



Understanding Public-Private Partnerships for Social and Sustainable Development, and Prospects for Engagement of Civil Society Actors in Georgia

Centre for Training and Consultancy

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EXECUTIVE SUMMARY

In recent years, especially since the Addis Ababa Action Agenda, (2014) there has recently been a renewed emphasis on Public Private Partnerships (PPPs) for infrastructure and public service provision as an essential part of addressing the massive infrastructure needs of developing and middle-income countries over the coming decades. Prior to 2013, earlier enthusiasm for large PPPs had been waning against the backdrop of increasing criticism, including on its poor value for money, limited development impact, excessive costs, exploitative fees, etc. (Leigland, 2018; Sundaram et al, 2016). Criticism of poor governance of PPPs, as well as the failure to include the civil society in projects that had deep social and environmental implications, grew stronger and more systematic (Aizawa, 2018). Efforts to restore the reputation of PPPs for the new agenda is still ongoing, including with respect to bringing complementary development finances, introducing de-risking and impact investment tools; improving governance and civil society inclusion, and ensuring value for money.

Over that same period, some ongoing trends around PPPs were evident. First, there had been a quiet wave of smaller scale initiatives at the subnational level, the experience of which was summarised in several reports in the mid-2010s (WEF, 2014; Ahmad and Shukla, 2016). Another trend, reflecting a broader definition of PPPs, was to pursue the possibilities of PPPs where “private” meant non-public. This paved the way for direct partnerships between governments and civil society organisations (CSOs) to deliver public services. The Centre for Asian Philanthropy and Society (CAPS) refers to these as Public Private Partnerships for Social Good (CAPS, 2021). The Brookings Institution has adopted the term Partnerships for Public Purpose (new PPPs) - which emphasises not whether the partner is from the public or private sector, but whether these collaborations and their impact have a publicly oriented purpose (Karboul, 2021).

This report reviews international experience, as well as the relevance to Georgia, of three types of PPPs from the perspective of enhancing the contribution of civil society organisations. These are:

- ▶ **Traditional PPPs:** government and large (usually foreign) for-profit companies (and their financiers) are the main partners, with citizens and businesses as the intended beneficiaries. They have come under greater criticism in recent years for cost overruns, limited benefits for intended recipients, delays and renegotiations, and the need for subsidies and public co-financing that undermine the intended public/social benefits. Failure of PPP governance, particularly insufficient involvement of the civil society in planning, consultation, or oversight, has also been criticised (Aizawa, 2018).
- ▶ **Innovative PPPs:** government and for-profit institutions, including for-profit educational institutions, remain core partners, but other CSOs are involved as co-implementers or watchdogs, along with foundations, donors and international organisations. Importantly, social and environmental benefits and economic inclusion are central objectives of innovative PPPs, and various forms of creative financing or subsidies, from donors or governments, are often needed to make these PPPs viable and to enhance their developmental impact;
- ▶ **Generic PPPs:** PPPs of this type are often described as “Partnerships for Public Purpose” (Karboul, 2021) or “PPPs for Social Good” (CAPS, 2021). These partnerships do not necessarily bring in for-profit institutions, and instead involve direct partnerships between CSOs and governments to deliver a public service, either more effectively, or on an issue that governments might not have the fiscal or administrative leeway to address. Governments typically pay for this service, although the CSOs may also contribute foundation or philanthropic resources. Government oversight and CSO transparency are particularly important in such arrangements. As discussed in this report, the United States (US) has a strong tradition of such Generic PPPs, but good examples are also found in other parts of the world.

Georgia’s experience with PPPs has been limited, with mixed success and satisfaction, despite the fact that there is a potential for greater deployment of PPPs in economic, social and environmental projects. In the last few years, the Government of Georgia (GoG) has introduced a PPP Law and established a PPP

Agency, which primarily focus on the energy sector. PPP-related support from donors, including by EBRD, USAID, World Bank and others, has considerably grown in the last few years, but the absorptive capacity of government institutions has remained limited. Hence, efforts to expand the use of PPPs to other areas of public service have had no major impact. Overall, traditional PPPs in the energy sector have been relatively uncontroversial, but in other sectors such as airports, where they have also been tried, PPPs were less well received.

Involvement of local CSOs in PPPs in Georgia has been minimal. Interviews conducted for the purposes of this research revealed a lack of confidence in Georgian CSOs' ability to engage in PPPs. Therefore, it will be important to establish trust in this regard. CSOs, on their part, clearly aspire to take on a more proactive role in all types of PPPs, and in both watchdog and (co)implementer roles.

This research presents a wide variety of case studies of PPPs from around the world, with an emphasis on how Innovative and Generic PPPs can help deliver positive social, environmental, and economic inclusion outcomes. It also looks at how CSOs have engaged in those PPPs. Many successful PPPs have been driven by proactive CSOs that previously operated only as philanthropic or charitable organisations. In other cases (notably in the vocational education and training), CSOs have been created or have evolved into formidable and self-sustaining public service organisations (e.g., universities, technical institutes and training institutions in Morocco, Jordan and Costa Rica). At the subnational level, the case study of street lighting in the field of public safety in India demonstrates huge grass roots social and economic inclusion impacts.

Moving forward, civil society programs should support capacity building of CSOs in Generic PPP engagement, and develop and showcase some pilot projects to that end. Innovative PPPs are more challenging, but the potential at the subnational level, especially in social sectors and in sectors with strong economic inclusion potential (e.g., tourism), is large. Donor programs could help support and catalyse pilot projects in these areas. In traditional PPPs, select CSOs could be supported to take on a formal or informal watchdog role. Finally, notwithstanding the substantial legal and institutional assistance already provided and the progress made, the PPP governing regime should be adapted to encourage some innovative and generic PPPs in other sectors.

Georgia has had a limited experience with PPPs, with most projects primarily concentrated in the energy sector. Attempts to scale up and systematise the PPP activity have recently intensified with significant backing and capacity building support from international organisations, as well as the enactment of a new PPP Law in 2018, and the establishment of the Public-Private Partnership Agency in 2019. As a result, in 2019-2020, 12 PPP projects have been initiated, all of them in the field of energy. Although it is increasingly recognised that CSOs can bring the benefits of PPPs to a much broader range of public services, in Georgia, progress remains slow, and potential CSO participation in PPPs either as an implementer or a watchdog has not been properly ensured.

In the meantime, there have been important global developments regarding the participation of CSOs in the PPP projects. First, traditional PPPs, particularly in the fields of energy and transport infrastructure, have continued to be popular, but failure to include CSOs, especially in a watchdog function, has persisted. Innovative PPPs, on the other hand, have seen a most welcome evolution of PPPs. They have embraced a much wider range of civil society institutions, and recognised that the core concept of partnership – shared risks, benefits, and obligations – can help address a broader range of social, environmental and economic challenges.

Another type of PPPs focuses on partnerships between government and CSOs (as “private”, non-public actors) to deliver public services. Under these Generic PPPs, CSOs are engaged by the government as more effective providers of certain services, such as social care. In Georgia, where there is a lack of confidence towards private companies in fulfilling public functions, such generic PPPs could be a good starting point for improving the public service delivery.

Although strengthening of Georgia's regulatory and institutional framework benefits traditional PPP capital infrastructure projects, it is in the innovative and generic PPPs in social and sustainable fields where there is a considerable PPP potential for the country. Non-profit and grass roots civil society organisations can be more actively engaged in these projects, either as watchdogs or co-implementers alongside private companies, or as direct partners to government in implementing social programs.

This report is about the potential role of the civil society organisations (CSOs) in public private partnerships (PPPs) in Georgia. The first section starts by reviewing the academic literature on three distinct types of PPPs - traditional, innovative and generic PPPs. It also presents Georgia-relevant case studies for each of the PPP types. The subsequent section deals with the PPP ecosystem in Georgia; it reviews the policy and regulatory framework, presents findings of desk research and in-depth interviews, and provides ideas for potential roles of CSOs in PPP projects in Georgia.

The report concludes that although the role of CSOs in PPPs in Georgia has been limited, they have a potential for greater deployment of PPPs in economic, social, and environmental projects, both in watchdog and co-implementer roles. To facilitate the process, the report recommends enhanced capacity building support to CSOs, increased use of international best practices of CSO participation, and improved coordination across donor programs in ensuring that PPPs benefit from the work of both economic and civil society support programs.

2.1. Evolving definition and typology of PPPs

The term “public-private partnerships” has been used to refer to a wide variety of working relationships between the public sector (national or subnational governments) and non-public (i.e. “private”) sector. The private sector in this sense can refer to all organisations outside government that have a role in public service delivery. Broadly speaking there are three definitions of PPPs:

- ▶ **Traditional PPPs:** according to the World Bank’s PPP Knowledge Lab, traditional PPPs involve “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” (PPP Knowledge Lab, 2021)
- ▶ **Innovative PPPs (iPPPs):** these are PPPs in which the state, private firms, and civil society organisations have identified opportunities for the design and implementation of new forms of collaboration (WEF, 2014). The defining characteristic of PPPs - that key actors have mutual and complementary risks - along with obligations and benefits, remains intact. The difference is that a wide range of civil society actors are also involved, either as co-implementers (alongside private companies) or in a watchdog or “checks and balances” role.
- ▶ **Generic PPPs:** a project or an initiative where the state engages the private sector (such as corporations, foundations and other non-government actors) as core partner(s) in order to achieve public ends, including social, environmental or inclusive economic goals.

2.2. Traditional PPPs in infrastructure and public service delivery

The PPP mechanism was inspired by private company model since it was about sharing of risks, rewards, and obligations. In that sense, it is different to a public service contract where a company or an NGO is paid to deliver a service. The basic rationale for a PPP, for involving the private sector in the provision of a public service, is financial. Many governments are not in a position to mobilise large amounts of capital, or there are competing demands on the funds for activities in which the private sector is unwilling or unable to be a partner (e.g., a social care program). Meanwhile, the private sector has or can raise significant capital to fund the upfront costs of a project if it can earn a return on capital. Amounts of the capital raised can vary from hundreds of millions of dollars for a power plant to a few thousand to refurbish and operate a public toilet facility.

The public sector can either permit the private sector to charge a fee (concession) in return for providing a public good (e.g., safe street lighting) or to enjoy regular income rather than the upfront capital cost (e.g., taxes to pay fees for hospital or prison use).

Thus, under traditional PPPs, private companies may have the knowledge, efficiency, and money (or the borrowing capacity) to invest up front. Governments can provide public assets such as land and building spaces as part of their contribution to a PPP. In the case of non-concession PPPs like hospitals, prisons, and power plants, the authorities have the cash flow in the form of tax revenues or budget transfers to pay for the service on an ongoing basis. In the case of concession-type PPPs, however, it is the end user that pays. In both cases, analysing and managing the end-user tariff or the fees paid to the private operator, along with mutual contractual obligations, are fundamental to PPP viability and fairness.

Where the private company is not sharing risks or passes all risks on other stakeholders or overprices, it stops being a partnership in the public interest, and PPPs get negative reputation. Some traditional

PPPs in Georgia suffer from this reputational fallout. While the energy sector PPPs seem to be broadly successful, the experience in other sectors such as airports has been far less satisfactory. The solution to such fallouts is not to dismiss the PPP vehicle, but to improve it. Greater CSO involvement in co-designing and monitoring would improve these projects in the future.

Involvement of CSOs in project design and oversight is increasingly viewed as a critical element if PPPs desire to restore their reputation as a way of delivering infrastructure and public services. Aizawa (2018), in a flagship UN DESA report, writes that: “Although many civil society organisations consider PPPs as an overvalued and underperforming vehicle for infrastructure development, some may re-evaluate the potential of PPPs if stronger public governance of PPPs can be ensured.” She assesses the performance of PPP governance against a set of principles extracted from the Addis Ababa Agenda, namely:

- Careful consideration to the structure and use of blended finance instruments.
- Sharing risks and rewards fairly.
- Meeting social and environmental standards.
- Alignment with sustainable development, to ensure “sustainable, accessible, affordable and resilient quality infrastructure”.
- Ensuring clear accountability mechanisms.
- Ensuring transparency, including in public procurement frameworks and contracts.
- Ensuring participation, particularly of local communities in decisions affecting their communities.
- Ensuring effective management, accounting, and budgeting for contingent liabilities, and debt sustainability.
- Alignment with national priorities and relevant principles of effective development cooperation.

The role of NGOs/CSOs in a watchdog, oversight, and checks and balances functions, both during the design and implementation stages, is of high importance. In expanding the use and benefits of PPPs in Georgia, strategizing greater engagement of NGOs/CSOs in a watchdog or oversight roles will be critical. Hence, the research report argues for capacity building support of CSOs to this end, and for the design of future projects (in collaboration with other USAID programs, subnational governments, ministries and the PPP Agency) that build in representation of CSOs.

2.2.1. Problems and characteristics of traditional PPPs

A traditional PPP enshrines mutual risks, obligations, and benefits for key members in a contract. Without such characteristics, the chances of failure are high.

The underlying logic of PPPs is to carry out a public project where government money is constrained either in amount, current availability, or competing needs. Typically, governments do not have sufficient capital up front to do public projects, while the private sector can raise the capital easily. The cost of the services is either covered by government over time or paid for by users. Governments will often provide assets (land, buildings) or a time-bound concession.

