guidance of OECD). The remaining funds could be partially covered by the private sector through FDI, but those are mainly focused on maximizing the profits for the investors rather than on

³ Development Co-operation Report, OECD, 2017: <http://www.oecd-ilibrary.org/docserver/download/4317041e.pdf?expires=1512485506&id=id&accname=guest&checksum=4D9A9670AC97F665213994A10379363C>

⁴ Financing for Development: Progress and Prospects. Report of the Inter-Agency Task Force on Financing on Development, UN, 2017

the broader benefits of sustainable development. The challenge is to persuade the private sector to get involved in implementing projects pursuing sustainable development together with the public sector, aiming at providing improved public goods and services.

The reluctance of the private sector agents to provide financing is often due to market failures, such as problems arising from asymmetric information⁵. The asymmetry of information is acute when the public and the private sectors in PPPs are compared. Additional constraints stem from lack of investor experience with particular types of investments, economic activities (for example infrastructure), or geographical areas. Attracting private finance sometimes requires closing the financial viability gap (the difference between costs and expected revenues), and using public resources complemented by legislative and institutional improvements to catalyze private financing.

The Public-Private Partnerships are one modality through which the private sector can participate with funds and knowledge into delivering public good and services, in support to public authorities. PPP is defined by the World Bank as “contractual arrangement between a public entity or authority and a private entity for providing a public asset or service in which the private party bears significant risk and management responsibility”⁶.

The PPPs are usually long-term contractual agreements and can play an important role in closing the gaps in delivering public goods and services in situations when governments cannot finance them from state budgets. The services are employed to cover needs in economic sectors such as transport, energy, telecommunications, water, sanitation, healthcare and education. The various forms of PPPs can be capital intensive and service-“lite”, or capital-“lite” and service intensive.

PPPs have become more and more popular in several parts of the world. After the 2008 financial crisis, the amounts mobilized through PPP contracts increased to unprecedented levels (see Figure 1). The World Bank estimates⁷ the use of PPPs in more than 134 developing and transition economies, accounting between 15 and 20 percent of the total infrastructure investment.

⁵ Asymmetric information (AI) is defined as the situation where one party to an economic transaction possesses greater material knowledge than the other party. Besides some positive effects of AI, the negative effect is that individual economic decisions are hypothetically worse than they would have been when all parties possess the same information or knowledge.

⁶ Public-Private-Partnership in Infrastructure Resource Center: <http://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>

⁷ Independent Evaluation Group, World Bank. (2014), World Bank Group support to public-private partnerships: Lessons from experience in client countries, FY02-12 (pp. vi,9). Washington, DC: World Bank.



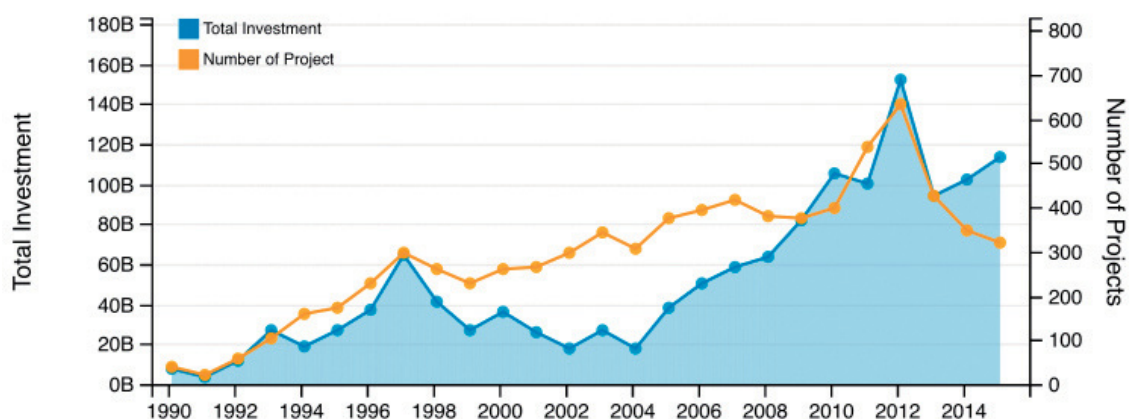


Fig. 1: Total investment (billions of US dollars) and number of PPP projects in low- and middle-income countries, 1990-2015 - World Bank Private Participation in Infrastructure Database - [www. http://ppi.worldbank.org/](http://ppi.worldbank.org/)

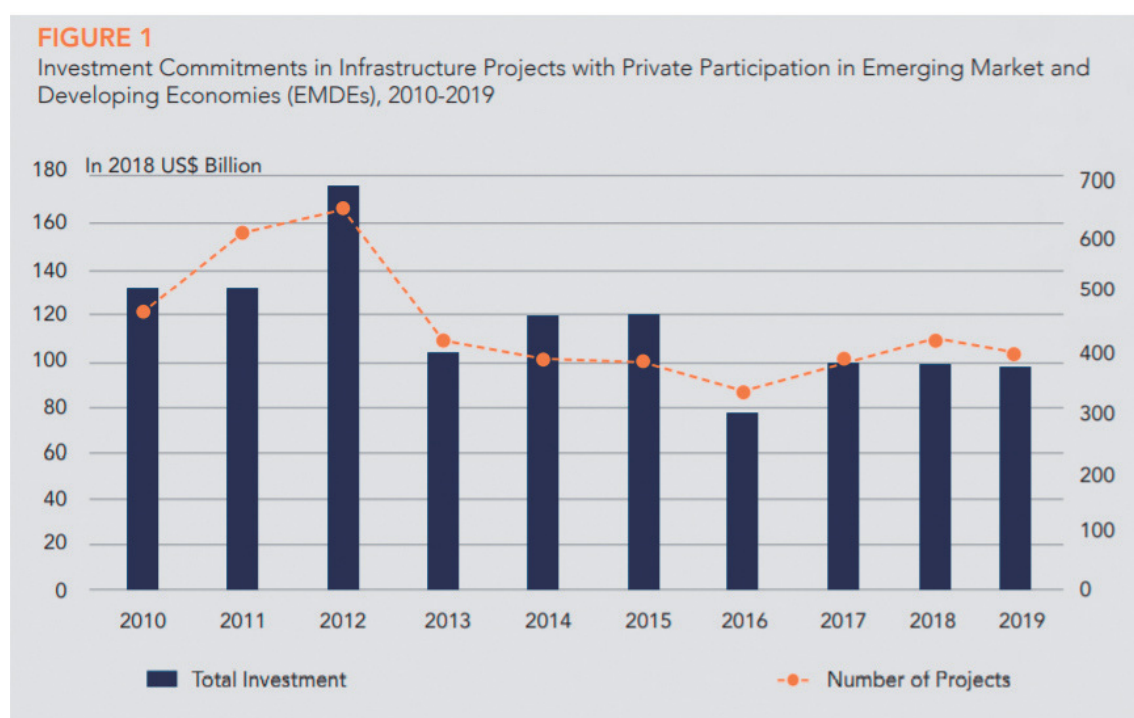


Fig. 2: Total investment (billions of US dollars) and number of PPP projects in low- and middle-income countries, 2010-2019 - World Bank Private Participation in Infrastructure Database - [www. http://ppi.worldbank.org/](http://ppi.worldbank.org/)⁸

⁸ <https://ppi.worldbank.org/content/dam/PPI/documents/private-participation-infrastructure-annual-2019-report.pdf>

The literature on PPP contracting modality mentions a series of advantages along some risks:

Advantages and risks associated with PPPs	
<ul style="list-style-type: none"> - appropriate allocation of risks between the public and private sector; - the adoption of a whole lifecycle cost approach; - introduction of private sector skills; - innovation and a focus on outputs and benefits delivered against agreed service standards. 	<ul style="list-style-type: none"> - availability of appropriate capacity and skills in both the public and private sectors; - the resources that will be required throughout the PPP procurement process; - the relative inflexibility of these long-term structures.

Global Actors in PPPs

The PPP concept is so well developed that there are specific global, regional and national associations and organizations which provide advice and support to PPP establishment and operation. The World Bank, United Nations, OECD and other multilateral / international organizations are deeply involved in the area.

World Bank Group: The PPP Knowledge Lab brings together the most relevant and authoritative resources on public-private partnerships in one location to empower governments and their advisors to design and deliver ‘best in class’ infrastructure projects. It was launched in 2015 by the Asian Development Bank (ADB) with the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IaDB), the Islamic Development Bank (IsDB) and the World Bank Group.

