

RECOMMENDATION 128/2012*

“The Role of Public-Private Partnership for Sustainable Economic Development in BSEC Member States”

1. The Parliamentary Assembly of the Black Sea Economic Cooperation (PABSEC) acknowledges that one of the fundamental goals of public administration is organizing and developing certain activities to respond to a community’s general interests. These multi-dimensional activities include public-private partnership (PPP), which is currently the most effective form of attracting and involving private capital in achieving certain public investment. The legal format for public and private cooperation is the PPP contract between a public sector authority and a private party, in which the private party provides a public service or undertakes a project that is funded and operated by the contractual partners.
2. The PABSEC reiterates the paramount role of PPP in contributing to sustainable economic development in BSEC Member States.
3. The PABSEC emphasizes the need to promote, facilitate, and create preconditions for the establishment and development of the PPP investment structure in BSEC Member States.
4. The PABSEC supports the opinion that successful PPP requires an effective regulatory and institutional environment that facilitates the best use of partners’ resources.
5. The PABSEC supports the view that the existing legal framework should be systematized with a clear overview of all possibilities that are offered to foreign investors who are considering PPP, either as a means of entering the local market or to expand their existing activities in BSEC Member States. In this context, the PABSEC recommends the enforcement of an overall legal framework for PPP, with other relevant laws harmonized accordingly.
6. The PABSEC welcomes the improved communication between the central and local authorities on the potential of PPP and the implementation of proposed projects.
7. In order to further endorse and promote PPP in BSEC Member States, the PABSEC proposes the establishment of a special governmental body with the necessary competence to initiate

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Assembly debate on 27 November 2012 (see Doc.: GA40/EC39/REP/12, Report of the Economic, Commercial, Technological, and Environmental Affairs Committee, *The Role of Public-Private Partnership for Sustainable Economic Development in BSEC Member States*, discussed in Ankara on 17 September 2012.

Text adopted by the Assembly in Baky on 27 November 2012.

and support pilot schemes, standardize the PPP process, operate as a centralized body for the exchange of know-how, and serve as a single contact point for the private and public sectors, especially local public authorities interested in PPP initiatives.

8. The PABSEC recognizes that it is necessary to amend the existing legislation in order to encourage foreign investment in PPP projects in BSEC Member States. Also required are modifications and amendments to the public procurement, budgetary, and taxation law to meet the specific needs of PPP projects.
9. The PABSEC stresses that despite the rapid development of market relations in BSEC Member States and of mass privatization and denationalization of the economy, government participation in the management of enterprises remains significant. The forms of state participation in the activities of enterprises have changed considerably over recent years, with the emphasis shifting to second-statehood participation in the management of shareholder societies. This shift has been affected through collaborative ownership in the authorized capital, which is often driven by the need for public policy in the management of enterprises that are of strategic importance to the social or national fabric.
10. The PABSEC recalls its previous Reports and Recommendations:
 - Report and Recommendation 16/1996 on *Development of Cooperation in the Field of Trade and Business among the BSEC Member Countries*;
 - Report and Recommendation 22/1997 on *BSEC Free Trade Area: Part of the New European Architecture*;
 - Report and Recommendation 38/1999 on *Promotion and Protection of the Investments in the Black Sea Region*;
 - Report and Recommendation 39/1999 on *Public Utilities in the Black Sea Region*;
 - Report and Recommendation 42/2000 on *Promotion of Small and Medium Enterprises in the Black Sea Region*; and
 - Report and Recommendation 59/2002 on *Economic Integration in the BSEC Region: Current State and Future Prospects*.
11. The PABSEC welcomes the initiatives of international organizations in the development of PPP, particularly the recommended policies and capacity building program of the “Team of Specialists on public-private partnerships” of the United Nations Economic Commission for Europe (UNECE) in cooperation with the Regional Cooperation Council (RCC) and of the Organization for Economic Cooperation and Development (OECD).
12. **Therefore, the PABSEC recommends** that the parliaments and the governments of BSEC Member States:
 - i) *ensure* the promotion of the PPP concept and projects;
 - ii) *facilitate* periodic monitoring of the phases and efficacy of PPP project implementations, with regular reports submitted to the government;
 - iii) *establish and promote* clearly defined procedures and achievement targets for PPP projects for all public participants;
 - iv) *ascertain* that operational measures are in place to update and maintain the knowledge exchange, data collection, and management systems, and to ensure the

ready availability of current statistical data on the development of the PPP contracts at the central and local levels;

- v) *compile* project summary documents on the development phases of PPP projects based on project-specific analyses and checks;
- vi) *actively participate* in the assessment and talks committee meetings as entitled observers through authorized representatives/experts, in order to undertake risk assessment and due diligence of private sector candidates for a PPP project, select the private investor, and sign the PPP contract;
- vii) *identify* best practices in the PPP sector and promote their adoption at the national level;
- viii) *establish* communication channels with contractual parties, with government and non-government bodies, and with foreign and local investors, based on projected investment in PPP projects;
- ix) *facilitate* communication and knowledge exchange between foreign and local investors and public partners to jointly implement specific PPP projects;
- x) *issue* recommendations on the PPP structure to ensure that the investment value does not impact the budget deficit, in accordance with legal stipulations;
- xi) *collaborate* with public partners to monitor the evolvement of the PPP practice through the implementation phases of PPP projects;
- xii) *grant* specialized assistance to public partners and private investors interested in all stages of developing PPP projects;
- xiii) *provide* the necessary specialized consulting to establish and operate inner units within the public bodies that will coordinate PPP projects;
- xiv) *effectively deploy* financing and credit instruments of the Black Sea Trade and Development Bank and other financial institutions in order to support development of the PPP sector in BSEC Member States;
- xv) *encourage* discussions within BSEC bodies related to the PPP sector, with the objective of defining common priorities and enhancing regional capacities to meet the requirements for sustainable development of the sector;
- xvi) *offer* to include the topic of PPP in the agenda of the BSEC Working Group on Trade and Economic Development and the BSEC Business Council on a regular basis, and encourage them to interact and coordinate activities on the subject;
- xvii) *recommend* collaboration between UNECE and BSEC under the existing agreement;
- xviii) *establish* more effective and closer cooperation with international organizations in promoting PPP initiatives, such as the “Team of Specialists on public-private partnerships” of the UNECE and OECD, the RCC, and others.

13. The PABSEC invites the BSEC Council of the Ministers of Foreign Affairs to consider this Recommendation.