For subnational governments there may simply not be any available money to do these projects. In such cases, PPPs - designed and implemented well - are a particularly attractive option. Subnational/municipal PPPs are discussed under the iPPPs below, since they often entail creative solutions, various CSO partners, and are often active in non-traditional sectors with greater social, environmental and economic inclusion impacts.¹

One major problem with traditional PPPs has been pricing - the tariffs that the private operator can charge for certain services. Research shows that governments have not had sufficient skills and knowledge to analyse and manage this properly, and hence, PPPs have often been perceived as exploitative and have developed a bad reputation. Moreover, there has been a general failure of public governance of PPPs. As Aizawa (2018) observes, accountability, transparency, and fair sharing of risks and rewards has been a major weakness. Therefore, CSOs need to be strengthened to be able to ensure a responsible, but balanced, watchdog function.

¹ See: <https://blogs.worldbank.org/ppps/tale-cities>

2.3. Innovative PPP thinking and practice internationally

Over time it has become evident that many large PPPs are unviable on purely commercial terms, and that some form of government subsidy, investment from development finance institutions, or guarantee is necessary to allow them to move forward, especially given the commercial return that corporate implementers and/or their financiers require. A recent example is the PPP toll road between Nairobi and Mombasa to be built by Bechtel. Although it was initially envisioned as a PPP, the company has now evaluated that only small sections of the road are commercially viable (especially since drivers must always have a non-paying alternative route), and requested the government to implement the project as a turnkey infrastructure project.²

Innovative PPPs bring collaboration between government, the private sector and civil society to new areas of public service and infrastructure. In this model of PPPs, governments, private firms and CSOs identify new opportunities for the design and implementation of their collaboration (WEF, 2014). The general characteristics of iPPPs include:

- ▶ Involvement of multiple actors. Government and private operators remain key, but many more institutions, such as CSOs, are involved in various co-implementer and watchdog roles;
- ▶ Application to a wider range of sectors, particularly on areas such as education and professional training;
- ▶ Broader development impact, which results from inclusion of more actors, and creative, collaborative thinking addressing specific social, environmental, and other priorities;
- ▶ Shorter timespans for implementation;
- ▶ PPP design and implementation is inclusive, and key implementers share risks, benefits, and obligations. It is important that actors have something to gain if it succeeds, and something to lose if it does not.

In iPPPs, government and private sector remain the main partners, but the role of the former is more important. It remains in charge of providing main oversight and regulatory framework, and works closely with the private sector and other actors to identify opportunities and ensure good governance. The private sector, in turn, maintains business focus and for-profit orientation, but must be clear about its contribution to social and sustainable development issues. Of the other actors involved, CSOs stand out as an important part of the governance mechanism, including in gathering opinions, monitoring development impact, and holding other actors accountable.

Many other institutions, including CSOs, can be involved in iPPPs. The World Economic Forum's iPPP Report (WEF, 2014) lists a range of such institutions: corporate and private philanthropic foundations; civil society, NGOs, and local communities; universities, think tanks and research centres; regional and multilateral institutions; and social entrepreneurs and social innovators.

For achieving greater impact, it is important that each actor in the partnership has “skin in the game”. The governance mechanism needs to be well-crafted and transparent as well. An iPPP is often more successful where there is a broad appreciation of the need for the service or the project to be delivered. Sometimes this can be a national project (e.g., the case of attracting the Intel investment to Costa Rica), but oftentimes common purpose is easier to identify at the subnational or local level (e.g., the refurbishment of public toilets in Nairobi).

Innovations are also evident in the iPPP financing. In traditional PPPs, project financing is provided largely by the implementer or associated financier, with development finance institutions involved as co-financiers. But as development finance has sought to enhance its impact on underserved communities, complementary funding has also been available for PPPs. As a result, donor technical assistance funds have increasingly been used to complement investor contributions. For example, in the case of the investment in Abdali Shopping Mall in Jordan, donor funds were used to expand the retail skills training centre, allowing young Jordanians to start new businesses independently of the shopping mall.³

² See: <http://mwakilishi.com/article/business-news/2021-09-15/us-company-contracted-to-build-sh300-billion-nairobi-mombasa-expressway>. See also Leigland (2018) for a critique of large PPPs.

³ See, for example: https://ukskillspartnership.org.uk/case_studies/development-of-a-youth-inclusion-training-centre-at-abdali-mall-for-ebrd/

International corporate foundations have also been involved in de-risking private investments, by providing some form of bridging financing that tips a commercial investment into viability and ensures benefits to a wider population. For example, in the case of the Luxmi/Unilever tea processing investment in Rwanda, the corporate philanthropic Wood Foundation provided bridging loans to smallholders to rejuvenate their tea bushes, which was necessary for commercial viability of the businesses.⁴ It is also often the case that governments need to step in with financial subsidies to enhance the developmental impact of iPPPs. For example, under the ProUni (University for All) program in Brazil, educational institutions were provided with tax exemptions in return for delivering tertiary education to poor students⁵.

2.4. Innovative PPP case studies relevant to Georgia

This section presents several case studies of innovative PPPs. These projects are innovative in terms of how the public and private sectors partner, and what social, environmental, or economic inclusion goals they address, as well as how they are financed. The selected case studies involve foundations and development finance institutions on the financing side, and as co-implementing partners in terms of training and delivery. For instance, ProUni in Brazil has for-profit educational institutions delivering learning options, while the Abdali Mall has a UK training institution delivering retail skills training and is funded by the Technical Assistance Fund, while in Morocco and Costa Rica technical/engineering universities are partners in delivering vocational training and education.

Civil society actors can be involved in these projects as well. Thinktanks and universities can participate in a watchdog or a monitoring role, while civic organisations can be involved in identifying issues that need to be resolved, like traffic safety and street-lighting. In farming projects, smallholders and farmers associations are essential stakeholders too.

Smaller, subnational PPPs have many benefits.⁶ Subnational governments are often resource constrained, but they are responsible for some essential services and facilities that are needed by local residents: street lighting, municipal markets, parking management, health and other social services. In the case of subnational PPPs, the link between residents and their government is much more “organic” and direct, and the involvement of CSOs is in some ways less necessary. In addition, smaller, subnational PPPs have shorter time durations, which makes them less risky.

Several of the case studies are also associated with foreign (or large local) direct investments. Quality Foreign Direct Investment (FDI) has always been about mutual benefits, risks, and obligations. In such PPP projects, it is usually the government that improves the general regulatory framework and provides some incentives, as well as a stable environment, while the company invests capital, trains workers and contributes earnings and wages. The role of the government can go beyond that too. For instance, in the case of Intel in Costa Rica, the government tailored the electrical engineering curriculum to Intel’s general needs; Intel provided advise, committed engineers to deliver some of the training, and provided apprenticeships, while the university trained a new generation of engineers, who were then hired at Intel and elsewhere. Intel has moved out of Costa Rica, but the legacy left behind was a new generation of trained individuals, enhanced expertise in electronics, and a track record in electronic engineering. As a result, Costa Rica now has a thriving electronic medical device industry, which would have been impossible without Intel’s original investment in the country. PPP projects like this have enormous possibilities, and it is important to strengthen national and local governments to identify, articulate, negotiate, and lead such innovative iPPPs, and to attract foreign investments for these projects.

The six case studies summarised below (presented in more detail in Annex 1) show the potential scope of innovative PPPs. Some are older and others are more recent, but the key factor uniting them is that public and private actors have mutual risks, obligations and benefits, and the more clearly these three are spelled out, the more successful the initiative is. The cases cover several areas and topics relevant to Georgia, such as vocational training and traffic safety. There is also a growing body of knowledge and literature concerning these topics.⁷

⁴ See, for example: <https://www.idhsustainabletrade.com/uploaded/2018/11/181105-Case-Report-Wood-SHORT.pdf>

⁵ The original program was described in the WEF iPPP report (WEF, 2014), and its continued success was reported by Neto and others (2020).

⁶ See, for example: https://www.thegpsc.org/sites/gpsc/files/26_feb_small_scale_municipal.pdf

⁷ See, for example: <https://ppp.worldbank.org/public-private-partnership/ppp-sector/sub-national-and-municipal-ppps/sub-national-and-municipal-ppps>

Table 1: Innovative PPP case study sketches (see Annex 1 for full case studies)

iPPP Case Study	Brief Description
Municipal Streetlighting, Bhubaneswar, India	Launched in 2013 with an initial capital investment of under five million USD, this iPPP addressed public safety concerns, saved the municipality money, and allowed the local economy to thrive “after hours” in brightly lit streets. This new iPPP model with the private actor being paid out of energy savings was funded from a WB development capital facility. The model was subsequently expanded state-wide.
Abdali Mall Urban Regeneration, Amman, Jordan	The Abdali Mall Recruitment and Training Center (AMRTC) was an iPPP created within a much larger PPP-style urban regeneration project in Amman. The focus was developing a retail and hospitality skills that would serve both the Mall and the wider economy. EBRD provided some modest technical assistance funds alongside the investor. AMRTC is actively training the Jordanian youth, as well as the refugees. It was the springboard to a Sector Skills Council that will upgrade and systematise skills standards for the broader sector, in partnership with government, over the longer term.
Intel Semiconductor Investment, Costa Rica	Intel’s 1996 investment in Costa Rica was a national scale PPP focussed on industrial and skills upgrading through systematic engagement with technical universities, as well as local supplier organisations. The spillover effects on local industry, incomes, and national welfare have been substantial and sustained.
EON Reality, Virtual Reality Training and Investment, Morocco	EON Reality’s Virtual Reality PPP with the Moroccan Digital Agency and two technical universities focusses on skills upgrading, and on encouraging Moroccan youth to engage in new productive areas of the workforce. The use of VR to teach and master skills is especially promising in the time of COVID-19, and the program has already spread to other technical universities, including a veterinary school. This PPP was brokered by USAID, which has catalysed the project through modest technical assistance funds.
Tea Sector Investment and Upgrading, Rwanda	This wide-ranging tea sector PPP involves numerous government, donor and philanthropic stakeholders on the implementation side, and smallholders and cooperatives on the producer side. The Wood and Gatsby foundations began in 2012 by buying two outdated tea factories as part of the Rwandan government’s privatisation efforts. This led to the establishment of service companies to improve skills, facilities, tea bushes, etc. Innovative financing and payment systems were deployed, and this laid the foundation for much bigger commercial smallholding and factory investments by Luxmi Tea and Unilver. The impact on smallholders’ lives, their children’s schooling, health, and welfare has been substantial.
ProUni Private Tertiary Education, Brazil	ProUni is an iPPP established by the Ministry of Education in Brazil and private tertiary education institutions that promotes access to tertiary education for low-income students. It involves public subsidies - tax and social security exemptions - for participating institutions, but their performance is closely monitored by the authorities. The program has been running since 2005, and in addition to the core partners, also involves in banks (as loan/grant providers), indigenous associations, and other actors.

2.5. CSOs as direct partners of government on social projects

CSOs can also be direct partners of government in implementing social projects and delivering public services. In such partnerships, CSOs do not necessarily bear a substantial risk; instead they fulfil a function for which the government has neither the time, nor the ability or motivation. The benefits of such partnerships also apply to the society as a whole. PPPs of this kind are diverse, ranging from social care (e.g., the Korea case study), to cultural assets (e.g., the Hong Kong case study), and COVID-19 response (e.g., the ACTIV case study).

The US is one of the best models globally of how CSOs can benefit the society through creative, direct partnerships with government to achieve social and economic goals. PPPs in the US, stem from the traditions of civil society and philanthropy. In the American context, public-private partnership is understood as a set of economic organisations, where public agencies, private businesses, and non-profit organisations participate in achieving public outcomes, which is desirable for all. In this sort of partnership, non-profits play the role of intermediaries, serving the interests of all parties, and most importantly, the general public.

In the US, the public sector may set up partnerships with the private sector for various reasons. Such PPPs may aim at getting co-financing from the private sector, sharing risks, or using the knowledge and expertise accumulated in the private sector (Andrews and Entwistle, 2010). Government can also use public procurement to instil specific values or push the private sector towards actions that bring social good. For instance, the government may include certain conditions in its procurement contracts to increase vulnerable groups' participation in economic life (Frumkin, 202).

Apart from being watchdogs and facilitators, non-profit organisations also provide some public services, including in the health sector and human services. The key benefit of having non-profit actors in these sectors is their expertise. For instance, non-profits play an important role in providing specific social services to children with fewer opportunities, vocational training for people with disabilities and employment opportunities. Another example of a service which is provided under the PPP arrangement is a special shelter for victims of domestic violence, which is run by non-profit actors and financed by the public sector and charities (Xu and Morgan, 2012). Another avenue where non-profits are active in public-private partnerships is the promotion of revitalisation of historical sites and economic regeneration of underdeveloped neighbourhoods (Cheung and Chan, 2012).

2.6. Case studies of direct CSO-government PPPs

The international case studies presented in this section highlight the possibilities of direct CSO-Government PPPs (generic PPPs), where CSOs are often contracted by government to provide a particular public service. Such PPPs have a great potential in Georgia.

2.6.1. Hope Care Centre model in Namyangju

Up until the 1970s, the Republic of Korea was primarily dependent on foreign aid in terms of providing social welfare services. But as the country became industrialised and foreign aid was gradually reduced, the Korean political elite started introducing various welfare models. In the initial stage, social welfare provision was based on the so-called New Public Management model, which included outsourcing of social services. The quality of these services was only assessed after the end of the contracts (Yang, Kim, Choi, Ryu, and Choi, 2019). This market-oriented model turned out inefficient because of the absence of competition among small-scale actors and lack of public oversight. It also led to social welfare services becoming more bureaucratic and less effective in delivery (Kim and Han, 2015).