The PPP Knowledge Lab serves the needs of governments and practitioners alike, filling the gap in reliable, trustworthy knowledge about public-private partnerships. While PPPs can be implemented on a one-off basis without any specific supporting legal and institutional framework, most countries with successful PPP programs rely on a sound PPP framework. UNECE: Responding to the requests of the governments in the region, the United Nations Economic Committee for Europe (UNECE) established a Committee on Innovation, Competitiveness and Public-Private Partnerships. Its role is to help all countries in the region to promote a policy, financial and regulatory environment conducive to economic growth, innovative development and higher competitiveness in and of the United Nations Economic Commission for Europe (ECE) region. To implement its goals, UNECE created a



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PPP Team, which coordinated the creation of a International Center of Excellency in PPPs, eight thematic Specialist Centers, PPP Standards and the concept of “people-first PPPs” in the context of Sustainable Development Goals.

OECD: The Organization for Cooperation and Development (OECD) also created three Principles⁹ to implement PPPs in delivering public utilities:

- Establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities;
- Ground the selection of Public-Private Partnerships in Value for Money;
- Use the budgetary process transparently to minimize fiscal risks and ensure the integrity of the procurement process.

PPIAF: The Public – Private Infrastructure Advisory Facility (PPIAF) has been created by a large number of international donors (e.g. IFC, AFD, AusAID, BMZ, Norad, Netherlands, Switzerland, Sweden, UKAid) to support developing-country governments strengthen policies, regulations, and institutions that enable sustainable infrastructure with private-sector participation.

The European PPP Expertise Centre (EPEC) is an initiative of the European Investment Bank (EIB), involving the European Commission and many European countries, and is part of the Advisory Services of the Bank. Its activities are (I) sharing good PPP practice through network activities; (II) assisting PPP policy development; and (III) Supporting upstream PPP project preparation.

In several countries, PPP structures have also been created by the Governments, to support governmental bodies and private investors in designing and implementing PPP projects. Mostly, the Ministries of Finance or Economy organized PPP Task Forces or PPP Knowledge Centers. The World Bank’s Legal Resource Center¹⁰ list the following Centers in the EU: Belgium (Flemish PPP Knowledge Center, Wallonian PPP Unit); Bulgaria (MoF); Croatia (Agency for Public-Private Partnership); Denmark (Danish Business Authority); Estonia (Public Procurement Centre); France (three structures); Germany (PPP Task Forces in Lower Saxony and in North-Rhine-Westphalia); Greece (Special Secretariat for PPPs); Italy (Italian PPP Task Force); Latvia (three structures); Lithuania (Central Project Management Agency); Malta (MoF); Netherlands (two structures); Poland (two structures); Portugal (Unidade

⁹ <http://www.oecd.org/governance/budgeting/PPP-Recommendation.pdf>

¹⁰ <https://ppp.worldbank.org/public-private-partnership/overview/international-ppp-units>



Técnica de Acompanhamento de Projetos (UTAP); Ireland (two structures); Slovakia (Slovak PPP Association); Spain (Sociedad Estatal de Infraestructura des Transporte Terrestre (SEITT)).

In the Central Asian Region, only Kazakhstan has already an operating PPP body - Kazakhstan PPP Center (<https://kzppp.kz/>) and Uzbekistan has an operating PPP body - Uzbekistan PPP Development Agency (<https://pppd.uz/en/>)

Enabling Factors for successful PPPs

For the private business operators, PPPs resemble any other investment, measuring the time, human and financial resources invested on one hand, and the margin and return on investment. Ultimately, the final question is - “What benefit is in this for me?”.

Nevertheless, the private sector has some basic requirements which can affect their interest in and level of commitment to the partnership. The following are sometimes considered essential:

- A stable policy environment;
- A transparent regulatory framework applied consistently throughout relevant sectors;
- Openness and embrace of Innovation and Technology within relevant sectors;
- Predictable and reliable engagement with the public sector;
- Application of a Win-Win-Win philosophy for each of the participating groups (Society, Public and Private sectors).

In order to increase effectiveness of PPPs and achieve wider acceptance, the US-based National Council for Public-Private Partnerships (2016)¹¹ lists seven success factors:

- 1) Recognized public figures should serve as the spokespersons and advocate for the project and the use of PPP modality (public sector champion);
- 2) There should be a statutory foundation (environment) for the implementation of each partnership;

¹¹ <https://www.ncppp.org/>

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- 3) The public sector should have a dedicated team for PPP projects or programs (dedicated structures);
- 4) The PPP contract should include a detailed description of the responsibilities, risks and benefits of both the public and private partners (in a detailed contract / business plan);
- 5) While the private partner may provide a portion or all of the funding for capital improvements, there must be an identifiable revenue stream sufficient to retire this investment and provide an acceptable rate of return over the term of the partnership;
- 6) It is important to communicate openly and candidly with all stakeholders to minimize potential resistance to establishing a partnership;
- 7) Pick your partner carefully: ...a candidate's experience in the specific area of partnerships being considered is an important factor in identifying the right partner. Equally, the financial capacity of the private partner should be considered in the final selection process.

PPPs can take various forms and are perceived differently across the countries of the world (including cases when the PPP contracts are alleged to bear hidden agendas). For these partnerships to be widely accepted and developed, a standardization-like regulation and transparency of the PPP modality are started¹². As the stakeholders are so diverse, the roles they play and the goals they pursue are also different. The reasons why PPPs attracted controversy were mainly due to lack of transparency, flaws in reporting and accounting models, and the unclear suitability of the PPP model based on its record and experience for implementing the SDGs.

¹² See the UNECE "people-first" Standards in PPPs: <https://www.unece.org/ppp/standards.html>



3. Role of private sector in Public Service delivery (in European Union)

In the European Union, welfare systems are at the heart of the European social model. Their role is to promote the well-being of citizens through high levels of social inclusion and protection. Up to the 1970s, across Europe, delivery of public services was almost exclusively the responsibility of the state. Since then, many Member States have extended the role of the private sector in delivering public services in pursuit of **improved choice, quality and efficiency**.

An analysis from Cornell University (2015)¹³ presents some important findings related to private sector involvement in PSD:

- In Spain, Sweden and the UK, the opening of service provision to market competition has been mainly policy-driven. In Lithuania, the expansion has been more bottom-up, with private providers being established to fill gaps in public service delivery, before the adoption of policy on tax-paid private provision;
- Provision of public services and the role of private providers in their financing, delivery and management are regulated across Member States mostly at sector level, with no evidence of all-encompassing regulation of public services at national level in any of the case study countries;
- Sweden increased their outsourcing of public services, aiming at preserving access and quality simultaneously (by solving a capacity problem in employment services when the number of recipients increased);
- In Lithuania, Spain and UK, outsourcing of public services led to increased co-payments on the part of service users, especially in

¹³ <https://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=1477&context=intl>

long-term care. Employment services were an exception to this trend, remaining tax-financed across all cases.

- As most of the public services are too small to be suitable for proper PPPs, other contracting modalities to involve the private sector are public procurement procedures and voucher schemes that aim to maximize user choice. When contracting authorities employ procurement procedures, the established selection criteria, especially in the case of long-term care, favor price over quality in Spain and the UK. In Sweden, quality outweighs price. In Lithuania, public procurement is not used in the management of public services.
- Potentially, non-profit actors could also involve in providing public services. However, the non-profit sector cannot compete for large procurement contracts against consolidated private for-profit firms that benefit from economies of scale. In this case, the state should create special incentives in case this sector should be developed;
- In case of involving private sector in delivering PSD (either through PPP or other modalities), several areas should be clarified before engaging the private actors: coherence, monitoring and evaluation, risk management.



4. Public Service Delivery Sectors applicable for PPPs

The concept of Public Private Partnership working is well established and has been in use for many years in many developed and developing categories, as well as in Uzbekistan. The PPPs are common in (big) infrastructure projects, where the private-sector's finances, technology and innovation help provide improved operational efficiency, while the public sector side provides the necessary facilitating framework with incentives for the private sector to deliver projects on time and within budget. Due to the high costs, PPPs are often found in the provision of transport infrastructure (highways, airports, railroads, bridges and tunnels) as well as in municipal and environmental infrastructure (water / wastewater facilities). In other areas of public interest (except big infrastructure), the PPP Knowledge Lab mentions the following topics¹⁴:

- *Water and waste*: bulk water treatment; water distribution and sewerage systems; solid waste management services;
- *Power*: generation assets; distribution systems;
- *Social and government infrastructure*: Education (school facilities and services); Health (hospitals and other health facilities and services); Prisons; Urban regeneration and social housing projects

The European Commission's "Green Paper on Public-Private Partnerships and Community Law on Public Contracts and Concessions"¹⁵ mentions (besides infrastructure projects of the trans-European transport network) only innovation, and research and development as target areas for PPPs. In a communication from the European Commission to the Council and Parliament ("Public finances in the European Monetary Unit"), the Commission advises that for each project, it is necessary to assess whether the partnership option offers real value added compared with other options, such as the conclusion of a more traditional contract.

