

Public-Private Partnership (PPP)

Useful Model for Georgia to Implement Infrastructure Development Projects

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On September 14, 2005 the Federation of Georgian Businessmen (FGB) hosted a workshop delivered by Hans-Jurgen Zahorka, a leading German legal expert on the topic "Public-Private Partnership – a Chance for Georgia."

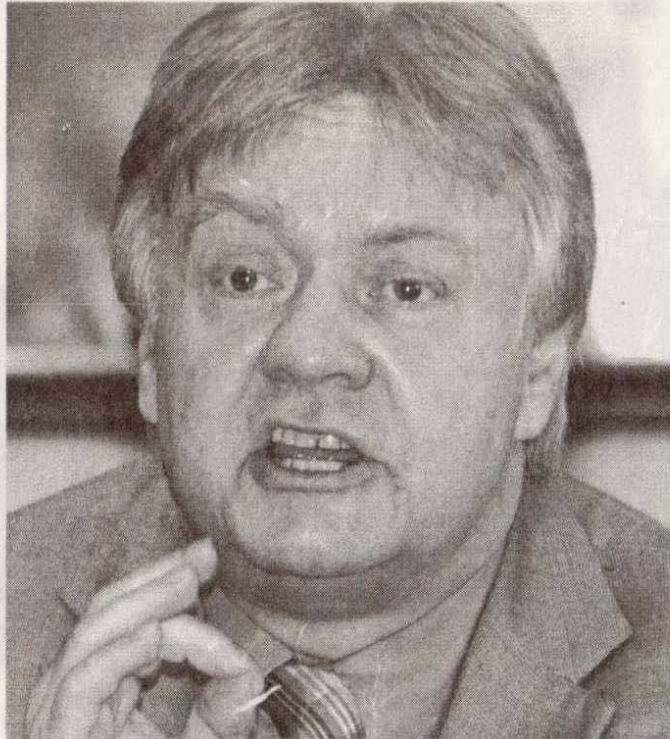
The aim of the workshop was to raise awareness about Public-Private Partnership (PPP) model as an important way in managing infrastructure development projects. Zahorka provided examples of successful experience of PPP in Europe listing major projects realized through PPP like Vasco da Gama Bridge in Portugal, Channel Tunnel linking France and Britain, etc.

The seminar was held on the initiative of the FGB and implemented in the framework of the Partnership and Co-operation Agreement Realization Assistance Project (SIPCA) financed by the

European Union.

Lado Kharatishvili, Financial Manager of the FGB, explained the essence of PPP model. "When state does not have money to implement projects concerning infrastructure development, it has to seek partners from the private sector. However, the state still reserves right to be responsible for participating and monitoring the implementation of various projects. This is what we mean by public-private partnership." Zahorka pointed out that Georgia already has applied PPP in implementing Tbilisi Airport Reconstruction.

The term PPP came first into use in 1994 in Pennsylvania, USA and was associated with providing for project implementation with management in infrastructure, utility and service field through a model of public and private sector co-operation. Currently PPP



Hans-Jurgen Zahorka

is widely used in the Europe with respect to constructing, modernization and rehabilitating of energy generation objects, roads, tunnels, bridges, hospitals, schools, etc. There is a tendency to implement small projects in remote, difficult accessible villages and mountainous regions via PPP.

As Zahorka claimed, "due to scarce financial resources, the state has to search for more reasonable access to credit lines. However, privatization of objects causes problems as the contractor by making them bear the full responsibility for managing any particular project.

PPP has a number of advantages. It envisages a long-term relationship between the public and private sector, sharing responsibilities in various aspects of project realization. The state reserves the right to control insurance of monitoring private sector

activities, meeting objectives and protecting state interests, while private sector is focused on financial issues. However, both parties have to share responsibilities in settling issues of project implementation related risks: Revenue, cost overruns, foreign exchange rates, regulatory, environmental, archaeological, public acceptance, etc. "PPP is a wonderful means to manage infrastructure projects. Both public and private sector understands its role in bringing benefits," Zahorka said.

Zahorka said that member countries of the European Union often apply PPP model in carrying out economical projects. "PPP might give a base for profitable public and private sector co-operation with bringing overall benefit to your country. PPP model is essential for Georgia as far as it strives at integrating with European Union," he concluded.