Hope Care Centre model from Namyangju became the most prominent alternative of the traditional outsourcing model. The Hope Care Centre model is a unique model that integrates public and private sectors to provide better social welfare services. The centres operate through donations and rely on volunteers. The local government is the key actor in terms of planning these services. Unlike the outsourcing model, where the diffusion of accountability is the inherent feature of the whole process, in the Namyangju model, the public sector maintains its responsibility on the services. Another role of civil servants in this model is mobilisation of resources, including human services in the form of volun-

teers, and financial resources through fundraising, to assist those citizens who are not eligible for government care programs (Yang, Kim, Choi, Ryu, and Choi, 2019).

Hope Care Centres are non-profit private organisations that play the role of hubs of social service provision; they deal with case management and everyday service delivery, but oversight is provided by civil servants. In the Hope Care Centres, civil servants and the local staff share the working space, which contributes to improving coordination and enhancing efficiency. Multiple empirical studies indicate the effectiveness of the Namyangju model. For instance, an empirical study by Song and Heo found that the use of Hope Care Centre services improves the satisfaction of elderly beneficiaries (2018). Another study done by Yang and others concludes that the model fixed “system flaws and inefficiencies” in the welfare services (Yang, Kim, Choi, Ryu, and Choi, 2019).

2.6.2. Non-profit organisation in Alabama PPPs

A research paper co-authored by Hua Xu and Karen Morgan provides four cases studies of PPPs in Alabama, where non-profit organisations and public sector bodies are in contractual relationships. The non-profit organisations covered here and in the next two subsections operate in the fields of vocational services for disabled individuals, education services on early childhood care, and care services for family violence victims (Xu and Morgan, 2012).

One of the PPPs covered in the paper is Easterseals Alabama, which was established in 1926 as a local branch of America’s largest and oldest non-profit organisation. Easterseals Alabama specialises in providing services to individuals with autism, mental, physical, and developmental disabilities. The organisation provides a wide array of services to children in need, including early intervention, physical therapy, occupational therapy, speech and hearing therapy, job training, childcare, etc. The webpage of the organisation notes that in 2008, it served over 20,000 children, adults, and families. The organisation employs from 50 to 100 persons (Easterseals Alabama, 2021).

Federal, state and local government contracts and grants are a significant source of funding of Easterseals Alabama. The organisation also gets funding from sales of its products and from private organisations, including in the form donations. Easterseals Alabama's role is to allocate finances from the public and private sector and provide services to its beneficiaries.

The paper by Xu and Morgan notes that the organisation “bridges the gap between government and companies in providing training opportunities for handicapped (Xu and Morgan, 2012).”

2.6.3. Goodwill Industries of Central Alabama

Goodwill Industries of Central Alabama is a non-profit organisation founded in 1968. The organisation aims at providing training, vocational rehabilitation and employment opportunities for people with disabilities or other vocational problems which result in barriers or limitations to competitive employment. The major funding source for Goodwill Industries is income generated from sales of donated goods; around 60 percent of its revenue comes from nine retail stores (Xu and Morgan, 2012). Goodwill Industries is also a contractor of the US government program AbilityOne, which is the largest source of employment for blind individuals, or those with other significant impairment. The mission of the program is to reduce dependence on government support and provide employment opportunities for people with disabilities (AbilityOne, 2021). It is important to note that 70 percent of the disabled in the US are unemployed, which adds extra importance to the work of AbilityOne and its contractors, such as Goodwill Industries. The AbilityOne program requires Goodwill Industries to have a ratio of 75 percent of its employees to be persons with severe disabilities. Goodwill Industries employs 69 persons with disabilities under the AbilityOne contracts (Goodwill Industries, 2021).

2.6.4. The Alabama Partnership for Children

Another interesting case analysed in the paper by Xu and Morgan is The Alabama Partnership (APC) for Children, which was established in 2000. It is a non-profit organisation, but it is run by a 28-member board of directors, which includes 17 government officials. The board also includes representatives of community organisations and businesses. The reason for including the government officials on the board is to ensure public support for the activities (APC, 2021).

According to the organisation, the key objective of the APC is to "develop, design, and implement a unified approach for improving outcomes" of children under the age of five (APC, 2021). Specifically, the institution works to mobilise public support and resources for kids' services. The APC programs include Teacher's Education and Compensation Program, Family Community Partnerships, State and Local Initiatives, and Public Awareness. The most important instrument for achieving its objectives is the Blueprint for Zero to Five framework, a collection of school readiness indicators helping local communities to adequately plan public policy and to mobilise resources for achieving "optimal development" of the target age group. The paper mentions that around 78 percent of APC funding comes from the public sector in the form of contracts and grants (Xu and Morgan, 2012).

2.6.5. Revitalisation of historic buildings in Hong Kong

In October 2007, the Hong Kong government introduced an innovative initiative called "Revitalising Historic Buildings through Partnership Schemes". The initiative aims to maintain a balance between conservation and development, and to facilitate links of its citizens with the past. The scheme entails full subsidies for renovations of historic buildings. The goals are as follows: "a) To preserve and put historic buildings into good and innovative use; b) To transform historic buildings into unique cultural landmarks; c) To promote active public participation in the conservation of historic buildings; and d) To create job opportunities in particular at the district level" (Commissioner for Heritage's Office, 2021). The program grantees are social enterprises, and they are not expected to bear costs related to building renovations. Moreover, after historic buildings are renovated, government rents the buildings at nominal prices to social enterprises. The grantees then are required to preserve and popularise the historic significance of these buildings. Besides cultural meaning, the program also helps create jobs, especially in the tourism sector (Commissioner for Heritage's Office, 2021).

Cheung and Chan (2012) note that one of the challenges for such partnerships is that these sort of cultural projects do not generate sufficient financial incentives for private for-profit actors. Indeed, in traditional PPPs, the private sector finances initial costs, and derives sufficient revenue from services to cover its costs and generate profits. It is worth noting that Hong Kong was one of the least indebted regions of China when the scheme was established, which allowed the government to allocate full financial support. Besides, considering the low economic returns, instead of private actors, the scheme is designed for non-profit organisations, which can manage the buildings at lower costs and can bring innovation into the sector. The experience of a non-profit organisation is one of the factors considered during the selection process. The ceiling of funding is five million USD for the first two years of operation, and one of the prerequisites for getting the subsidy is the requirement that the project will become sustainable after the support period expires (Cheung and Chan, 2012).

2.6.6. Cleveland Tomorrow

Cleveland Tomorrow is a distinct form of PPP – rather than sharing risks or investing in the project, the non-profit took the role of stewardship and coordination. In 1979, Cleveland was in default; it experienced multidimensional crises, including economic, social, and environmental hardships (Austin, 1998). As a result of an increase in labour costs, and the rise of foreign competition starting from the 1960s, the manufacturing sector began to shrink, and the unemployment rate increased dramatically. As a result, Cleveland lost almost half of its manufacturing jobs by the 1980s. Cuyahoga River was one of the most polluted rivers in the US and caught fire several times (Ohio History Central, 2021). In 1950-1980, Cleveland's population decreased by almost 40 percent (Austin, 1998).

After getting elected as a mayor of the City of Cleveland in 1979, George Voinovich established the Operations Improvement Task Force, which included representatives of local business executives. This Task Force was one of the initiators of establishing Cleveland Tomorrow PPP. Cleveland Tomorrow was founded as a non-profit organisation and played the intermediary role between the government and the private sector. The private sector was actively represented in the organisation - around 50 CEOs from largest businesses in the Cleveland area were members of the PPP. Cleveland Tomorrow was officially established in 1981 and played an important role in the city's economic and social revitalisation. The organisation initiated several important cultural and economic projects (Mendel and Brudney, 2012).

The organisation worked actively to attract new businesses, spurring innovation in local industries through funding research and development and providing financial assistance to the education sector. The PPP also worked intensively to improve housing conditions and revitalise Cleveland's neighbourhoods (Encyclopaedia of Cleveland History, 2021). In terms of urban revitalisation, Cleveland Tomorrow issued 149 million USD Urban Development Actions grants, which leveraged 770 million USD in private investment and three billion USD in new construction (Mendel and Brudney, 2012). Cleveland Tomorrow was also a key player in developing big infrastructural and cultural projects, such as Gateway Stadium and arena, renovation of local theatres, support of the Rock 'n' Roll Hall of Fame and Museum project, etc. In addition, Cleveland Tomorrow established the Ohio Innovation Fund in 1997 to spur the high-tech industry sector in the area. The fund provides seed funding for innovative start-ups in the high-tech sectors, such as healthcare, aerospace, software development, etc. (Ohio Innovation Fund, 2021). In 2004, it merged with Greater Cleveland Growth Association and Greater Cleveland Roundtable, and as a result, Greater Cleveland Partnership was formed. Before the merger in 2003, Cleveland Tomorrow received more than one million USD from its members, plus about two and a half million USD from investments and other projects (Encyclopaedia of Cleveland History, 2021).

2.6.7. Technology Park Ljubljana

Public-private partnerships are increasingly used for building technology parks in advanced economies since it helps the involved actors to achieve greater level of coordination and spur innovation in the field. In such projects, it is usually the government that sets strategic goals and provides basic infrastructure, while the private sector provides fundraising and investment, and academia is involved in human capital and expertise. One of the noteworthy examples of such partnerships is Technology Park Ljubljana (Bučar and Rissola, 2018).

The Park was opened in 2007, but the company itself was established in 1995. In 2001, the municipality of Ljubljana entered the ownership of the PPP. The PPP also includes other partners, such as the National Institute of Chemistry, the National Institute of Biology, and private companies - LEK pharma, ISKRA ICT complex and ISKRATEL. The major infrastructural work before the project commenced was done through a non-profit foundation, which united all these stakeholders in various forms. As of today, the Management Company shares are divided in the following way: the City of Ljubljana owns 85.7 percent of shares, 9.6 percent of shares is owned by academic institutes, and the rest of are distributed among the founding companies (Lund, Addarii, Schmitz, Kokorotsikos, and Bush, 2020).

The role of the government was twofold: it provided land for the park and the Ljubljana municipality helped to raise money from the European Regional Development Fund. Private actors provided funding mainly through credits and equity (Technology Park Ljubljana, 2021), and academic institutes involved in the management were responsible for technological guidance. It is important to note that, from the 75,000 square meters of the Park area, only 5,000 square meters is owned by the Park. The rest of the area is owned by the tenants (Lund, Addarii, Schmitz, Kokorotsikos, and Bush, 2020), who helped the Management Company repay its debts and in return, became owners of the office spaces. The Management Company is financially sustainable, and its major sources of income are from rents of the spaces in the Park to companies, innovation projects and technological services for tenant companies. Currently, the Technology Park Ljubljana hosts more than 300 companies, which employ around 1,500 people (Technology Park Ljubljana, 2021).

2.7. Modern challenges: COVID-19 and PPPs

COVID-19 has had an immense effect on the social fabric of nations and put enormous pressure on both on public services and the private sector. In pandemic situations, coordination between different actors is crucial for addressing public health and economic implications of crises. In modern systems of democratic governance, economic and social powers are fragmented, and the capitalist system itself is decentralised. Unlike more state-centric regimes such as China, which have effectively managed the health and economic crises since 2019, modern market-based economies lack effective instruments for social mobilisation in emergency situations. Therefore, the need for coordination among different actors in decentralised market economies increases dramatically during crises situations. Public-private partnerships can play an important role in tackling the problem, particularly since after multiple

waves of privatisations, the public sector no longer possesses enough expertise to deal with such crises alone. Hence, it needs to seek innovative solutions from private actors, especially with respect to technology.

Since the infection erupted, diverse experiences of PPPs have emerged across the world, showing clear patterns how public-private partnerships can function in the wake of pandemics or other socio-economic crises. For instance, in Israel, the Ministry of Defence brought together representatives of various ministries, private companies and academic institutes to develop various solutions for public health issues, such as ventilator production, patient monitoring systems, Artificial Intelligence models for forecasting the potential of virus dissemination, etc. (Tony Blair Institute for Global Change, 2020). Another prominent example comes from India, where the government, in partnership with the technology sector, launched a contact tracing app Aarogya Setu, which played an important role in containing the pandemic in the country. Only in 40 days, the app was downloaded more than 100 million times.

The US government has also used PPPs for public response to the pandemics. For that purpose, the National Institutes of Health, and the Foundation for the National Institutes of Health (FNIH) brought together dozens of pharmaceutical companies, the Centers for Disease Control and Prevention, the US Food and Drug Administration, philanthropic organisations, representatives of academia and other agencies. This PPP initiative, dubbed as Accelerating COVID-19 Therapeutic Interventions and Vaccines (ACTIV), was developed by the government to coordinate research and accelerate development of vaccines and medical treatments of COVID-19. ACTIV covered all five components of the cycle which dealt with containing the COVID-19 pandemic:

- Developing a collaborative, streamlined forum to identify preclinical treatments.
- Accelerating clinical testing of the most promising vaccines and treatments.
- Improving clinical trial capacity and effectiveness.
- Accelerating the evaluation of vaccine candidates to enable rapid authorisation or approval.
- Identifying emerging variants and coordinating data sharing.

Experts in the field agree that “research partnership of this scope and scale has never before come together in such a short time frame” (Collins and Stoffels, 2020). This partnership played crucial role in terms of coordinating research in the areas dealing with virus containment and vaccine development (NIH, 2021).