¹⁴ <https://pppknowledge.org/guide/sections/8-how-ppps-are-used-sectors-and-services>

¹⁵ <https://op.europa.eu/en/publication-detail/-/publication/94a3f02f-ab6a-47ed-b6b2-7de60830625e/language-en>

The Eurostat (the Statistical Office of the European Communities) released a decision (STAT/04/18) on the accounting treatment in national accounts of contracts undertaken by government units in the framework of partnerships with non-government units (PPPs and similar). Eurostat recommends that the assets involved in a public-private partnership should be classified as non-government assets, and therefore recorded off balance sheet for government, if both of the following conditions are met: 1. The private partner bears the construction risk, and 2. the private partner bears at least one of either availability or demand risk.

In other sectors relevant for public service delivery, ways to involve the private sector are similar to, but are not considered as PPPs:

- **Management contracts:** they do not share the long-term characteristic of PPPs, the significant private capital investment, and the high level of responsibility for long-term performance brought by investment in assets. Performance incentives are created primarily through payment and penalties schemes. Being performance-based, they have a role to play where the private sector is not willing to invest, or where government is not willing to make a long-term commitment. Similar contracting forms are Operations and Maintenance (O&M) and performance-based maintenance;
- **Affermage contracts:** An affermage is one type of a delegated management contract in the private-public partnership (PPP) spectrum. Under this type of a contract, the operator is responsible for operations and maintenance. The operator collects the tariff directly from consumers on behalf of the contracting authority (CA). The CA is usually responsible for major rehabilitation and new capital works. However, the contract defines the exact terms and responsibilities for financing and implementing maintenance, rehabilitation and new works;
- **Design-build, or turnkey contracts:** include similar output-based specifications; however, as shorter-term contracts that do not include maintenance or operation, they do not create the same long-term performance incentives as PPPs. Design-build contracts are short-term contracts, with no long-term responsibilities allocated to the private party;

- **Financial lease contracts:** are long-term contracts for providing public assets. However, these contracts transfer significantly less risk to the private party than PPPs because government maintains a larger proportion of risk than it normally would in a PPP. Financial lease contracts do not transfer significant responsibility for management and performance to the private party. They are not expected to produce significant improvements in service performance, or to reach efficiency savings.
- **Concession:** whereby the public authority (known as the «concession authority»), grants the private company (known as the «concessionaire»), the right to use its assets. the concessionaire is responsible for the operation of the infrastructure and the public services and bears the risks and costs related to the administration of the existing infrastructure and assets, as well as any new facilities. The concessionaire bears responsibility for all the related investments and is remunerated by citizens. Not surprisingly, a concession is a long-term agreement. In the field of Identity Management, ten years constitutes a minimum to amortize investments and cover risks. The public authority retains ownership of its assets. This ownership includes any assets acquired by the private company during the concession period. At the end of the contract, the public authority recovers its assets in its correct State;
- **Outsourcing:** facilitates the transferal of existing business functions (or complete service provision) to a third-party provider, enabling these outside resources to perform activities which were previously handled in-house. One of outsourcing's most significant benefits is the fact that it can help public sector organizations to intensify their focus on core competencies (their sovereign functions), while allowing other providers to carry out functions in which they have proven in-depth capabilities. Other benefits can include reduced cost, improved performance, enhanced flexibility (making fixed costs variable, for example), the avoidance of capital expenditure and providing access to best practice. However, caution should be exerted: A Forrester Research¹⁶ estimates that failure rates from all outsourcing initiatives can range from 25% to as much as 50%.

¹⁶ How to succeed in outsourcing through strengthened governance



- **Public-Voluntary Sector Partnerships (PVSPs):** Partnerships between public and voluntary sector organizations allow “profit” to be reinvested in service delivery and/or in the surrounding community, instead of being distributed to the shareholders of commercial entities. A research report¹⁷ states that in UK, by 1980, the overwhelming majority of social services was delivered by government agencies – with just 14% being provided by private firms or voluntary organizations. Less than two decades later, NGOs were providing 40% of social services.
- **Build Operate Transfer (BOT):** a private party or concessionaire retains a concession for a fixed period from a public party, called principal (client), for the development and operation of a public facility. The development consists of the financing, design and construction of the facility, managing and maintaining the facility adequately, and making it sufficiently profitable. The concessionaire secures return of investment by operating the facility and, during the concession period, the concessionaire acts as owner. At the end of the concession period, the concessionaire transfers the ownership of the facility free of liens to the principal at no cost.
- **Build-Own-Operate-Transfer (BOOT):** funding modality and a form of concession in which a public authority makes an agreement with a private company (concessionaire) to Design Build, Own and Operate a specific piece of an infrastructure such as power, transport, water, and telecom industries, within receiving the right to achieve income from the facility under a period of time (concession period approximately 15-25 years), and later transferring it back into public ownership through a single organization or consortium.

A simple comparison between the PPP model and the concession is shown below:

The PPP model	The Concession
Public authority pays for the service	The private company acts on behalf of the public authority
Public authority keeps the public service mission	The citizen pays the private company for the service
A private company acts as a supplier to the public authority	The citizen pays the private company for the service

Table 1: Main differences between PPPs and Concessions

¹⁷ Government by Network. The New Public Management Imperative, A Joint Study by Deloitte Research and the Ash Institute for Democratic Governance and Innovation at the John F. Kennedy School of Government at Harvard University



A comparison between PPP, BOT and BOOT, made by a research team from the University of Calgary¹⁸, highlights the following:

“The definition of BOOT and BOT is very close together and the only difference is the ownership of facilities in BOOT and because of this, quality of the work is vital to private. BOOT is more efficient because the ownership of facilities prepares a better environment for management. The BOOT contracts have the tendency to work well when the purpose of the project is to offer a service, but if the aim is to improve a service or make more efficient a system, this modality is not recommended. These methodologies increment the complexity of the financial study.”

In PPP, private sector has a role as engineer or constructor. Ownership, operation and financing are the public role. On the other hand, a pure private is responsible for all matter. In BOOT final owner is public, but concession for a long period of time (25-30 year) is regarded to private. The ownership shifts from public to private as we move from PPP to BOOT. Also, private sector accepts more risk and preparing capital investment in BOOT/ BOT.”

A study commissioned by the European Commission - “Resource Book on PPP Case Studies”¹⁹ presents a list of case studies, where PPPs are sub-categorized in several contracting modalities: Joint Ventures, Concessions, Service Agreements, BOT:

Distribution of PPP Structures

<i>Cases</i>	<i>Joint Venture</i>	<i>Concession</i>	<i>Service Agreement</i>	<i>BOT / DBFO</i>
<i>Apa Nova, Romania</i>		X		
<i>Scottish Water, UK</i>	X			
<i>Scottish PPP, UK</i>				X
<i>BerlinWasser, Germany</i>	X			
<i>Constanta, Romania</i>		X		
<i>Dublin, Ireland</i>				X
<i>Karvina Czech Rep</i>			X	
<i>Trencin, Slovakia</i>			X	
<i>Dwy Cymru UK</i>		X		
<i>Schwerte, Germany</i>	X			

Fig. 3: Typologies of public-private projects in the EU

Another representation of contracting modalities under the PPP model is presented in the table below:

¹⁸ Analytical comparison between BOT, BOOT, and PPP project delivery systems
¹⁹ https://ec.europa.eu/regional_policy/sources/docgener/guides/pppresourcebook.pdf



Modality	Type
Type I: Variants of design-build-finance-operate where the private sector designs, builds owns, develops, operates and manages an asset with no obligation to transfer ownership to the government	<ul style="list-style-type: none"> • Build-Own Operate (BOO) • Build-develop-operate (BDO) • Design-construct-manage-finance (DCMF)
Type II: The private sector buys or leases an existing asset from the government renovates, modernizes and/or expands it and then operates the asset. The private sector has no obligation to transfer ownership back to the government.	<ul style="list-style-type: none"> • Buy-build-operate (BBO) • Lease-develop-operate (LDO) • Wrap-around-addition (WAA)
Type III: The private sector designs, builds and operates and then transfers the asset back to the government at some specified time. After transfer the private sector may rent or lease the asset from the government.	<ul style="list-style-type: none"> • Build-operate-transfer (BOT) • Build-own-operate-transfer (BOOT) • Build-rent-own-transfer (BROT) • Build-lease-operate-transfer (BLOT) • Build-transfer-operate (BTO)

Adapted from: International Monetary Fund, “Public-Private partnerships”, March 2004.

If PPPs are very suitable for (large) infrastructure projects, due to need of transferring financial burden to the private sector, for other public services, the suitability is limited. In the European Union, the PPPs are increasingly utilized in delivering social services of general interest (SSGIs). In early childhood education and care (ECEC), private funding in Member States in the OECD varies from 5% or less of overall funding in the Benelux countries to upwards of 25% in Austria and Germany (OECD, 2013).

The largest sector where private capital is involved is the healthcare, and comes second only to transport in terms of number of transactions and value of PPP projects. Education – the third largest sector in terms of number of deals and fourth largest by aggregate value – has shown a 33% decrease in PPPs over 2013 (European Public-Private Partnership Expertise Centre (EPEC) data).