At the onset of the pandemic, doctors in the United States and other countries tried to use dozens of different medications to test their efficacy in treating the infection. However, measuring the real impact of treatments needed large-scale controlled trials. Many hospitals and universities conducted these trials, but their scope was limited. ACTIV played a crucial role in terms of coordinating this process and running trials on many places simultaneously.

The Government of Georgia (GoG) started to develop a legislative and institutional framework for public-private partnerships in 2014. In 2015, the Ministry of Economy and Sustainable Development of Georgia started working on the Law of Georgia on Public-Private Partnerships with the technical assistance of ADB and EBRD. The law was adopted in 2018. The same year, GoG founded a PPP Agency that, together with the Ministry of Finance and international donors, developed methodological guidelines for PPP project assessment in 2019.

As PPPs are a relatively new notion in Georgia, not many cases that fit the definition of a PPP can be found in the country. In 2019, the PPP Agency listed four public-private partnership projects of wind power plants with a total investment of 338 million USD. As for 2020, the Agency reported eight energy-related projects, including six hydropower plants, one wind and one solar energy plant with an investment worth 186 million USD. All projects are ongoing, and stand at a starting phase of their implementation. In addition to these, before establishing the PPP Agency, the Government of Georgia had registered 14 PPP projects (see Table 2 for details. The table lists major PPP project initiatives since independence of Georgia).

Table 2: PPP Projects in Georgia by Year

Year	Project	Sector
2020	VET college Construct2	Education
2019	Namokhvani Hydropower Plant	Electricity
2017	New Deep-Sea Water Port of Anaklia	Ports
2017	Mestiachala 1 and 2 HEPPs	Electricity
2017	Gardabani Wastewater Treatment Plant and Water Supply Infrastructure Rehabilitation	Water and Sewerage
2016	Tbilisi Cluster Healthcare Transformation Project	Health
2015	Shuakhevi 187MW Hydropower Plant	Electricity
2011	Anadolu Paravani HPP	Electricity
2011	Georgia Urban Enerji Ltd.	Electricity
2007	Batumi International Airport	Airports
2006	Batumi Seaport	Ports
2006	Tbilisi International Airport	Airports
2004	Khador Hydro Electric Project	Electricity
1993	Egrisi	Information and Communications Technology

The remainder of this section is based on a combination of desk review work and in-depth interviews. Within the desk research, policy and regulatory framework for public-private partnerships were studied (see Annex 2), which helped identify respondents, and design and implement in-depth interviews. In line with the aim of the study, which is to assess the potential of engaging various actors in addressing Georgia's public challenges, in-depth interviews were conducted with representatives of public, private, and civil society sectors. In total, nine interviews were carried out (see Annex 3). The respondents were selected based on their experience in the field of PPPs in Georgia. The topics covered during the interviews included the state of PPPs in general, challenges and opportunities for starting and implementing PPP projects, and the possible role of civil society in these partnerships. The examples and cases presented in this report were also discussed during the interviews. Analysis of the interview data helped draw relevant findings for identifying challenges and opportunities in Georgia.

3.1. Policy and regulatory framework of PPPs in Georgia

This sub-section reviews the main legal documents - the Law on Public-Private Partnership; the Government Decree #426 on Approval of the Rules of Developing and Implementing Public-Private Partnership Projects; and the Guide to Public Private Partnerships in Georgia.

3.1.1. Review of the Law on Public-Private Partnership

The law on Public-Private Partnerships was adopted in 2018 and was amended in 2020. The law forms the legal basis for PPPs; it sets objectives and criteria for such entities, and regulates other matters related to PPPs. The law lists the following objectives of PPPs: a) increase the efficiency of projects; b) satisfy public interests by creating new and/or improving existing public infrastructure and/or public services; c) raise private financing; d) increase the efficiency of public finances; e) allocate risks between the public and private sectors; f) utilise the know-how of the private partner.

Under the Georgian legislation, there are two forms of public-private partnerships: concessional and a non-concessional. A concessional PPP is defined as a form of public-private partnership, during which a concessionaire directly or indirectly receives remuneration from an end user, or both a public partner and an end user. Remuneration is in exchange for a public service provided by the concessionaire, within which the concessionaire takes important operational risks including the risks of service demand and/or the risks of delivery of the service. A non-concessional public-private partnership is defined as a public-private partnership in which a contractor receives remuneration from a public partner for the provision of a public service and/or public infrastructure.

According to the law, public-private partnerships should satisfy the following criteria:

- a.** the minimum term of the partnership shall not be less than five years.
- b.** risks should be distributed between public and private partners.
- c.** private partner should fully or partially finance the partnership project.
- d.** the partnership project should be about providing a public service or the establishment, operation or maintenance of public infrastructure by a private partner.
- e.** the cost of PPP shall be no less than five million GEL. The law also introduces the concept of a 'small project' and the cost of such project is lower than five million. There is no lower limit for small projects.

According to the law, there are three main institutional actors responsible for developing and implementing PPP projects in Georgia: the Ministry of Finance, the Public-Private Partnership Agency and other authorised bodies, including other state agencies, governments of autonomous republics, state-owned enterprises.

These definitions are in line with internationally accepted terminology discussed in the previous chapter.

Forms of support for public-private partnerships are diverse and include:

- a.** availability payment and/or performance-based compensation.
- b.** guarantees for demand, consumers and income.
- c.** guarantees for tariff and/or cost of public services.

- d. guarantees on long-term procurement of certain types of goods and services at the price determined based on an agreement.
- e. grants and/or subsidies aimed at covering certain costs and returns on investments made in accordance with the procedure and in the cases provided for by the Government of Georgia, including grants in-kind.
- f. transferring land and/or granting permits and licenses provided for by the legislation of Georgia in the cases provided for by the legislation of Georgia.
- g. granting exclusive rights to intellectual property to a private partner.
- h. granting exclusive rights to a private partner to establish/operate and maintain a facility of a public-private partnership agreement and/or to provide public services within certain areas.

3.1.2. Review of the government decree #426 on approval of the rules of developing and implementing PPP projects

While the law describes the rules and procedures related to the development and implementation of PPP projects rather briefly, the decree #426 on approval of the rules of developing and implementing PPP projects, enforced in 2018, clarifies the regulations in more detail. Moreover, there is a separate section in the decree devoted to the rules and procedures for small projects.

Table 3. PPP project lifecycle

Identification and Initiation	1. Project identification. Projects are identified by relevant state authorities or the Agency. For instance, in case of an energy-related project, it is the Ministry of Economy and Sustainable Development and the Agency that are involved in the process. A private company may also identify, draft and submit the initiative to relevant state authority, but only in the energy sector. The relevant ministry, in collaboration with the Agency, will then assess the proposal. Small projects can be identified only by authorised bodies. 2. Preparation of project concept note by relevant state authority. The project concept note (PCN) should contain preliminary assessments of the project's (a) strategic importance and public interest, (b) economic value; (c) financial affordability and fiscal risks. 3. Submission of PCN and drafting of conclusion and recommendations. PCN is submitted to the Ministry of Finance and the PPP Agency. Ministry of Finance issues a conclusion, while the Agency prepares recommendations. 4. Decision. Decision is made by GoG on approval, rejection, or revision of PCN. In case of small projects, PCN does not have to be approved by the Government. A recommendation by the PPP Agency and an opinion by the Ministry of Finance suffices.
Project Preparation	1. Preparation of research/analysis. The main output of this phase is preparation of the feasibility study (FS). FS should contain a) Strategic Needs Assessment; b) Technical, Economic, Commercial and Fiscal Feasibility; c) Environmental and Social Impact Assessment; d) Legal Due Diligence; e) Risk Analysis; f) Value for Money Analysis; g) Market Analysis; h) Procurement Strategy. FS is prepared by relevant state authority; If the project is identified by the private sector, state authority is authorised to request FS from the initiator. For small projects where PPP Agency or the Ministry of Finance decide that a Feasibility Study is necessary because of potential financial risks, a simplified feasibility study will be required. 2. FS review. FS is evaluated by the Ministry of Finance. The PPP Agency is not involved in this process. 3. Approval. Approval is issued by GoG. In the case of small projects, FS does not have to be approved by GoG except when the project is in the energy sector or/and when simplified FS is required. The decision is made on three criteria: strategic/public importance; economic impact, and fiscal impact.

Selection of the Private Partner (Concessionaire)	The selection process announced for identifying a concessionaire may be public or closed. All selection processes, except those related to state security interests, are carried out publicly. Under the rules of the tender, there should be three candidates. Direct negotiation with private partners can only be conducted in the energy sector. In both, closed and public selection process, authorised body establishes the selection commission. Members shall be the head of an authorised body and/or his/her deputy(ies), representatives of the Ministry of Economy and Sustainable Development of Georgia, the Ministry of Finance of Georgia and the Public-Private Partnership Agency, as well as representatives of other state authorities, if necessary, based on the nature of the project. Experts of respective fields can also be invited to the selection commission. Each member is entitled to one vote. Selection of a small project does not necessitate forming of a selection committee.
Project Implementation and Follow-up Assessment	1. Monitoring. Public authority creates monitoring team or a special structural unit. 2. Preparation of annual report. Monitoring team or a special structural unit prepares annual report and submits it to the Agency. 3. Submission of assessment report. Public authority prepares follow-up assessment and submits it to the Ministry of Finance and the Agency. 4. Development of recommendations and submission to GoG. Ministry of Finance and the Agency develop recommendations and submit them to GoG, which prepares integrated assessment report.

3.1.3. Review of the methodological-practical guide for public-private partnerships

To provide guidance for public and private partners in implementing PPP projects, in 2020, the Ministry of Finance, with active collaboration with the PPP Agency and with the support of ADB and USAID, designed PPP guidelines. The document details all phases of the implementation process, and clarifies specific issues that are ambiguous in legislation, most importantly the nature of concessional and non-concessional PPPs. The guide specifies that while concessional PPPs are paid for by end user or both, the end user and the public agency, non-concessional PPPs are reimbursed solely through public funding. In the latter, the private partners do not take operational risks; they design, construct, and maintain a facility, and assist in operation, but do not provide public service. The guide also includes a detailed methodology for conducting the Feasibility Study (FS), which is a crucial component in the decision-making phase as it assesses project costs, potential social and economic benefits, environmental impact, project viability and bankability, and the desirability of the PPP option over the public procurement option.

3.1.4. The role of the Public-Private Partnership Agency

To manage the PPP process more effectively, in 2018, GoG established the Public-Private Partnership Agency, a standalone agency directly accountable to the Prime Minister of Georgia. Since then, the agency has facilitated cooperation between the private sector and the public sector, as well as across the public entities. It has also been actively engaged in refining the institutional and policy frameworks in close collaboration with international organisations.

According to the PPP Agency, it was established to promote fair and efficient cooperation between the two sectors to aid the government's economic development agenda. Functions of the agency include identification, facilitation, and assessment of potential partnerships between the private sector and the government agencies. The PPP Agency is also tasked with enhancing knowledge and skills of state agencies in the field of public private partnerships.

In 2020, the PPP agency worked on refining the existing regulations, and developed several recommendations to that end. Most of these recommendations concerned ambiguities and discrepancies in the law, though there also were several substantive issues. For instance, the PPP agency argued that allow-

ing private initiative only in the energy sector - as in the current legislation - hindered formation of high-potential PPP projects in other areas.

Currently, the PPP agency has three employees, including the acting chairperson, senior analyst, and administrative manager.

3.1.5. The role of international organisations

International donors, including ADB, EBRD, USAID, the World Bank, have taken an active part in creating and refining the policy and regulatory framework for PPPs in Georgia.

EBRD in 2021 created an advisory working group composed of global and local expert advisors, who are in the process of assessing Georgia's existing public-private partnership frameworks and making relevant recommendations (PPP Agency, 2021).

The PPP Agency also received financial assistance from the World Bank's Public and Private Infrastructure Advisory Facility (PPIAF), to strengthen capacity and competence of public officials. Within the frames of the program, PPIAF experts and consultants conducted trainings on a range of issues, including cost-benefit analysis, financial calculations and planning, and environmental and social impact assessment of PPP projects (PPP Agency, 2020).

Additionally, ADB and USAID's Good Governance Initiative assisted the PPP Agency and the ministries of economy and finance in developing the Guide to Public-Private Partnerships in Georgia document which was approved by the GoG in April, 2020. To implement this newly elaborated methodology, ADB and USAID's GGI project conducted a 3-week training for employees of the target stakeholders. USAID plans a similar training at the municipal level as part of a larger project aiming to enhance municipal engagement in PPP initiatives.

PPPs also feature in USAID's Economic Security Project, which entails review of legal and policy frameworks with a focus on local self-governance. As part of these efforts, international best practices for involving municipalities will be explored, followed by collaboration with municipality officials and private sector representatives in identifying local PPP project opportunities. The program will promote small PPP initiatives as most municipalities cannot afford large projects.

3.2. Experience of PPPs in Georgia

In-depth interviews conducted for the purposes of this research, provided valuable insights about the prospect of PPPs in Georgia, as well as on challenges pertaining to it and the possible role of CSOs in future partnerships. It should be noted that certain overarching themes, issues, and topics emerged across various interviews, which lends them certain reliability. Very few examples of civil society involvement in PPPs were found, but those that emerged are discussed below to highlight the nature of this limited experience on the ground.

3.2.1. General views on PPPs in Georgia

Many respondents agree that at a time when Georgia is struggling to finance public projects through tax revenues, loans and foreign aid, PPPs appear to be a promising tool for leveraging additional resources. At the same time, they also acknowledge that the cost of capital is higher for the private sector, which makes PPPs more expensive than the traditional public procurement method. However, the state might not always afford direct procurement. When the choice is between partnering with the private sector or not doing the project at all, a PPP may be a better option as it may result in a spillover effect, and thus, compensate for increased expenses. However, when it comes to projects of strategic importance, mobilisation of finances by raising taxes or utilising the pension fund has been mentioned as preferred alternatives.

The respondents note that the focus of main stakeholders in Georgia has mostly been on infrastructure PPPs. Representatives of the international organisations noted that innovative PPPs should enjoy more attention and interest in Georgia. It is worth noting that the Ministry of Education and Science of Georgia has already embarked on introducing non-traditional PPP models in vocational education and training

since the latter requires more flexibility in approaches.

To implement PPP projects successfully, the main challenge the state actors refer to is lack of professional, qualified, and motivated individuals in the public sector, which partly stems from absence of merit-based recruitment of civil servants. Apart from that, highly skilled workers usually face a wage penalty for working in the public sector. These factors, in combination, lead to low in-house capacity in the public sector. An example of this is the PPP Agency itself, the key institution for coordinating PPP projects, which has only three employees and a decreasing budget. Low-in-house capacity, in turn, affects the quality and coherence of sectoral strategies and PPP implementation. Without consistent, well-organised, and coordinated policy planning process, state authorities will not be able to initiate PPP projects. In 2019-2020, for instance, none of the 12 projects reviewed by the PPP Agency were initiated by relevant public bodies.

Some respondents also highlighted the importance of sound strategy. In their words, hardly any ministry in Georgia has a long-term PPP strategy, and there is no umbrella strategy at the national level. Indeed, as one respondent observed: “If you do not know what are you aiming at, how can you know which project serves the purpose? Even if the government initiates a project, if it does not have a strategy, it will most likely be a corrupt deal. A bureaucrat will serve the interests of a well-connected private actor”.

Another PPP relevant issue, connected to low in-house capacity, is limited ability to conduct the Feasibility Studies, which is a key document for the decision-making process. While the law on PPP is not entirely explicit on who should conduct the study and in which circumstances, in practice, it is the private sector that takes on this role. This contributes to conflicts of interest as it is in the latter’s inherent private interest to promote the project. Moreover, private companies typically hire local or international consultants, who, instead of conducting thorough analysis of the local context, are copying studies from other countries. Without adequately studying the local context, PPP projects’ positive or negative externalities are less likely to be identified. Measuring spillover effects is essential for deciding whether the government should do the project under the PPP model or not.

Most respondents felt it would be particularly challenging for local municipalities to initiate PPP projects and make relevant decisions. The notorious “initiative is punishable” might partially explain this situation: municipal authorities are simply reluctant to take responsibility and do not wish to burden themselves with new and complex tasks. This might also be a consequence of lack of human and financial resources, absence of a long-term vision for municipality development, and limited decision-making powers. This leads to municipal authorities to refrain from initiating projects: “If I know no one can decide, including me, why would I initiate it at all?” as one respondent noted. The fact that local authorities rarely use their powers deserves closer attention, especially when it comes to small projects, where GoG and the Ministry of Finance are not entitled to make decisions.

It is also worth noting that municipalities have considerably lower awareness of what PPPs stand for as the information sharing mechanism within and across government agencies is seriously flawed. For example, it took a long time for a municipality to find out whether it could build a road for private purposes within the framework of PPP.

Business sector representatives agree that PPPs can be a valuable tool for cooperation with the authorities on a win-win basis: according to them, they would be willing to establish more active cooperation in areas of mutual interest. Private actors stress the importance of long-term vision, but underline that state institutions are more focused on short-term results.

Absence of corporate philanthropy was mentioned as one of the shortcomings of the business community. Commentators opined that most businesses are less interested in projects where public interest prevails over private interests. This could be connected to the historical background in which the rise of the business sector took place after the collapse of the Soviet Union.

Some respondents mentioned that even though GoG played an active role in developing the institutional and regulatory framework of PPPs, the current level of interest towards the issue is not sufficient. Specifically, they point out that the fact that it has been more than a year since the previous head of the PPP Agency left, but the authorities have not appointed the replacement, is indicative of lack of interest. The respondents noted, however, that there is great enthusiasm from international organisations to move the PPP agenda forward, along with a desire for closer cooperation among themselves, and with local stakeholders.

Example Box 1: The USAID Economic Security Program - promoting ideas for PPPs

The Economic Security Program is a five-year USAID-funded project started in 2019 and implemented by Development Alternatives Incorporated. Its aim is to accelerate broad-based growth of sectors that show strong potential to create jobs and increase revenues for micro, small, and medium enterprise. The program has identified five priority sectors: tourism, light manufacturing, creative industries, shared intellectual services, and solid waste management. One of the components of the Program is building Public-Private Partnerships (PPPs). The program does not define PPP in its traditional form. Instead, any project or initiative that engages the state, private sector, including corporations, foundations, and other non-governmental actors, as core resource partners, can be regarded as PPPs.

One of the projects with a potential of developing as a PPP under the program is “Digital Days in Georgia”. It was initiated, co-organised, and co-funded by the Georgian National Tourism Administration (GNTA), a legal entity of public law tasked to promote the tourism sector in the country. The project was implemented by “Steller”, a platform and an app introducing travel ideas and booking opportunities to tourists across the world. The project aimed to attract tourists to Georgia and increase the country awareness in the US and Europe. With that aim, in May 2021, Steller brought to Georgia 20 bloggers and influencers on Facebook, Instagram, and other social networks, and organised a press tour to various locations. The press tour participants had to prepare several hundred video/photo stories for social networks about Georgia’s tourist spots of varied profiles - from adventure to ecology to culture to booking opportunities. The campaign was a success, with video/photo stories reaching four million potential tourists around the world.

This case differs from the traditional form of public-private partnership in the sense that Georgia’s private sector is not the investor but the beneficiary, while the USAID and the state are the project sponsors. Moreover, under this model, the public good - promoting Georgia’s touristic potential - is achieved by active participation of the state, unlike in conventional PPPs, where the role of the state is typically limited to supervision. This particular initiative is about a one-time partnership with the potential of being a longer-term project where the hospitality field businesses or tourism industry associations are brought in as co-funders.

3.2.2. Past experience with infrastructure PPPs in Georgia

Georgia has had a relatively satisfactory experience with power-related traditional PPPs, even though the latest projects have been moving forward slowly, and CSOs have not necessarily been sufficiently engaged in watchdog functions. However, in other sectors, notably airports, the experience has been mixed. Box 2 presents the case of airport investment using PPPs versus public procurement.

Example Box 2: The Case of Georgian Airports

Tourism has become a priority sector for Georgia since 2003, when the new government came to power as a result of the Rose Revolution. Enhancing tourism-related infrastructure was made into a high priority. Being under poor conditions, Tbilisi International Airport was one of the main targets of massive rehabilitation projects. In 2005, Turkish company “TAV Georgia” received a concession from the public sector under the build-operate-transfer PPP model (Interpressnews, 2016). The term of the agreement was set until 2027 with the deal to renovate the infrastructure (car park, apron, taxiway, and runway) and build a new passenger terminal in Tbilisi. Besides the revenues accrued in administering the airport, TAV Georgia was granted exclusive rights to provide service within a specific territory. More precisely, under the agreement, within a 150 km radius, no other airport could be built and operated until 2027 without TAV Georgia’s approval. Having made the investments worth 62 million USD, the new passenger terminal of Tbilisi was commissioned in 2007 (TAV Airports, 2021).

Later, it became evident that the contract terms were burdensome for the country to fully implement its touristic potential. TAV Georgia’s commission fees were higher than required to bring in budget airline companies, to make flights to Georgia cheaper. The fact that the contract granted TAV Georgia exclusive right to operate within a 150 km radius from Tbilisi, implied that no other company could

enter the competition and put downward pressure on TAV's commission fees. The only option was to build a new airport further away.

The choice was made on Kutaisi, one of the largest cities of Georgia, located some 200 kilometres from Tbilisi. The already existing airport in Kutaisi underwent renovation in 2012, after which it started to attract a growing number of budget flights. The airport is fully owned by the state-owned company United Georgian Airports, and GoG fully financed the airport renovation. The total cost of the project amounted to nearly 26.5 million USD. Research published under the Asian Development Bank Institute in 2020 assessed the impact of Kutaisi airport on the public finances of the region and its spillover effects on the neighbouring areas (Devidze, 2020). The research showed that after the airport opening, the number of tourists visiting the surrounding areas increased together with the revenues from international tourism receipts that the region generates. The overall effect of the infrastructure has been an increase in economic activity, leading to higher tax revenue for the government.

In 2012, GoG signed a memorandum of agreement with TAV Georgia. According to the agreement, TAV Georgia would construct a new runway, with an investment worth 64 million USD. In return for this investment, TAV Georgia extended its right to operate the airport until November 2037 (Netgazeti, 2015). Following the change of government of Georgia, construction of the runway was terminated, and after two years of intensive negotiations, the company agreed to make additional investments without extending the term of contract until 2037. After concluding the deal, Minister of Economy, Giorgi Kvirkashvili stated: "We are very pleased that while we have taken into account the interests of our very important partner, company and investor, we were also able to maximally protect the interests of our citizens, passengers and the public" (Netgazeti, 2015).

In 2018, following the Kutaisi example, the Governor of Kakheti Region also expressed interest in building an airport and bringing in budget airlines in Kakheti. The plan was to use the territory of the already active but small-scale airport in Telavi since it seemed to be the most cost-efficient option. However, as the distance between Tbilisi and Telavi is less than 150 kilometres, the project necessitated TAV Georgia's approval, which the Governor could not get (Netgazeti, 2018). As a result, his initiative was stalled.

To summarize, based on how these events unfolded, we can identify three main issues that characterised the partnership with TAV Georgia.

First, because the company imposed higher commission fees, the government was unable to bring in budget airlines to develop the tourism sector. This situation persisted until 2012 when Kutaisi Airport started operating. It is also worth noting that GoG spent 26.5 million USD on the renovation of Kutaisi Airport, which could have been avoided under different contract terms with TAV Georgia.

Secondly, granting the monopoly power within 150 kilometres might be another pitfall of the deal with TAV Georgia. In addition to not having the leverage to force the company to reduce fees, the government is also limited in selecting the locations where it can build a new airport. Had the state not given the monopoly power to the company, commission fees would have been less burdensome.

Thirdly, in exchange for a 64 million USD investment, the contract with TAV Georgia was agreed to be extended for an additional ten years. If the new government did not initiate negotiations to invalidate this agreement, Tbilisi International Airport would be operated under controversial terms until 2037.

Such challenges might not have arisen if the contract had been a subject of broader public discussion from the outset of negotiations in 2005. The case illustrates the importance of engaging the general public, including through holding public hearings, before the government agrees upon projects of such strategic significance. Civil society representatives may play a key role in raising the issue and initiating discussions around them.

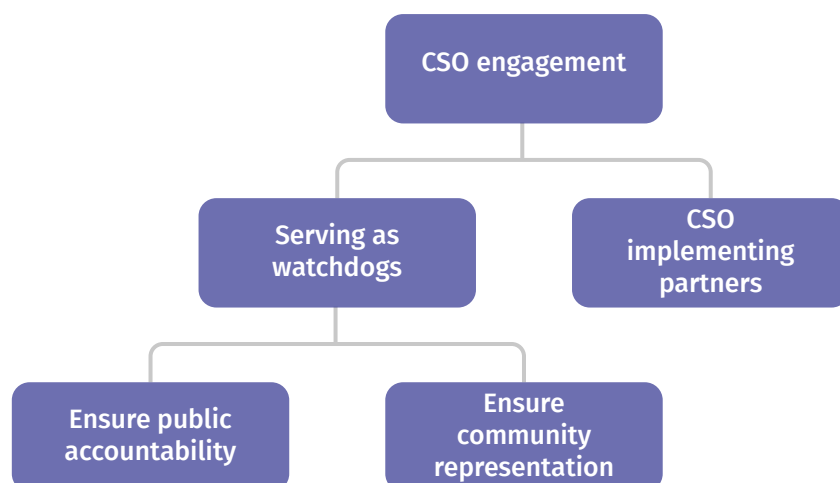
3.3. Potential roles for CSOs in PPPs in Georgia

The issue of possible engagement of CSOs in the PPP models turned out to be an uncharted topic for most of the interviewed respondents. The research interviews also showed that the PPP Agency had not considered the CSOs' role in PPPs, and that the thinking of the private sector and the civil society organisations on prospects of the latter's involvement are quite far apart.

For CSOs, greater involvement in PPPs is viewed as a means to become more sustainable. Their interest is more in direct CSO-Government PPPs (generic PPPs) as they see it as an opportunity to address the problem of their financial sustainability, while also ensuring that public services are delivered by CSOs. High dependence on international funding, which is the case for many, was named as a long-term risk for their viability. Against this backdrop, direct CSO-government partnerships in areas where neither the business sector nor the general public is able to provide resources, appears to be an important alternative source. According to the respondents, collaboration with the authorities might also be a way to tailor the CSO projects to public needs and create more significant impact-oriented partnerships. This, in turn, will help attract international donors' co-funding and leverage social impact investment models. The private sector representatives, on their part, are sceptical about CSO participation as they see them oriented solely at fund-raising and unresponsive to the needs of the population. As one respondent noted, instead of representing public interests, "working at a non-governmental organisation has become just another good career opportunity in Georgia".