Of all EU countries, the UK has by far the largest PPP uptake; in 2014, its aggregate value of PPP projects amounted to €6 billion. Other Member States with high PPP values include Belgium, Germany, Italy and the Netherlands, among others. The countries that joined the EU since 2004 have a very low uptake of PPPs; none appears among the 10 Member States with the highest PPP uptake.

Besides clarifying PPP-related concepts, the current research material plays a role in facilitating ideas-generation for involving private sector in delivering public services



delivery in Uzbekistan. For the sake of example, examples of involving private sector are presented below, even if technically they are not considered a Public-Private Partnership:

PPPs in Water, Waste and Sanitation

The World Bank estimates that “today, at least 663 million people lack access to safe drinking water and 2.4 billion lack access to improved sanitation” and “by 2050, at least one in four people is likely to live in a country affected by chronic or recurring shortages of fresh water”.

Water and sanitation systems still face significant capital costs in order to develop or extend water and sanitation systems to meet demand. It is often considered that the key challenge for water and sanitation systems is the public’s sensitivity to tariff rates. Governments are naturally reluctant to raise tariffs. Yet keeping tariffs low (or non-existent) does not reflect the actual cost of production.

Worldwide, the private sector involvement in water and sanitation proves controversial success. Positive experiences occurred in private sector involvement in the reuse of wastewater for irrigation, building of small-scale water and sanitation systems, and urban water and sanitation solutions. Stand-alone PPPs in desalination and wastewater treatment plants have also been successful, as were also the use of performance based, efficiency gaining lease and management contracts for reducing leakage in systems or expanding overall connectivity.

PPPs in Prisons management

In prisons management, the PPP model is relatively popular in the United States. In the European context, the preferred contracting modality is “privatization”. The privatized correctional services have to follow the European Prison Rules, set by the Council of Europe in 1973.

In Europe several models for private sector involvement in prisons are established:

- public finance, design and construction with private management contracts for all services;
- public finance, private construction, the state employs the prison officers but all non-custodial services are contracted out;



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- private finance, design and construction, the state employs the prison officers but non-custodial services are contracted out; and
- private finance, design, construction and operation.

The last contractual arrangement is the preferred one by the private sector.

Examples: semiprivate prison is being developed at Hunfeld, (Germany). Other semi-private prisons are being developed in Saxony-Anhalt and North Rhine-Westphalia, while states such as Mecklenburg-Western Pomerania, Baden-Württemberg are also considering public-private partnerships for new prisons.

In Hungary, where at the end of 2004 the prisons were overcrowded by 40%, the government is using 15-year PPP contracts for a 700-bed prison being constructed at Szombathely and Tiszalok. The private actors do not provide custodial services, prisoner registration or on-site medical facilities. Several years after commencement of operation, a report of the Helsinki Committee²⁰, notes that “at Tiszalök Prison, which is one of the two prisons in Hungary involving private contractors, the programme of activities for prisoners did not correspond to the expectations. In their response, the Hungarian authorities indicate that action has been taken to create more workplaces at that establishment”.

Other analysis on performance of private prisons vs. public ones found (in France or Netherlands) that the government has no method for quantifying cost or value for money, nor for making a direct comparison between semi-private and public prisons.

In Europe the private prison operators are: Serco, Group 4 Securicor, Sodexho and GSL. In France GEPSA operates non-custodial services in 16 prisons. These companies have been joined by US firms The GEO Group Inc, Management & Training Corporation (MTC) and Cornell Companies Inc after the chief executive of the National Offender Management Service (NOMS) in England and Wales invited these companies to bid for new contracts.

Education and Health sectors are also suitable for projects implemented through PPP modality, with various degree of success including in the European Union (mainly United Kingdom). Other areas where the private sector showed interest are meteorology²¹ and tourism.

²⁰ <https://www.helsinki.hu/en/cpt-report-on-hungary/>

²¹ <https://public.wmo.int/en/bulletin/partnership-between-private-and-public-sectors-service-delivery>





5. PPPs and delivery of other public services

The big infrastructure projects are well covered around the world and in the EU with examples, case studies and lessons learnt. Also, the health and education sectors are well covered with analysis. When it comes to communal services, mainly the water and wastewater supply are covered. Energy production and distribution, as well as the gas distribution, for example, barely have examples in the European Union, as different approaches are preferred to PPP.

In delivering other public services in line with the digital economy, several recent examples emerge, especially in creation of a set of “Key Enablers” (technical pre-conditions) which are needed: Identification (eID), Electronic documents (eDocuments), Authoritative Sources, and Digital Post.

Austria

In education, one of the latest PPP projects is the “Berresgasse educational campus” in Vienna. The campus on Berresgasse combines kindergarten, school, and active leisure at a single site. Children up to the age of 14 have been receiving full-time teaching and care since 2019. Over the coming years, the school will accommodate up to 1,100 children. The Austrian company Porr offered services in financing, planning, construction and the subsequent building operation. The total budget was of EUR 21,9 million.

A new energy production PPP project started in Austria: a Fuel Cell and Hydrogen Joint Undertaking (FCH JTI) is the H2Future project in Austria, an example of green hydrogen production by using green electricity. Its goal is to create hydrogen for a wide spectrum of use cases in what is planned to be the worlds largest electrolysis facility. The project needs an investment volume of 18 million Euros, and is being carried by four industrial and two research partners supported by the Fuel Cells and Hydrogen Joint Undertaking from Belgium.

Denmark

Denmark invests in e-government to harvest broader societal benefits and strengthen also a public sector more responsive to the changing needs of people and business. It does so by focusing on a coherent digitization of government processes rather than singularly on e-government as an individual policy area (e.g. de-bureaucratization strategy).

The efforts not only address the supply side, but equally the demand side:

- Enhances the public awareness of existing e-government services through a targeted promotion and marketing effort to motivate and increase use;
- Incorporates in public service design and delivery the views of citizens and businesses' in order to reflect their needs and raise the services' increased effectiveness, quality and responsiveness.

The first concrete steps were done in 2001-2003, with introduction of digital signature and E-mail communication between authorities and citizens. After two more stages (2004-2006, 2007-2010), the next one was implemented between 2012 and 2014. To operate efficiently, a Data Hub was created to provide access for public authorities and private companies to updated basic data on companies, properties, persons, addresses and maps. The Danish company KMD (www.kmd.dk) implemented the Hub. The Data Hub replaces a number of local public distribution solutions and ensure that authorities and companies have easy and safe access to basic data in a single system instead of many different systems and interfaces.

However, in the Danish model, the private sector involvement is limited - private vendors are contracted for the implementation of individual initiatives, and generally participate in the relevant programme and project steering committees and working groups. PPP model is not used.

One entry point could be that higher take-up levels of digital identification can be reached when working closely with the private sector (Denmark's experience).

France

In 2004, the Ministry of Health in France initiated a project aiming at introduction of the Electronic Medical Record - Dossier Médical Partagé (DMP). The goal was to implement a program subsidized by the State, but operated by health professionals and patients, for their own benefit. Not only the patients and health professionals are the main beneficiaries of the DMP System, they were also the principal driver behind the program's initiation. The DMP program involved both users and suppliers of medical information in the remodeling of national medical records. The project was implemented with support from Syntec (a syndicalist confederation), Lessis (professional association) and the consulting company "PriceWaterhouseCoopers" as external contractor, and the beneficiaries supported through the Public-Voluntary Sector Partnerships (PVSPs) modality.

An infrastructure project in northern France was implemented through concession, comprising design, building, financing, operation, maintenance and commercialization of a publicly-owned passive-fiber broadband public initiative network in low-density areas of the Nord Pas-de-Calais, France. The project with a total cost of approx. EUR 478 million was signed on November 2016. The project is in implementation stage, but the expected positive changes and benefits for society are clear.

Aquanova America, Saint-Dié-des-Vosges - The municipality of a small city (21,000 inhabitants) decided on the need to build a new aquatic center as a necessity to attract people and tourists to the city and help boost the local economy. Following a competitive dialogue process, the aquatic center project was ultimately awarded to Groupe Duval, a consortium comprising Patrimoine & Partenariats Publics as the investor, Dalkia France as the facility maintainer, and Espace Récréa as the facility operator, pursuant to a 25- year contract. Initially, the city considered using a concession model to finance the project. After a year of consideration, however, it decided to use an availability-based contract. Under this scheme, the private partner is paid by performance-based maintenance, meaning it is paid a standard availability fee with penalties for below-standard performance.

Under the resulting agreement, the private consortium undertook to design, finance, construct, maintain, and operate the aquatic center. The project value was forecasted at about EUR 18.5 million (USD 21 million). Construction of the facility began in June 2012 and was completed in January 2014.