Nevertheless, there are two roles that CSOs could take in PPPs in Georgia, namely, serving as watchdogs or getting involved in PPPs as implementing partners.

Figure 1: Options for CSO engagement in PPPs



Serving as a watchdog has traditionally been the role of the civil society organisations in Georgia. They have often acted as whistle-blowers, holding institutions and individuals to account. In the similar vein, they can stimulate and/or ensure accountability and transparency of PPP projects to ensure that the outcomes are socially and environmentally responsible. According to the respondents, CSOs' role as watchdogs may include overseeing all processes related to project identification, preparation (including feasibility study reviews), selection of a private partner, and project implementation. CSOs could also ensure that the voice of the affected communities is heard in the decision-making process. Moreover, CSOs can mobilise and coordinate community members and assist them in collective bargaining processes. When it comes to being implementing partners in PPPs, CSOs can serve as social service providers. Since CSOs are non-profits, the state agencies will significantly save public finances by delegating the service provision to them. Nevertheless, cutting costs in this way should not compromise the quality of the services.

Transparency International Georgia's "Fix My Street" Project was not implemented in the form of a PPP (with the CSO as an implementer), but one might still consider similar projects as innovative or direct CSO-government PPPs with CSOs taking the lead.

Example Box 3: Transparency International Georgia's initiative: FixMyStreet

In 2011, the Transparency International Georgia (TI-Georgia) initiated the project FixMyStreet, which entailed designing of a web platform where residents of Tbilisi could report local problems to the municipal authorities. The reports were placed on the map, and anyone could check the progress in problem-solving. The project idea was to facilitate direct communication between citizens and Tbilisi administration, encourage citizens to report issues in their neighbourhood, and monitor the authorities' handling of the problems (Transparency International Georgia, 2021). Using the platform, around 1,200 issues were resolved. Eurasia Partnership Foundation financed the project, and the Tbilisi municipality acted as a partner. However, following the municipal elections in 2014, the new administration ended the partnership because they, on their own, planned to create and administer a similar web platform. The idea was never materialised.

The potential transformation of this project can be that the CSOs like TI offer similar services to state institutions. To be more precise, the partnership model can be the following: with the initial financial assistance from donor organisations, civil society organisations set up digital tools, and the government covers operating costs in the long run. This way, the projects may become more sustainable. CSOs, in turn, being able to attract funds and mobilise resources, can provide effective digital technologies and platforms to increase transparency and efficiency of public services.

The model where international organisations provide capital funding and state institutions cover operational expenses can also be extended to projects where NGOs serve as social service providers, e.g., in the fields of healthcare and education.

To conclude, partnerships between international donor organisations, CSOs, and the state can be pursued in the form of iPPPs. The case of FixMyStreet initiative illustrates such a partnership model which can be revitalised in the future. Dividing the roles under the proposed model can be a win-win solution for all three stakeholders, as well as for the general public.

In the area of Vocational Education and Training (VET), the Ministry of Education and Science has found relevant CSOs as partners in its PPP initiatives. There is also a wealth of international experience and models on such partnerships that Georgia could potentially benefit from. The challenge, however, is that Georgia's institutional capacity does not seem to be ready to adopt international best practices, even though donor organisations have long advocated for it. For example, in the German dual VET system, labour unions are one of the key institutions as they assure that the skills acquired at training companies are transferable. In the Georgian context, however, due to its Soviet legacy, labour unions are not strong enough to perform such a role. Thus, the Ministry, at this point, is opting for involving business associations in iPPPs since they are probably better positioned to tailor VET programs to business needs.

Example Box 4: VET PPP involving a business association and an international organisation as implementing partners

According to the National Statistic Office of Georgia, unemployment in Georgia is high, accounting to 22%. The skills mismatch with labour market demands is one of the core reasons of unemployment, which is largely determined by deficiencies in the VET system. Numerous research reports indicate to a substantial mismatch of VET with the labour market needs, caused primarily by low engagement of the private sector in the VET processes (GTZ, 2010).

In 2009, the Ministry of Education and Science set up sectoral councils formed by employer associations, labour unions and VET colleges. These councils aimed to support the Ministry in developing and upgrading occupational curricula and standards. However, due to the low engagement of the private sector, the councils could not fulfil their function (GTZ, 2010). As a result, the Ministry started searching for alternative strategies to bring the private sector closer to the system. In 2018, the Georgian Prime Minister announced that the government would take steps to introduce a new vocational education and training model based on public-private partnerships and utilising international experience, in

particular considering practices from Germany, Austria, and Switzerland (Agenda.ge, 2018). International organisations such as the EU, the Swiss Agency for Development and Cooperation, UNDP, GIZ, and Millennium Challenge Corporation (MCC) actively supported these partnerships and piloted various programs.

Among those, SDC funded the dual VET program in agriculture, led by UNDP and coordinated by the Georgian Farmers' Association (GFA). The program combined apprenticeships in a company and vocational education provided by the college with the aim to ensure that at least 50 percent of the learning outcomes would be achieved on the job. GFA functions included consulting the private sector to identify the skill set they needed, design programs, facilitate communication between companies and public colleges, conduct information campaigns to attract students, monitor the program implementation, etc.

In 2018, the International School of Economics (ISET) Policy Institute conducted an assessment of the pilot project. The table below summarises the interests/motivation, and obligations of each stakeholder as revealed by the assessment (ISET Policy Institute, 2018).

Table 1. Stakeholder analysis

Stakeholders	Interests/benefits	Obligations/costs	Risks
GFA	Get funding from international donor	Coordinate the program	Program ends along with the expiration of funding
Private Companies	Utilise the government's better reach to employable youth	Provide on-job training in transferable skills	Companies exploit students; engaging in VET is a cheap source of labour
VET Colleges	Attract more students by offering dual VET	Provide theoretical knowledge	The quality of theoretical education is inferior
Government	Enhance the quality of VET	Provide funding to colleges, provide services such as authorisation, student registration/examination, etc.	The quality of VET does not improve

The risks identified by the evaluation have largely materialised. First, students lacked motivation, often missed classes or those who had some farming experience were not interested in completing the entire two-year program. Second, having a dual program was no financial incentive for VET colleges: students would spend half time on the job and therefore colleges would get only half of the student voucher. Third, employers tried to maximise private benefits ("cheap labour") instead of offering comprehensive training; work-based instructors also lacked the motivation to do their job well (e.g., explain not only how to prune grapevines but also why it is necessary to prune so). Fourth, communication and coordination between college instructors and work-based instructors were not of sufficient quality.

The pilot ended in June 2021. The decision to continue the project is not made yet. If the project continues, GFA will still be willing to take the lead. Meanwhile, GFA has started its independent short-term vocational training and retraining programs, with the Ministry of Education and Science covering operating costs (teacher remuneration and materials). Overall, the pilot could have been more successful if the demand was driven from the private sector.

Example Box 5: VET innovative PPP involving a private company and the Ministry of Education and Science

In 2020, a traditional Design-Build-Operate-Maintain PPP model was launched in the VET sector. Under this model, the private sector contributes to VET facilities and education services, as well as operation and maintenance, including management services of infrastructure, support services, and the teaching and learning process. The private company BK Construction, in partnership with the Ministry of Education and Science, founded a college “Construct2” in Zestaponi, Imereti region. The decision to establish a college was made due to the challenge of low skills of new entrants, resulting in a waste of construction materials and time. The company was planning fast growth in the coming five years, aiming to add 300 new employees every year, hence, the company approached the Ministry of Education and Science to find the solution. Negotiations were concluded with the decision to establish a college under the PPP model. The state granted the right of usufruct of the land and building and decided to cover operating costs including training materials, salaries of instructors, administration, and dormitory costs. The company renovated and equipped the campus with up to four million GEL investment.

The college had its first student admission in the fall of 2020 and has been operating ever since. It offers qualification and training programs, including 11 short-term training (two months) and three long-term (two-year) education programs. Under the short-term qualification programs, students acquire basic skills needed for building/repairing, including bricklaying, roofing, simple electric installation, painting works, etc. Two-year programs include computer networks and systems, occupational safety and environmental protection technologies, and wall covering works. While the company designed the short-term programs based on its actual needs, long-term programs were created at the request of the Ministry of Education and Science. The company contributes more resources to short-term training (e.g., equipping the college, providing internships on the construction site, bringing company instructors to the college), while the state mostly provides equipment and instructors for long-term programs.

The case provides good basis to stimulate PPPs in education, particularly the VET system. Nevertheless, it is vital to further explore the efficiency of this particular case and the degree to which it has served the public interest. Such studies could further support the Ministry of Education and Science and other public actors to fine-tune the PPP modalities. Involvement of independent civic actors such as thinks-tanks or industrial associations could be very beneficial in such assessments to increase their credibility and make them more multifaceted.

This report described three types of PPPs – traditional, innovative and generic – and discussed the potential role of CSOs within each of the categories. The potential role of CSOs across a wide range of sectors and functions in Georgia is substantial, ranging from direct partners or co-implementers of innovative PPPs, to watchdogs of more traditional PPPs. Nevertheless, the Georgia section of this report found that the capacity of CSOs to play these roles is currently limited. There is also a mistrust from other sectors about their ability to be part of either direct or innovative PPP arrangements.

Across government, private sector and civil society there is limited understanding and appreciation of non-traditional forms of PPPs and what they can achieve beyond the power generation projects.

There are also regulatory and institutional capacity issues. The PPP Agency is understaffed and has limited capacity to absorb the large amount of technical assistance being directed at it by the donor community. At the same time, the law only allows some public institutions to propose projects, which leads to institutional bottlenecks.

Based on the potential of PPPs identified in this report, and the capacity-related and other challenges in Georgia, the following broad recommendations are offered:

- ▶ In order to promote innovative PPPs, it is important to enhance relevant knowledge and competencies among stakeholders. That implies further exploration of the subject, knowledge consolidation, identification of concept application opportunities in Georgian context, popularization of inspirational practices and etc. Apart from conceptual issues, operational layer is also important. That includes more technical competencies, skills related to initiation, elaboration and steering of innovative PPP projects. It is also vital to strengthen PPP Agency in terms of respective capacity.
- ▶ In order to enhance opportunities and create more conducive environment for innovative PPPs, it is instrumental to advocate and provide technical assistance on regulatory changes which will allow more public bodies to propose different types of PPPs, including those of a smaller size, or at a sub-national level. The discussion on revision of the regulations with regard to small size projects and respective role of CSOs and local authorities will also create space for advocating concept of innovative PPPs with participation of different stakeholders.
- ▶ In small projects where municipalities are expected to take charge, CSO support might be especially instrumental and beneficial given the current capacity of local authorities. Targeted technical assistance to promote relevant “model cases” can lead to further diffusion of respective practice.
- ▶ CSOs should explore the areas where they could be direct partners of government in implementing specific public services through PPP arrangement. One or two leading CSOs should make a strong business case for being awarded public service PPPs.
- ▶ Engagement of independent civic actors such as watchdog CSOs, academia, professional associations, trade unions, think-tanks in review of feasibility studies of PPP projects will lead to greater transparency and public accountability as well as multidimensional critical assessment. In order to increase such public participation, the requirement for engagement of civic actors is preferable to be institutionalized within relevant legal/regulatory framework.

Bhubaneswar street lighting, Odisha State, India

DESCRIPTION

This case study concerns the installation of energy efficient public streetlighting in smaller streets in the Indian city of Bhubaneswar (population 800,000) in Odisha State, starting from 2013. The PPP was initiated to tackle public safety concerns of residents of smaller streets, as well as high energy consumption of existing street lights that strained city finances. The inefficient streetlighting system also reduced small business activity due to the poor illumination and associated dangers.

In 2013, Bhubaneswar Municipality approached the International Finance Corporation (IFC) for technical assistance (TA) to develop a PPP for improved street lighting that would reduce energy consumption, improve visibility, and make Bhubaneswar safer for residents. Street lighting PPPs had been tried elsewhere in India, but many had underperformed due to poor preparation and inadequate risk allocation. The project was signed in October 2013, with construction/set-up taking eight months. It was substantially financed (with up front capital investment worth roughly 4.8 million USD) from the Infrastructure Development Collaboration Partnership Fund (DevCo) of the International Finance Corporation (IFS).

As a result of the PPP, some 20,000 streetlights were retrofitted, and a centralised control and monitoring system helped save energy and make the streets safer. Citizens were able to report outages and get a prompt response via a municipal smartphone app.

THE PPP DEAL AND STAKEHOLDERS:

The core partners were the Bhubaneswar Municipal Corporation (government) and Shah Investments, a local Energy Saving Company (Ahmad and Shukla, 2014). Facilitators and co-implementers were IFC (technical assistance provider) and DevCo (a financing facility of the World Bank Group). Since the revenue model was innovative and there was no interest from local banks or non-bank financial institutions for lending, DevCo became the major funder via equity. CSOs and citizen groups were involved in identifying problems and in pushing for a solution at the local level.

The key innovation of the deal was to link the implementing partner's revenues directly to the energy cost savings it realised for the municipality.⁹

RISKS AND RISK MITIGATION:

The key risks and mitigations were:

- Project non-viability, which was addressed by a carefully conducted feasibility study, resulting in a large scale economically viable project involving all streetlights in the city.
- Payment risk, which was addressed by setting up an escrow account for payments and making 75 percent of the payment to the operator automatic.
- Political risk, which was addressed by a relatively short PPP duration of 10 years.
- Performance risk, which was addressed by detailed performance targets monitored by the Bhubaneswar Municipal Corporation.

⁹ See: https://www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/cm-stories/street-lights-brighten-indian-cities

RESULTS

The PPP has proved to be a success for the city. It has saved Bhubaneswar around 100,000 USD per annum in energy costs, provided safer streets for residents, and resulted in greater citizen satisfaction with both government services and the state of the community. Moreover, the spillover effects on the local economy and economic inclusion have been enormous. Local traders have been able to stay open more hours, with residents venturing out later onto the well-lit streets (IFC, 2013).

SUSTAINABILITY AND REPLICABILITY

Public response to the street light program was extremely positive. Citizens are now active in reporting light outages and other problems via the municipal app, and these are then addressed by respective agency, with performance and responsiveness closely monitored by the municipal authorities. Halfway through the 10-year PPP deal, the project had proved so successful that Odisha State launched a tender in 2018 to replicate the PPP model state-wide.¹⁰ The costs and time involved in replication were reduced compared to the initial project.

There is now a volume of publicly available standard contracts, clauses, and bidding documents for municipal streetlighting projects from half a dozen countries.¹¹ This open-source information will help improve municipal finances, traffic, and citizen safety across the world. It will also enhance energy efficiency and environmental impact.

TAKE-AWAYS¹²

- Small, subnational iPPPs have significant potential and are less risky, especially where there is a non-controversial public safety issue involved.
- Replication is relatively easy once proof of concept is done; design costs will reduce and financing options may well expand after the pilot.
- Government and private implementer were the core partners, with advisory and financial participation from IFC and DevCo.
- The project was big enough to make it attractive to capable implementers, but small enough to ensure that local government beneficiaries were “organically connected”.
- The project success and its main innovation was a tariff structure that paid the implementer based on the energy savings delivered to the municipality.
- Another project success was a payment security under the contract via escrow accounts, and automatic payment of 75 percent of fees.
- The project delivered significant social benefits, spillover effects, environmental benefits, and economic inclusion.
- Such projects have the potential for significant add-ons such as CCTV to enhance citizen safety, apps to efficiently notify outages, and advertising to increase commercial viability.
- Standardised documents on PPPs of this nature will help replicability, and help address government (human resource) capacity constraints.

¹⁰ See: <https://www.pidg.org/project/odisha-public-street-lighting/>.

¹¹ See: <https://ppp.worldbank.org/public-private-partnership/energy-and-power/energy-efficient-street-lighting-ppps>

¹² Take-aways based on Ahmad and Shukla (2014) and Ahmad and Shukla (2016).

Jordan Abdali Mall and urban regeneration

DESCRIPTION

This case study is about the iPPP that focuses on skills development and training for greater youth inclusion in the workforce in the context of the Abdali Mall investment, which was part of the major urban regeneration project in Amman, Jordan.

Urban regeneration led by large-scale PPPs first emerged in Canada and the US in the 1970s and 1980s, followed by the UK in the early 2000s (Ashour, 2016). The earlier top-down approach to dealing with urban distress was replaced by the concept of partnerships, where national and local governments join forces with regional development agencies and businesses to channel capital and professional expertise into regeneration (Ashour, 2016). Local civil society, especially from the perspective of economic inclusion, has played an important role in such PPPs.

The initial vision for the urban regeneration of Abdali emerged in 2003, followed by a formal regeneration blueprint, and the Amman City Zoning by-law, in 2009. The Abdali Mall was planned as a food, retail and entertainment centrepiece of the Abdali Urban Regeneration Program (AURP). The EBRD provided a loan of 80 million USD for financing the urban regeneration project.¹³

Multiple social, environmental, and economic inclusion objectives were envisioned in the project. First, it was to serve as a benchmark of environmentally sustainable urban regeneration with its use of renewable energy, grey water recycling, green technologies, etc. Second, it was seen as an instrument to address the problem of inequality of economic opportunities in Jordan, which disproportionately affected the youth. Third, it was to transfer the most recent industry know-how and expertise to the local market, including the Abdali Mall and other stakeholders.

EBRD, using roughly 120,000 USD from a technical assistance fund, and AMC successfully introduced work-based learning and associated learning opportunities for young Jordanians through the establishment of the Abdali Mall Recruitment and Training Centre (AMRTC). This could have been a training program just for individuals recruited to work in the mall, but AMRTC was used as a vehicle to address Jordan's wider youth "inclusion" and employment gaps.

THE PPP DEAL AND STAKEHOLDERS

The original PPP investment deal was essentially a partnership between Greater Amman Municipality (GAM) and AMC to pursue urban regeneration through the construction and operation of a retail mall, as well as housing and other facilities. Through modest funding from EBRD and other donors in the following years, this investment/PPP was turned into an innovative PPP with much broader societal impact. AMRTC was established as a training institution, but it did much more than staff training at the Abdali Mall, and gradually expanded its role as training facility for youth and women to go into jobs and self-employment in the wider community.¹⁴ AMRTC was also used as a vehicle to train and integrate Syrian refugees into the local community and workforce.¹⁵

Beyond the government and private sector partners, other stakeholders included AMRTC, along with People 1st and the UK Skills Partnership.

RESULTS

According to EBRD, AMRTC was originally expected to create some 2,000 jobs for Jordanian youth both in and outside the Abdali Mall. In addition, the centre has already provided retail and hospitality training to 120 refugees. AMRTC also laid the foundation for the Tourism and Hospitality Sector Skills Council to coordinate curricula and training in this sector for Jordanian youth.¹⁶

¹³ See: <https://www.ebrd.com/work-with-us/projects/psd/abdali-urban-regenerationabdali-centre.html>

¹⁴ See: <https://www.ebrd.com/news/2016/ebrd-supports-creating-job-opportunities-for-jordanian-youth.html>

¹⁵ See: <https://www.people1st.co.uk/getattachment/International-consultancy/Where-we-work/Case-studies/Jordan-Syrian-Refugees.pdf?lang=en-GB>

¹⁶ See: <https://www.jordantimes.com/news/local/jordan-boosts-tourism-sector-launch-skills-council>

For a modest “graft on” technical assistance contribution to the program, EBRD transformed a direct investment or PPP, into an iPPP with much broader societal impacts. For a modest investment of around 120,000 USD (matched by the AMC), AMRTC was turned into a training centre serving both the mall and the broader retail and facilities management industry. AMC and retailers at the Abdali Mall hired some of the graduates, but many more went to work elsewhere or started their own retail businesses. Creating equal opportunities for women and men was an important criteria for AMRTC.

SUSTAINABILITY AND REPLICABILITY

The sustainability of the iPPP is evidenced by AMRTC’s growing activities and the expansion of sectoral training through formalisation of the curriculum, training agendas and the Sector Skills Council for Tourism and Hospitality. By 2021, AMRTC (together with another donor-supported training academy) had trained over 1,200 young Jordanians in the tourism industry and trained over 9,000 hospitality and tourism employees in providing COVID-19-related safe service.

Environmental CSOs were also part of the Abdali Mall iPPP, which was the first environmentally sustainable, LEED-certified retail facility embracing solar panels and other energy saving innovations in energy-vulnerable Jordan.¹⁷

TAKE-AWAYS

Abdali Mall shows the valuable role that international donor organisation can play in catalysing iPPPs out of more traditional PPPs/investments - in this case, in the context of urban regeneration. The training initiative might have happened without donor support but given the refugee crisis and fiscal pressures, it is less likely that it would. However, through continued but modest support, the societal impact of AMRTC has become broader, involving entire tourism and hospitality sector through a Sector Skills Council. In the end, AMRTC turned into a self-standing CSO that serves as a skills upgrading and training vehicle for the government, AMC, and other businesses. Together with the Sector Skills Council, it is contributing to the goal of greater youth inclusion, and making the retail and hospitality profession attractive for Jordanians.

¹⁷ See: <https://apnews.com/article/60a70fb02786420cbd2eefa92475fd57>

Intel's 1996 investment in Costa Rica

DESCRIPTION

This case study is about how Costa Rica worked with the Intel Corporation in the 1990s and 2000s to create a national level iPPP to empower the country's technology industry by training students and workers in electronic engineering.

Intel's decision to invest 300 million USD in Costa Rica in 1996 was a significant achievement for the country. The project entailed a comprehensive collaboration of government agencies, the Investment Promotion Agency (IPA), utility companies and training establishments. As part of the deal, regulations and incentives were improved, and infrastructure and human capital were upgraded. The partnership brought many benefits to the local economy. At its peak, Intel accounted for 20 percent of Costa Rica's exports, and six percent of GDP. Intel has since disinvested in Costa Rica, but in 2017, exports under another electronic category – medical devices – reached 2.9 billion USD or 27 percent of exports. Prior to the 1990s, Costa Rica's main exports were coffee and bananas.

Foreign investment is normally seen as a PPP type deal between an investor and a host location, in which the latter provides a good regulatory environment, coupled with some land and infrastructure endowments and financial incentives. In return, the investor employs and trains people, pays taxes, and uses local suppliers. Quality FDI has significant spillover effects and benefits to local economies. The case shows what a strong PPP with strong civil society participation can achieve.

THE PPP DEAL AND STAKEHOLDERS

The PPP/investment deal was concluded between the Government of Costa Rica, through the Investment Promotion Agency (IPA), and the Intel Corporation. The contract was made possible with active participation of the then President. From the outset, the investment was seen as a beachhead for developing a higher technology economy, and for bringing societal and inclusion benefits.

Costa Rica's IPA, CINDE, which had a great autonomy from the government, and acted as a mixture of government promotion agency and a socio-economic actor, made great efforts to link Intel with the local economy. As part of the agreement, Intel provided training to its own staff, who were encouraged to devote some of their time for delivering trainings at local universities, which helped upgrade the broader workforce. Intel also worked with local educational institutions to redesign their curricula, which benefitted the overall state of human capital development. As a result, there remains a strong, and now more diversified, flow of high tech companies into Costa Rica.

Transport infrastructure and regulations of incentives were also upgraded in a way that benefitted all subsequent investors. Both with a view to, and after, Intel's investment, CINDE and the government worked to improve regulations, the incentives law, and the infrastructure.

RESULTS

The impact of Intel's investment on Costa Rica's economic performance was significant (Monge-Gonzalez, 2017). The net impact of Intel on Costa Rican GDP, for instance, averaged 0.7 percent. In addition to that, around 2,000 workers were paid approximately three times the average manufacturing wage. Intel's contribution to Costa Rican trade stood as high as 35 percent, but domestic value added was a modest 18 percent until 2013. The larger societal benefits of the investment came in the form accumulated experience of working jointly with the local private sector and civil society institutions. The involvement of universities and active engagement of civil society as co-implementers was also a tangible result of this partnership. Intel assisted educational facilities upgrade their curriculum, which prepared graduates for work at tech companies, and helped universities tailor courses to the private sector needs. Intel also hired the best graduates, but the rest went into other supplier firms or established their own enterprises.

SUSTAINABILITY AND REPLICABILITY

After seventeen years of significant contributions to Costa Rican GDP growth and exports, Intel upgraded its investment to include more research and development funding. Consequently, when Intel moved its operations to Asia, the country had already managed to enter new electronic engineering niches such as medical devices. In 2017, exports of medical devices reached USD 2.9 billion or 27 percent of total exports, and the figure is growing.¹⁸ This shows how the Intel-Costa Rica collaboration to improve the infrastructure and human capital in electronic engineering has transformed the sector, and led to lasting economic benefits.

TAKE-AWAYS

Foreign direct investments in manufacturing sectors should always be thought of as a wider partnership - one that goes beyond a traditional PPP. Civil Society, local community groups, business associations, and others should all be actively working with major stakeholders.

iPPPs also entail a stronger role of the government in coordinating the work of its departments and agencies, as well as civil society organisations, and local private sector.

Universities and training institutions are particularly important, since they are conduits for greater inclusion and job opportunities for the economy.

¹⁸ See, for example: <https://ticotimes.net/2021/03/31/costa-rica-among-worlds-biggest-exporters-of-medical-devices>

EON Reality developing virtual reality skills in Morocco

DESCRIPTION

This case study is about the USAID-brokered partnership of an American company, EON Reality with several ministries, and multiple universities in Morocco to develop new technology skills, and their application in increasing competitiveness of the agricultural sector.

In 2017, as part of a wide-ranging strategy of economic upgrade, Morocco established a Digital Development Agency (ADD), and followed this up by adopting a respective law later that year. The ADD's mandate (Lou, 2019) is to implement Morocco's Digital Strategy for government services (easing user access to e-government), private sector (digitalisation of companies) and citizens' access to social services, medicine and education. The roadmap includes: upgrading of ICT regulations; setting up a national training program in digital literacy; upgrading existing technology infrastructure (national data centre, sovereign cloud); and developing digital trust (cybersecurity and data protection). The ADB-commissioned study to explore the state of Morocco's "digital readiness", drew a mixed picture: infrastructure, for example, was found to be relatively good compared to peers, but human capital and skills development was found to be rather poor (Lou, 2019).

One of Morocco's overarching challenges is structural and youth unemployment, including lack of opportunities for developing new skills and attractive, aspirational work opportunities. To address the problem in line with the Digital Strategy, Morocco introduced a new PPP, the Interactive Digital Center (IDC), which aims at training new generation of experts in the field of Augmented and Virtual Reality (AVR) and providing technology-based solutions for various vocational skills and professions, education providers, and industrial companies (USAID, 2019).