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Under the agreement, the agreed maximum response time to a failure in the water treatment system is one hour. If the operator fails to rectify the negligence in time, it must pay a penalty of EUR 100 (USD 114) per hour of delay. The parties further agreed that the availability fee payable by the city would not exceed the price the city had been paying for its previous swimming pool facility. The private sector partner is also entitled to collect all revenue from aquatic center visitors, which was forecast at an estimated EUR 1.1 million (USD 1.25 million) per year. At the same time, 82 percent of the revenues generated by the project are subject to added value taxes (VAT). The VAT is expected to generate substantial revenues for the city.

The requirement that the city does not pay an amount in excess of that paid for the previous swimming pool also incentivizes the private sector to be innovative in generating revenues from the center, which in turn benefits the municipality through its VAT.

Reconstruction, Management, and Maintenance of Street Lighting and Other Public Facilities, Juvignac - Due to a significant increase in population, the city of Juvignac in France needed to adapt its infrastructure services quickly and efficiently. To this end, it decided to pursue a PPP to renovate, manage, and maintain its public lighting installations, traffic lights, video surveillance, and the civil engineering works for the city's high-speed communications network. Through a competitive bidding process initiated in 2013, a private company called SPIE Sud-Ouest was awarded a PPP contract with a duration of 18 years and an estimated worth of EUR 8.8 million (or USD 10 million). Under the PPP agreement, the private partner is responsible for replacing the city's street lighting in two phases, as well as upgrading the traffic lights at six intersections, installing a video surveillance network comprising 12 cameras connected to a PC, and completing 9.4 km of civil engineering works for the high-speed communications network. The availability level was set to street lighting failure rate not to exceed 0.5 percent (no more than 10 of 2,000 lighting points may be out of order at the same time) and outages should be remedied in less than one hour.

Germany

In May 2007, the Bertelsmann subsidiary "Arvato direct services GmbH" and the city of Würzburg agreed on the «Würzburg integriert!» PPP. Arvato was to develop a central eGovernment platform through which all administrative acts for citizens could be carried out digitally: vehicle and resident registration, parking tickets, birth and marriage documents,



pet tax, lost property office, driver's license requests, registration of new businesses. This aim was to make official procedures more efficient and to cut 75 jobs within 10 years.

Arvato pre-financed the project and was supposed to be paid on a results-related basis. The project came to a standstill in 2008, and in 2010 it was practically terminated. Foreseeable problems of the project were: not all citizens have Internet access and security gaps in access and within the administration. In addition, the municipal employees did not want to help cut their jobs themselves.

Arvato quit and demanded 4.58 million euros in damages. The usual procedure for PPP projects followed: As agreed in the secret text of the contract, in the event of disputes, the contracting parties may not initially go to a public court, but instead form a private arbitration tribunal that also meets in secret. In this case, a Berlin-based lawyer would act as private arbitrator. Finally, the out-of-court settlement was reached at the end of September 2013. The result: The municipality waived its claims and pays Arvato 535,500€.

A PPP project implemented to improve water services in Berlin. The public operator - BerlinWasser Holding - was privatized in 1992 through a European wide tendering process, which resulted in the constitution of a PPP in the form of a joint venture between Berlin City and an international consortium (RWE Aqua GmbH, Allianz Capital Partners GmbH and Veolia Deutschland GmbH (formerly Vivendi of France)). BerlinWasser operates 11 water works for water supply and 7 wastewater treatment plants. The agreement reached between Berlin and the consortium provides that Berlin maintains control of the company with a 50.1% stake, while the minority 49.9% stake is retained by three private enterprises. The PPP aimed at restructuring and reorganizing the company to introduce new management methods and expertise to the water and waste water system, and to bring in an investment of up to 250 mill EUR. In addition, a loan of 420m Euros was granted by EIB to support the investment needs of the company.

During the contract implementation, Berlin Wasser experienced a liquidity crisis due to the large amount of new investments required, a 9% interest rate on contracted debts and the weight of the concession fee. This was resolved through an agreement between the Berlin State and the company for a debt guarantee of € 361 million, shared in equal part between the public and the private counterpart.

On important lesson learnt from this project is that "as attractive as the contract provisions appear in the context of the needs of a transition economy, the operator faced



unmanageable conditions. This included the fact that BerlinWasser had to pay a rent to the public authorities for the concession to operate the water system and may have been over burdened by the social considerations.

Stadtentwässerung Schwerte GmbH is the municipal waste water operator in the city of Schwerte, in the German state North Rhine-Westphalia (NRW). It was founded as a company in 1993, and it was the first public-private joint venture in the sector in Germany.

The most important reasons for developing the “Schwerter Model” were growing problems in ensuring technical, quality and environmental standards. To avoid further increases in tariffs the help of private capital and management know how in a PPP joint venture appeared as a possible solution. After a European wide tendering process, prequalification, due diligence and two years of negotiations the “Schwerter Model” was completed. Hochtief Projektentwicklung GmbH, Philipp Holzmann AG and Heitkamp Umwelttechnik GmbH as enterprises with international experience signed a “memorandum of understanding” (framework contract) with the municipal waste water managers and the city treasury.

The main lessons learnt of the Schwerte model are

- Existing structures can be used to integrate public and private parties provided that there is sufficient flexibility to allow each to operate effectively;
- Future developments and intentions of the parties should be clearly elaborated in order to avoid misunderstandings affecting investment strategies. Political statements are not sufficient to provide sufficient confidence;
- An extensive “memorandum of understanding” is a helpful framework in the preliminary stage of public-private negotiations after the tendering process. This helps to define the boundaries of a project and each party’s responsibilities. However, it should maintain sufficient flexibility to allow negotiations and adaptations.

Mülheimer Entsorgungsgesellschaft mbH (MEG) - To participate in the increasing volume of private capital and know how in the emerging regional market, the city of Mülheim in 1994 invited two private partners to found the public-private MSWM enterprise “Mülheimer Entsorgungsgesellschaft mbH” (MEG limited). 25.1% of the shares belonged to the city. The 74.9% of private shares were divided equally between one international (Trienekens AG)



and one domestic waste enterprise. Following several rounds of testing and negotiations, there are two stages of MEG. The lessons learnt after this PPP are

- restricted competition and concentration on one private party in the development phase implies risks in effectively addressing the multidimensional set of economical, technical, quality and environmental objectives;
- these risks included lack of public information, potential for increased costs, corruption allegations and insufficient competition to promote efficiency gains and technological improvements;
- a new landfill for hazardous waste and technical facility for biological waste have been built, which are used by different municipals in the Ruhr area and therefore help to improve the cooperation between different municipalities slightly by using the “simple” instrument of service contracts.

Ireland

Grangegorman PPP: With support from the EIB, in 2013 a PPP project was proposed – the consolidation of the Dublin Institute of Technology (DIT) into a single campus. The project includes financing, design, construction and maintenance of two buildings on this site: The Central Quad (College of Science and Health) and the East Quad (College of Arts). The Grangegorman project is considered strategic for the development of higher vocational and professional education in the country. The total cost was of EUR 253 million and the project was started in 2018.

Another PPP project with support from EIB was implemented since 2016, with a total estimated value of EUR 142 million in the health sector. The project is owned by the National Development Finance Agency (acting on behalf of the Minister for Health and Health Service Executive) and included the development of up to 14 primary care centers including accommodation for the primary care team and general practitioner services. The main benefit that is expected to arise from the project is better access to primary healthcare and social services in the regions of Ireland. The ability to introduce new models of service delivery in purpose-built facilities and additional services that are currently not available in the area is expected to increase the efficiency and effectiveness of in- and outpatient services, including a more cost-efficient service provision.



Dublin Region Waste Water Scheme – the Dublin Bay Waste Water Treatment Plant was developed through a PPP, one of the projects developed under a broader framework in Ireland (2000–2006). This PPP operates as a design–build–operate (DBO) project and is part funded by the E.U. Cohesion Fund, the Department of the Environment, Heritage and Local Government and Dublin City Council, and non–domestic users. The treatment plant is responsible for treating wastewater arising from consumers, both domestic and commercial, in the Greater Dublin Area. The wastewater treatment uses Sequencing Batch Reactors, in a 2–story configuration, with UV disinfection of the final effluent to ensure bathing water standards in Dublin Bay. Waste sludge generated by the process is further treated by a combination of Thermal Hydrolysis, Anerobic digestion and Thermal Drying. The dried sludge by–product of the process is turned into pellets to be used as fertilizer for farming. The Ringsend plant is the only facility in the world to use this combination of treatments.

The contract has been awarded through a public bid to an international consortium, which is formed by Ascon (IRE), Black & Veach (UK) and Anglia Water (UK). The operational phase of the contract for the treatment plant has been awarded for 20 years. The contractor is paid for the operation of the plant. The Municipality sets the tariffs and collects the revenues from non–domestic consumers only, since domestic consumers do not pay for water treatment in Ireland. Non–domestic consumers pay a tariff, which takes into account the amount of un– treated discharges. The tariff is set at a level sufficient to cover both capital and operating costs. No profit sharing is envisaged. The assets remain publicly owned. The costs sustained by the local authorities to operate the plant are covered by the revenue collected from the non– domestic consumers and by a local fund allocated by the National Government. The overall cost of the project amounted to €265 million, of which €133 million was provided under the Cohesion Fund as a Grant.