The IDC is located in Ben Guerir, some 100 kilometres from Casablanca.¹⁹ The initial budget was 29 million USD, of which USAID is providing three million USD.²⁰

THE PPP DEAL AND STAKEHOLDERS

The four implementing partners of the iPPP were: EON Reality, the Mohammed VI Polytechnic University, the Agency of Digital Development (ADD) and the Mohammed V University in Rabat. Other Moroccan partners included the Moroccan Ministry of National Education, Vocational Training, Higher Education and Scientific Research (MoE), and the Moroccan Ministry of Industry, Investment, Trade and Digital Economy (MoI). USAID served as a facilitator providing catalytic support in the form of technical assistance and PPP deal brokering.

EON Reality aims to be part of the future educational service infrastructure of Morocco. It intends to train thousands of teachers, industrialists and officials in AVR and in its own platform. The two local universities involved will lead the country in training qualified individuals to realise Morocco's upgrading strategies across multiple sectors. Government ministries fulfil their commitment to upskill the economy in AVR.

For EON Reality, its business objectives are: to develop Augmented and Virtual Reality (EON-XR) solutions for various vocational skills/professions, education providers, and industrial companies in the region, as well as to assist the Moroccan digital economy in growth; and to create a regional product development hub, providing access to state-of-the-art EON-XR technologies such as a new virtual showroom, development lab, and a hub for research and development of products and applications. In short, a centre of technological excellence for Morocco and the rest of the Maghreb region.²¹

¹⁹ See: <https://www.usaid.gov/morocco/fact-sheets/bridging-skills-gap-through-virtual-reality>

²⁰ It is unclear how the remaining 26 million USD budget is being covered in terms of contributions in cash or in kind from EON Reality, and contributions in cash or in kind from the Moroccan Government/Mohammad V University.

²¹ See: <https://eonreality.com/locations/ben-guerir-ma/>

RESULTS

The project is still in its early days, but the agreement reached under the initial five-year PPP²² is to train 5,000 students and 750 workers, including through internships. Following the IDC inauguration in February 2020, the first pilot cohort of 30 students graduated in December 2020.

Within one year of the PPP's launch, the project extended to contribute to the agriculture and livestock sector through a partnership with the Hassan II Agronomic and Veterinary Institute. This effort help train veterinarians, including by using AVR tools to teach veterinary procedures and anatomy.²³

SUSTAINABILITY AND REPLICABILITY

The IDC PPP is extremely scalable as evidenced by the new partnership with the Agronomic and Veterinary Institute. The videos/training tools prepared by the first set of graduates also show how many areas of training can be facilitated by AVR tools. Moreover, AVR training tools are extremely COVID-19-resilient, allowing upskilling without physical teaching or contact, as explained in a recent World Economic Forum review.²⁴

TAKE-AWAYS

Government needs to be very active to make iPPPs work, and to engage civil society partners, including training and educational institutions. In the case of Morocco, a national IT and skills upgrading strategy was transformed into concrete initiatives such as the AVR PPP. Partners such as AfDB and USAID contributed with technical assistance to conduct feasibility studies and assessments, and to cover a proportion of the initial budget.

Foreign investment of this kind, with creative add-ons like the training facility carried out in partnership with government and civil society, is invaluable to the host economy and commercially viable for the investing company. Donors and DFIs, together with the private sector, can, in this way, have an impact on the host economy, as well as the reach of local companies, considering the small amount of catalytic and developmental technical assistance needed for that purpose.

²² The budget for the IDC was roughly 29 million USD for the first five years, but it is unclear whether funds for commercial activities are fully additional (although they are obviously separate from USAID's contribution).

²³ See: <https://www.auganix.org/eon-reality-partners-with-educational-institution-in-morocco-to-build-xr-center-of-excellence-for-agricultural-sector/>

²⁴ See: <https://www.weforum.org/agenda/2021/02/covid-19-pandemic-higher-education-online-resources-students-lecturers-learning-teaching/?fbclid=IwAR2xK19qFCHqKL2OabIm46BUVzFlliw4WTfjVSp8x88bMDLyvnmAIBVOo>

Tea Sector PPP in Rwanda

DESCRIPTION

This case study is about an innovative PPP in the tea sector in Rwanda.²⁵ This was a philanthropic investment-led model that began in 2012 with the privatisation of two ageing tea processing plants in Rwanda, one of which was Mulindi. The iPPP has since expanded to include service delivery providers, donor supporters, commercial investors, and others. Since then, there has been a steady increase in the quality of tea, prices fetched, and the welfare of over 13,000 smallholders.²⁶

Seventy percent of the rural poor rely on the agriculture sector for income and employment. Agriculture also contributes to climate change, which threatens the long-term viability of global food supply. To earn adequate livelihoods without contributing to environmental degradation, farmers need access to affordable high-quality goods, services, and technologies.

In 2012, the Wood Foundation Africa, through its investment vehicle, East Africa Tea Investments (EATI)[1] made a patient capital investment in two tea factories. Under the agreement, EATI obtained 55 percent of the shares and would run the factory for seven years to build capacity and recover capital. Smallholders/local cooperatives received the remaining 45 percent, and the 55 percent was to be handed back in seven years. In parallel, EATI has been carrying out significant smallholder support activities including running nurseries, providing seedlings, organising leaf transport, training, etc.[2]

THE PPP DEAL AND STAKEHOLDERS

Key stakeholders involved in this ongoing iPPP include:

- The Government of Rwanda.
- The Wood Foundation and Gatsby Africa - philanthropic investors and technical advisors - through EATI.
- Commercial investors (Luxmi Tea of India, and Unilever).
- Farmer service companies.
- Smallholder associations and cooperatives.
- Department for International Development (DFID) and other donors, as investors and TA providers.

The Government of Rwanda (GoR) has been an important partner in the PPP. The first contribution to the partnership was in the commercial privatisation of the tea factories. Second, GoR pursued an agricultural plan that led to an expansion of the tea-growing acreage from 15,000 to 50,000 hectares in the mid-2010s. Third, GoR was part of a sector-wide program Imbarutso to develop the tea sector. Fourth, GoR collaborated with The Wood Foundation and Gatsby Africa on regulatory, pricing and payment reforms, making the industry more efficient and profitable.

The Wood Foundation and Gatsby Africa have partnered with Rwanda's tea sector since 2011 through direct investment in brownfield tea factories and greenfield farmer services companies, as well as the establishment of a sector development program called Imbarutso.

Patient capital investments in privatised tea factories prompted new investments by Luxmi and Unilever in new tea factories. Those investments would not have happened without TWFA/GA's investment in FSCs and smallholder development aiming at increasing crop value and quality.

RESULTS

The development impact of this patient capital FDI, and associated commercial investments, supported by a service delivery model, is substantial. It has upgraded the productivity and performance of the tea industry, led to industry expansion and improved rural welfare. The broader impacts on community resilience and human capacity improvement are also tangible.

²⁵ This case study is based on extensive field work carried out in 2018, and on two excellent detailed case studies and program reviews: New Foresight (2018), and Bourque, R. (2020)

²⁶ See: <https://www.thewoodfoundation.org.uk/mulindi-shagasha/>

More specifically, the project achieved the following results:

- As of 2017, tea prices had doubled, primarily due to quality improvements, and farm productivity has increased by 30-40 percent. This had a direct effect on family incomes.
- Some 5,000 smallholders farm 2,000 hectares of tea plantation, supporting households of roughly five persons each. DFID also assumes there is a 100 percent indirect jobs effect for 25,000 smallholders/beneficiaries.
- Some of the suppliers to the tea factory are taking up multi-cropping for the first time with new tea bushes, which will lead to greater livelihood security.
- Quality improvements and price premiums from new tea growing and processing practices result in a significant income boost to the local economy.
- Smallholder families have been able to afford housing and schooling for children, which was previously beyond their reach.

SUSTANABILITY AND REPLICABILITY

The early patient capital approach by philanthropic investors, along with their technical assistance, and bridging loans to smallholders, has opened the way for two serious commercial investments in tea plantations of several thousand hectares (55 million EUR by Unilever and 30 million USD by Luxmi in 2015/16. Unilever made its first new plantings in 2017, and Luxmi in 2018, and their crops will become commercially productive in four years. Before then, both companies will build tea factories.[3] Neither Unilever nor Luxmi would have made the commercial investment commitments without the existence of EATI's smallholder services and the transformative quality improvement program.

TAKE-AWAYS

The presence of a service provider (EATI) in this PPP is a critical innovation, and without it the philanthropic and commercial investments would have a much lower chance of success.

Innovative PPPs in agriculture have enormous potential to produce social, environmental and economic inclusion benefits. Thus, identification of effective iPPPs that can make such investments or make them more inclusive, is critical, as it combines other stakeholders and co-implementers and increases the developmental impact.²⁷

Donors can be important catalysts and providers of both development capital and technical assistance that can subsequently encourage more investment, and greater development impact.

Gatsby Africa summarises the value of the iPPP as follows: "[T]he GoR has been proactive within the sector in driving changes, seeking partnerships to support its vision, and responding to the needs of investors. DFID has also played an instrumental role in providing £11.8 million in grant funding to the service companies, which has given them time to set up operations appropriately without immediate pressure on EATI's capital. Having these partnerships in place has also allowed TWFA staff to be in a position to influence wider sector discussions with a view to drive benefits for smallholder farmers. The right commercial partners with a genuine commitment to small farmer development are also essential to work through the inevitable challenges and align the farmer support with the industrial investment required" (Bourque, 2020).

²⁷ See, for example: <https://www.gsma.com/mobilefordevelopment/english/magri-field-visit-in-mulindi-rwanda/>

ProUni Private Tertiary Education PPP in Brazil

DESCRIPTION

ProUni is an iPPP established by the Ministry of Education in Brazil and private tertiary education institutions that promotes access to tertiary education for low-income students. Enrolment of students in tertiary education in Brazil has been low relative to other countries, particularly in the poor areas of the North and the Northeast regions. Indeed, the figure of 18–24-year-olds attending tertiary education stood at less than 15 percent.

The ProUni PPP was launched by the Ministry of Education in 2004 with the objective of assisting poor students through full or partial scholarships. For-profit tertiary education institutions that agreed to provide roughly one scholarship for every ten places, were granted exemption from corporate income tax and social security contributions. After the first eight years (2013), over 1,300 private tertiary institutions were providing scholarships under the scheme.

THE PPP DEAL AND STAKEHOLDERS

Under the ProUni PPP, key partners are the Ministry of Education and around 920 (in 2013) private tertiary education institutions. The government has also brought banks into the PPP to offer various grants and loans. CSOs such as the National Indian (indigenous peoples) Foundation (FUNAI) are also involved in outreach.

RESULTS

From 2005 to 2013, some 1.8 million in scholarships, of which 57 percent was full scholarships, was provided under the ProUni PPP, and the efforts involved 1,300 institutions. ProUni continues to be actively used and promoted until today, but it required some modifications over the course of its operation. For example, because the take up of partial scholarships was lower than full scholarships (around 35 percent were left unclaimed), a waiting list system was introduced to ensure that other students could take those places.

SUSTAINABILITY AND REPLICABILITY

The project demonstrated that use of tax exemptions helps keep the administration costs to a minimum, and that participating institutions are incentivised to attract more students. It also showed that employment of individuals increased after they had attended on a scholarship.

The ProUni scheme is replicable in other countries where there are sufficient private institutions with spaces that would otherwise remain empty.

TAKE-AWAYS

The following key take-aways from the ProUni PPP can be drawn:

- Innovative PPPs may well work with education institutions. The incentives need to be sufficiently attractive so that they are prepared to enter a long-term formal partnership.
- If the program is well structured and well monitored, the anticipated negative outcomes of such affirmative action initiatives can be mitigated: it was found that whilst students from disadvantaged backgrounds did tend to have lower scores in some samples, the overall positive impact of ProUni scholarships was evident.²⁸

This case study extracts information from the ProUni case study in WEF (2014) and is therefore kept deliberately short. For a full description of the ProUni program, please refer to the original case study.

²⁸ See: https://www.researchgate.net/publication/337000433_ProUni_and_the_Higher_Private_Institutions%27_Profits_Advantages_Beyond_the_Direct_Gain_of_Public_Funding

ANNEX 2: REVIEWED DOCUMENTS

№	Document name	Type of document	Year of publication	Can be accessed at:
1	The Law of Georgia on Public-Private Partnerships	Primary legislation	2020	https://bit.ly/2UR7xI3
2	Government Decree #426 on Approval of the Rules of Developing and Implementing Public Private Partnership projects	Secondary legislation	2018	https://bit.ly/3zqthc
3	Guide for public-private partnership projects by the Ministry of Finance of Georgia	Methodological guide	2020	https://bit.ly/2XUu0F3
4	2019 activity report of the Public Private Partnership Agency	Yearly report	2019	https://bit.ly/3mBhbKf
5	2020 activity report of the Public Private Partnership Agency	Yearly report	2020	https://bit.ly/2XRanxE

ANNEX 3: LIST OF INTERVIEWS

№	Name	Position
1	Erekle Urushadze	Independent Consultant
2	Kakhaber Daushvili	Independent Consultant
3	Keti Sidamonidze	Partnership Manager for USAID Economic Security Program; DAI
4	Levan Batiashvili	Senior Analyst; PPP Agency
5	Marika Gorgadze	Deputy Chief of Party; USAID GGI project
6	Mikheil Svimonishvili	Entrepreneur and Founder of Margebeli JSC
7	Nikoloz Meskhishvili	Head of VET department; Georgian Farmers Association
8	Tamar Kitiashvili	Deputy Minister; Ministry of Education and Science
9	Tamta Kvinikadze	Director; PPP College Construct2

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