Latvia

One example of entry point for the private actors in delivering PSD is present in Latvia. The national electronic ID is currently not as widespread and thus has not become the default tool for citizens' online identification authentication. This lack is compensated for by an open eID policy, establishing an ecosystem allowing private sector providers to play a major role: Internet banking authentication has, therefore, become the de facto default tool for receiving government services, thus providing a unified tool for public and private digital services with a relatively high level of take–up.

Other than this contribution, the private sector is not present in delivering public services. A study²² performed by United Nations University in December 2018 confirms that supposition, in all three countries of research, where information on private sector involved in PSD could not be evidenced:

Table 12: availability and take-up of key e-Government enablers.

	AVAILABILITY			LEVEL OF TAKE-UP			
	LATVIA	DENMARK	UK	LATVIA	DENMARK	UK	
National eID or other eID solution recognised for public services ¹⁸	yes ¹⁸	yes	yes	15,4% (300'000)	71,8% (1.42 million)	87,4% (4,9 million)	2,3% (1,5 million)
Official digital post	yes ¹⁹	yes	no	0%			n/a
Once only principle ²¹	general principle	for specific data sets	for specific services	n/a			n/a
National data exchange platform	yes ¹⁸	yes ¹⁸	no	n/a			n/a
e-Services usability standard/guides	yes/no ¹⁸	yes	yes	Mandatory for Latvija.lv e-Services	Mandatory for major e-Services at all government levels	Mandatory for all central government e-Services	
Is there a compliance process?	yes/no ¹⁸	yes	yes	Screening: VRAA (citizens' portal). No escalation foreseen.	Screening: portals. Compliance: agencies. Escalation foreseen.	Screening: GDS. Compliance: agencies. Escalation foreseen.	
National citizens' portal	yes	yes	yes	Key platform for central government information and e-Services, information loosely linked to the local level.	Key platform for information and e-Services at all levels of government	Key platform for central government information and e-Services, deep links to the local level.	
Linked private sector info?	no	no	no	n/a			

¹⁸ Most public services are available means of internet banks: the proportion of take-up is calculated as % of population, who are online banking users of 9 banks providing e-identification for public e-Services. The Number of clients of those 9 banks make up 96% of all private clients in Latvian Banks. LATVIJAS KOMERCBANKU ASOCIĀCIJA. 2018. Vispārējie dati uz 31.12.2017. Available: <https://www.financelatvia.eu/wp-content/uploads/2018/03/Visparejie-dati-2017-gada-4-ceturksni.pdf>; Data for Denmark and the UK is also from 2017 BBC NEWS. 2017. *Low success rate for government online ID service* [Online]. The British Broadcasting Corporation. Available: <https://www.bbc.com/news/uk-politics-41642044> [Accessed 27/11/2018]; FINANCE DENMARK. 2017. *NemID (future MitID)* [Online]. Finance Denmark. Available: <http://financedenmark.dk/hard-figures/financial-institutions-branches-employees/payments/nemid-future-mitid/> [Accessed 27/11/2018].

¹⁹ Mandatory for central and local government from June 2018; available for businesses and citizens on 2 January 2019.

²⁰ DIGITALISERINGSSTYRELSEN. n.d.f. *Special focus on young people* [Online]. Digitaliseringsstyrelsen. Available: <https://en.digst.dk/policy-and-strategy/mandatory-digitisation/digital-post/young-people/> [Accessed 26/11/2018], *ibid.*, *ibid.*

²¹ GOVERNMENT OF LUXEMBOURG (CTIE) & KURT SALOMON. 2015. *Security and data protection measures in the context of 'Once-only' and reuse of existing data approaches* [Online]. Luxembourg Government. Available: http://www.eupan.eu/files/repository/20151209104842_Presentation_-_CTIE_Study_-_Security_and_data_protection_measures_-_Luxembourg_Presidency_2015.pdf [Accessed 23/11/2018], *ibid.*

²² State information System integrator VRAA. 2018b. *Informacijai* [Online]. Valsts Reģionālās Attīstības aģentūra. Available: <https://viss.gov.lv/lv/Informacijai> [Accessed 01/12/2018].

²³ Denmark Data Distributor STYRELSEN FOR DATAFORSYNING OG EFFEKTIVISERING. n.d. *Datafordeler* [Online]. Styrelsen for Dataforsyning og Effektivisering. Available: <https://datafordeler.dk> [Accessed 01/12/2018].

²⁴ Regulation on service digitalization basic requirements, but without guides + specific design and technical standards and guides to publish services on citizens' portal.

Fig. 3: Availability and up-take of key e-Government enablers. Source: quoted publication, page 34.

The public services delivered to citizens take place in “Unified Customer Centres”, where municipal face-to-face customer service centers integrated provisions of major central government services and provided assistance for citizens to make use of government eServices. In 2018 Latvia had 72 local and 6 regional Centers. In March 2017, the “Digital Post” for government-to-citizen communication (national and municipal) was introduced; from January 2019, the Digital Post is mandatory for all central and local government institutions to use as the primary channel of communication with citizens and businesses, as well as between institutions. None of the e-Government components were implemented with majos private sector involvement.

The lack of a wide-spread eID in Latvia is compensated for by an open eID policy, establishing an ecosystem allowing private sector providers to play a role: Internet banking authentication has become the de facto default tool for receiving government services, thus providing a unified tool for public and private digital services with a relatively high level of take-up.

22 Connected Government Approach for Customer-centric Public Service Delivery: Comparing strategic, Governance and technological aspects in Latvia, Denmark and the United Kingdom; Morten / Nielsen; Dec 2018

The research paper concludes: “All countries [n.b. in the research) would benefit from closer cooperation between agencies and across administrative levels, but also with private sector stakeholders. This applies to strategy development as well as operational joined-up service delivery partnerships.

Lithuania

Employment and training services: The provision of employment services to the unemployed and those about to lose their job was opened to private providers through the introduction of a voucher system for non-formal and formal training in 2012. This introduced competition and gave clients a choice of providers.

ECEC: With considerable growth in demand for kindergarten provision in cities, the role of private providers has become increasingly important. The financing for public and private providers differs in favor of the former. Two Bills have favored competition between private and public providers through the liberalization of requirements for establishing a kindergarten in 2010 and the introduction of a voucher scheme in 2011.

Primary and secondary healthcare: From 1990, the state financed all healthcare services. Following restructuring, however, financing of dental care and pharmaceuticals were given over almost completely to the private sector, with some compensation provided to vulnerable groups (for example, medicine for older people). Healthcare – from primary to tertiary level – is financed by the state and delivered by both public and private providers. The state has been compensating licensed private providers for approved services at primary, secondary and tertiary levels since they began providing these services. A legislative basis for this was established through case law by the Constitutional Court in 2013.

Netherlands

RDW:

The Dutch Vehicle Licensing agency (RDW in Dutch) needed in 2003 to improve supervision of the vehicles on the roads in the Netherlands, monitor technical safety and enhance the collection of the required taxes and fines. These functions were previously performed by several organizations (i.e. the police, the tax agency for motorized vehicles, the Ministry of Finance and the RDW), each with its own registrations of vehicles. Those registrations

were expensive and of low quality due to its fragmented nature.

For the system improvement, RDW asked the support from private intermediaries. RDW setup a facilitating IT infrastructure in the vehicle chain, accessible for all organizations involved, including private parties such as car dealers, Post Offices, and insurance companies. Garages were certified to control the technical state of vehicles, police started using the network to identify cars, the collection agency to collect fines, the Ministry to collect taxes and the RDW, in cooperation with insurers, to check whether vehicles are insured. This network redesign, with the aid of private sector intermediaries, greatly reduced administrative staff and paperwork²³.

An initiative introduced by the Rotterdam and Rijnmond police force provides an example of the benefits that flow from involving a wide range of stakeholders in the innovation process. The development and implementation of ICT for re-engineering the issuing and processing of police tickets was strongly driven by staff. This included 3,500 police officers, 35 administrative police staff and a number of staff from the public prosecution agency. The case description reports that “...on one hand, involving these parties led to development of a good product, and on the other it created support for the project.”

Related to offering utilities services, Netherlands is taking a different approach: since 2004, when the Dutch Parliament passed a law, private companies are banned from offering drinking water supply services. However, while the water companies themselves remain publicly owned, they contract many services - such as customer service and repairs - out to the private sector. The ban does not address wastewater treatment and sewerage.

Poland

Trying to adapt to the European regulations on waste management, the city of Poznan needed to construct a mixed municipal waste-to-energy power plant. In 2010, after lengthy stakeholder and community consultations, the City decided to develop the plant through a PPP due to its lack of experience in developing this type of project and the City's related interest in having an experienced partner manage the operation of the plant. The private partner (Sita Zielona Energia) was selected through a competitive dialogue process that spanned November 2011 to July 2012. The contract obliged the private partner to design, finance, construct, manage, and maintain the facilities.

²³https://www.researchgate.net/publication/229458155_Improving_Government_service_delivery_with_private_sector_intermediaries



The value of the PPP projects is estimated at USD 192 million). The project is funded in part by a EUR 84 million (USD 96 million) subsidy from the EU Cohesion Fund, with the remainder financed by equity contributed by SITA Zielona Energia and a non-recourse loan provided by a consortium of three commercial banks. The contract included a construction term of 43 months and an operation period of 25 years, extending from completion of construction. Construction, maintenance, operation, and availability risk were allocated to the private sector, and the City assumed demand risk.

The waste-to-energy plant officially started operations in 2017, producing both electrical power and heat. As a result, 30 percent of the City's domestic electricity consumption is generated by the new facility. Also, the plant has reduced the City's expenses for treating urban solid waste by 20 percent, resulting in estimated annual cost savings of EUR 34 million (USD 38 million).

Spain

In Andalusia (southern Spain), the Andalusian Regional Government has pursued the development of *e-administration* as a tool to get a more modern, flexible and participative administration. The goal is to put in place a modern public administration based on customer centricity and supported by multiple delivery channels. The implementation was assisted by Price Waterhouse Cooper (PwC) specialists, as private partner.

In the Galician Autonomous Region, a new hospital has been built through PPP modality. The financial intermediary was the Galician Autonomous Administration. The project's value was of EUR 375 million, and the contract was signed in 2013. The new hospital operation integrates in the University Hospital of Vigo, currently dispersed throughout various buildings, and the old buildings are used for complementary uses. The private partner took responsibility for construction, operation and maintenance of the hospital through the 30-year contract.

Another PPP project was used to improve the solid waste management services. The public administration in the Territorio Histórico de Guipuzcoa contracted a private consortium to modernize the regional solid waste management system, including the construction of waste management facilities for recycling, composting and for "waste-to-energy". The project aimed at minimizing the negative effects of the generation and management of



the region's waste on human health and on the environment. In addition, it aims to reduce the use of resources and favor the practical application of the revised Waste Framework Directive of the European Commission. The project was signed in 2011 with a total value of EUR 400 million, and was completed in 2015.

PPP project for the IT Network integration in Barcelona: The Barcelona City Council wanted to accelerate the integration and expansion of its existing information technology (IT) network (fiber optic and Wi-Fi), which was divided into five different networks and managed by six different companies, while also procuring a better, safer, and customized IT service for its use. The city decided to pursue a PPP to integrate the management of its active and passive networks to leverage efficiencies in investment, management, and monitoring.

The network-sharing model at the core of this project allowed the private firm to make an up-front investment in new and improved IT infrastructure, providing Wi-Fi throughout the City Council's buildings and at access points in the outdoor network, among other benefits.

Among the lessons learnt from this PPP project, the most relevant for the Project are:

- Municipal PPPs may be subject to unforeseeable impacts resulting from decisions made by other levels of government (e.g. central government), which make difficult to contractually allocate and manage the risk of changes in law and regulation;



- IT projects have the shared and sometimes disadvantageous characteristic of rapid and constant evolution of technology. It was reported that, in this case, it may have been desirable to include more clarity in the contract as to how to deal with technological changes and developments.

The Madrid Healthcare Administration agreed to a firm commitment to the PPP model with seven new hospitals being built in a record two years at an estimated investment of Euro 1 billion (US\$1.2 billion). The facilities provide 1,800 new beds and 600 square meters of additional healthcare space.

Sweden

Public employment services: The monopoly of public employment services ended in 1993. Private employment agencies developed, and labor market training started to be outsourced to private providers within the framework of the active labor market policy.

Municipal home-care services: The 1990s saw privatization and outsourcing through procurement of services from private providers. In some municipalities, once the care needs have been established and recognized by the local authority, senior citizens may choose between in-house public providers and private home-care providers.

ECEC and compulsory schools: In 1992, a voucher system was introduced favoring the entry of private primary and upper secondary schools into the education sector, with public subsidies. In 1995, a new law enabled local government to conclude contracts with private day-care centers. The right to choose a school or pre-school has transferred from the public authorities to individual families. This system has increased competition somewhat between schools, both for the recruitment of pupils and teachers.

The Swedish Police experience: in 2011 Sweden signed a contract with Thales to manage the end-to-end delivery process (including the live enrollment solution in Sweden) for the production of all secure ID, travel documents and the operated issuance services. More specifically, the contract signed with the local authorities encompasses the software for registering applicants' data, along with enrollment kiosks for instant capture of their photograph, fingerprints and electronic signature. Thales provides the operated issuance services, which ensure document personalization from its facilities based in the Stockholm



area. Notably, the same infrastructure and procedures are employed for both the National eID card, ePassport and driving license. This model leads to savings in terms of equipment, processes, systems and staff training.

All countries

An interesting offer is made by the Thales Company for national identity programs²⁴. Identity Management establishes citizen identification, delivers civil IDs, driving licenses or passports and respects the duty to care and protect this information; these are perfect examples of the responsibilities that come with a State's right to sovereignty.

The development of secure and robust identity management systems is becoming ever more technically complex and requires increasingly significant investments.

Call Centers focusing on delivering public services are known to be tested in countries like United States (call center for electricity delivering services) and United Arab Emirates.

The PriceWaterhouseCoopers (PwC) consulting company established in 2007 the Public Sector Research Centre (PSRC), an internal service that generates insights enabling a collaborative exchange of ideas and helping to inform the development and delivery of workable solutions in the public services practice area. Based on ideas and insight generated by PSRC, PwC implemented or supported the implementation of several contracts modernizing or bringing innovation in public services delivery.

As PPPs are not perfectly suitable for basic public services delivered to population, other forms currently tested are Public-Voluntary Sector Partnerships, shared services and outsourcing.

²⁴ <https://www.thalesgroup.com/en/markets/digital-identity-and-security/government/identity/public-private-partnerships>



6. Conclusions and Lessons

The new philosophy in providing public services is reflected in a general shift from the efficiency and productivity of public services to one of governance, openness, transparency and engagement of private and non-governmental actors in collaborative co-creation of public value. In terms of public service delivery, this translates into data sharing, the once-only principle, joined-up administrations, interoperability standards, common ICT platforms and the development of innovative services tailored to individual needs or designed to reduce administrative burdens or services.

In the European Union Member States, many reforms and modernizations of the public services delivery are implemented with financing from the European Regional Development Fund (ERDF). The private sector involvement is limited in providing services through public procurement modality. The ERDF funding requires that state agencies must ensure that business and public administration- / officials- related digital services reach 90%, and citizen-oriented services reach 50% of digital take-up threshold by 2020.

Except for some sectors (health, education, water and sanitation, prisons management), the PPP modality has not been used in modernizing or improving public service delivery in the European Union Member States. Moreover, the UNECE advises caution in using PPPs, as PPPs can result in relatively expensive methods of financing and may increase the cost to the public sector if up-front investment costs and subsequent revenue streams (investment returns) are not adequately assessed. This is especially relevant for countries with weaker technical, institutional and negotiation capacities). The risks include high fiscal commitments, or difficulty in the estimation of the cost of guarantees (UNCTAD, 2015, Investment Policy Framework for Sustainable Development. United Nations: New York and Geneva).

The EIB also cautions on usage of PPPs, and stresses the importance of recognizing and accepting when the challenges are too great for a particular project to be procured as a PPP. This approach ensures that PPPs are used only where they really can deliver the most benefits for the costs involved when compared with alternative forms of project delivery.²⁵

²⁵ EPEC Study: PPP Motivations and Challenges for the Public Sector. Why (not) and how". October 2015

By facilitating contributions from the private sector at the right sector and the right steps in the process, the public sector can improve the quality of service delivery, while also freeing up resources to focus on sovereign activities. In addition, the agility of the private sector in deploying resources and accelerating processes can help to put in place service delivery mechanisms that are in tune with customers' needs.

Where PPP are being tested or introduced, public sector teams will require additional capabilities if they are to manage these relationships effectively. Building such competencies is an important element of culture-change strategy and requires a significant focus on ongoing training.

Due to their size, for most of the 134 public services provided by the Centers of Public Services in Uzbekistan the PPP modality is not suitable. As they are basic services with low complexity and relatively low costs, a participation of the private expertise is feasible through public procurement. An exception are the communal services, where concessions might be feasible, subject to availability and interest of private agents. This should be further explored by the UNDP project team, by organizing discussions both with the Public Services Agency and with representants from the private sector (banks, other financial investors, Chamber of Commerce and Industry of Uzbekistan, etc).



7. Recommendations / Study Tour Concept

In order to explore possible approaches suitable for involving private sector in delivering modern public services in Uzbekistan, the Project Team should start with exploring existing examples, and build upon the learnings drawn in EU countries. For this, a study tour is proposed. The study tour should include:

- Discussions at normative level (Ministry of Finance or Ministry of Economy);
- Discussions at operational level (PPP task forces or similar bodies);
- Visits of operating joint projects, with discussions detailing practical aspects (both with the public partners and the private investor/operator).

Based on the examples detailed in the Chapter 5, Study Tours should include discussions and field visits to Germany, France and Spain. The main recommendation is to learn from the public authorities about the challenges, opportunities and lessons learnt from implementing both successful and failed PPP projects.

Proposal for Study Tour Private Sector involvement in Public Service Delivery for the UNDP Project

“Improved Public Service Delivery and Enhanced Governance in Rural Uzbekistan”

As a result of the analysis in the research report, the main recommendation is to organize a study tour, in order to learn from the experience of EU Member States in involving private companies in improving Public Services Delivery.

Based on the analysis presented in the Summary of “Best Practices of Public Private Partnerships in Public Service Delivery” research paper, the Consultant proposes the team to organize a Study Tour in two countries among Germany, France and Spain, where specialists from national or local public institutions will be able to present their experience, challenges and achievements related to partnering with private and not-for-profit sectors in bringing innovation and increasing effectiveness of delivering public goods and services.

Expected Accomplishment and Study Tour Objectives

The study tour will contribute to the following expected accomplishment: Within the Activity 3.4 of the Project, a suitable form of Public Private Partnership (PPP) for public service delivery will be identified and a working model of this form will be piloted in Uzbekistan. The study tour aims to enhance the knowledge of policymakers, decision makers and

Summary of Best Practices of Public Private Partnerships in Public Service Delivery

implementing responsible on operational options and build their capacity for using decisional tools to facilitate the testing of a PPP project in delivering public services in Uzbekistan. It will:

- Acquaint participants with successful experiences in the area of developing, promoting and implementing PPP projects in public services delivery;
- Expose participants to successful or failed experiences in the implementation of PPPs in PSD, facilitating generation of lessons learnt and a better preparation of pilot PPP projects in PSD in Uzbekistan.



Germany

Date	Activity	Contact Details	Web-site
Day 1			
	Arrival in Berlin from Tashkent, hotel accommodation		
Day 2			
09:30 - 11:00	What: BerlinWasser Holding Objective: <i>understands the challenges and opportunities in delivering water supply services through PPP.</i>	Neue Jüdenstraße 1, 10179 Berlin Telefon: 030 814680	https://www.berlinwasser.de/content/language2/html/index.php
11:00 - 11:30	Break / Travel to next meeting		
11:30 - 13:00	What: visit the water supply facilities; discussions on the site	Berlin - Water Supply facilities	https://www.berlinwasser.de/content/language2/html/index.php
13:00 - 14:00	Lunch Break		
14:00 - 15:30	What: Veolia Deutschland GmbH Objective: <i>discussion with the private partner in the PPP</i>	Unter den Linden 21 10117 Berlin Tel.: +49 (0) 30 - 2062956-0	https://www.veolia.de/kontakt#no-back
16:00	Travel to Dusseldorf		www.bahn.de
Day 3			
10:00 - 11:00	What: Finance Ministry of the Land North-Rhine-Westphalia	Jägerhofstraße 6 40479 Düsseldorf	https://www.finanzverwaltung.nrw.de/de/ppp-task-force
11:00 - 12:15	Travel to Mülheim an der Ruhr		

Summary of Best Practices of Public Private Partnerships in Public Service Delivery

12:15 - 14:00	What: Mülheimer Entsorgungsgesellschaft mbH	Pilgerstraße 25, 45473 Mülheim an der Ruhr Telefon: 0208 996600	https://www.mheg.de/
14:00 - 15:00	Lunch Break		
14:00 - 15:00	What: RWE (inherited RWE Acqua interests)	Am Schloß Broich 1, 45479 Mülheim an der Ruhr Telefon: 0208 4433710	https://www.group.rwe/en
15:00 - 16:00			
Day 4			
09:00 - 10:30	What: Stadtentwässerung Schwerte GmbH	Liethstraße 36, 58239 Schwerte Telefon: 02304 203200	https://www.stadtentwaesserung-schwerte.de/
10:30 - 12:00	Travel to Gütersloh		www.bahn.de
12:00 - 13:00	What: Arvato direct services GmbH	An der Autobahn 300, 33333 Gütersloh	
13:00 - 17:00	Travel to Würzburg		
Day 5			
09:30 - 11:00	Würzburg City Hall	Rückermainstraße 2 97070 Würzburg Tel: 09 31/ 37-0	https://www.wuerzburg.de/
11:30	Travel to Paris		

France

Date	Activity	Contact Details	Web-site
Day 1			
	Arrival in Paris from Germany, hotel accommodation		
Day 2			
09:30 - 10:30	What: Ministry of Social Affairs and Health Objective: <i>understands the challenges and opportunities in managing the electronic medical file.</i>	14 Avenue Duquesne, 75350 Paris Telefon +33 1 40 56 60 00	https://solidarites-sante.gouv.fr/
10:30 - 11:30	Break / Travel to next meeting		
11:30 - 12:30	What: Lessis Professional Association	72 av Henri Barbusse 94310 ORLY Tel.: +33 6 73 59 57 53	http://www.lesiss.org/445_p_22215/who-are-we.html
12:30 - 14:00	Travel to next meeting / Lunch Break		
14:00 - 15:00	What: Thales International	La Defence, Paris	https://www.thalesgroup.com/en
15:00 - 15:30	Travel to next meeting		
15:30 - 16:30	What: PriceWaterhouseCoopers	Neuilly-sur-Seine, Franța +33 1 56 57 58 59	https://www.pwc.fr/
16:30	Travel to Nord Pas-de-Calais		
Day 3			
10:00 - 11:00	What: City Hall - Nord Pas-de-Calais (broadband Infrastructure PPP)	42 Rue Alfred Lefebvre, 62670 Mazingarbe Tel: +33 3 21 72 78 25	http://ville-mazingarbe.fr/

Summary of Best Practices of Public Private Partnerships in Public Service Delivery

11:00 - 12:00	Broadband management and utilization example		
12:15 -	Travel to Saint-Dié-des-Vosges		
Day 4			
09:00 - 11:00	What: City Hall - Saint-Dié-des-Vosges (waterpark partner)	Place Jules Ferry, 88100 Saint-Dié-des-Vosges Tel: +33 3 29 52 66 66	http://www.saint-die.eu/
11:30 - 12:30	Aquanova America	50 Quai de la Résistance, 88100 Saint-Dié-des-Vosges Tel: +33 9 71 00 88 00	https://aquanova-america.fr/
13:00	Lunch and travel to the next destination		



Spain

Date	Activity	Contact Details	Web-site
Day 1			
	Arrival in Madrid, accommodation		
09:30 - 10:30	Ministry of Health	Paseo del Prado, 18, 28014 Madrid	https://www.mscbs.gob.es/
11:00 - 11:30	Infanta Leonor Hospital - Healthcare PPP	Av. Gran Vía del Este, 80, 28031 Madrid Tel: +34 911 91 80 00	https://www.comunidad.madrid/hospital/infantaleonor/
12:30 - 13:30	DIF Capital Partners (PPP Partner)	Calle Velazquez 123, 4º Planta, 28006 Madrid	www.dif.eu
13:30 - 14:30	Lunch		
15:00 - 16:00	Ministry of Environment	Plaza de San Juan de la Cruz, s/n Madrid	https://www.miteco.gob.es/es/
16:00	Travel to Guipuzcoa Province		
Day 2			
09:30 - 10:30	San Sebastian City Hall	Ijentea Kalea, 1, 20003 Donostia, Gipuzkoa Tel: +34 943 48 10 00	https://www.donostia.eus/
11:00 - 12:15	Gipuzkoako Hondakinen Kudeaketa, S.A. GHK (solid waste management plant)	Ibaiondo Industrialdea 27-3. solairua - Orbegozo eraikina - 20120 Hernani Gipuzkoa Tel: _34 943 50 49 50	www.ghk.eus

Summary of Best Practices of Public Private Partnerships in Public Service Delivery

12:15	Lunch break and travel to Barcelona		
Day 3			
09:30 - 11:00	Barcelona City Hall (for several PPP Projects)	Pl. de Sant Jaume, 1, 08002 Barcelona	https://www.barcelona.cat/ca/
10:30 - 12:00	Public places and institutions benefitting from the PPP project		
12:00 - 13:00	Barcelona Telecare Program		
13:00 - 14:00	Lunch Break		
14:00 - 15:00	Beach maintenance in Barcelona's Metropolitan Area	Metropolitan Area of Barcelona Management Office	
Day 4			
09:30	If deemed needed, more PPP projects could be visited in Andalusia and Galicia provinces		

