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ECONOMIC COMMISSION FOR EUROPE**

UNECE International PPP Centre of Excellence

PROPOSAL

Creating International Standards for Sustainable Public-Private Partnerships

August 2013



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Project Prospectus

Starting Date	September 2013
Project Duration	3 years (extendable)
Structure	Multi-donor facility from the public and private sectors
Secretariat	Based in the UNECE Secretariat, Geneva, Switzerland
Implementing partners	Member States, sectoral Public-Private Partnership (PPP) Specialist Centres hosted by the governments and the UN Regional Commissions: (ECA, ESCAP, ECLAC, and ESCWA), in partnership with Multilateral Development Banks.
Donors already contributing	Government of The Netherlands State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank) of the Russian Federation Toyo University, Tokyo, Japan
Total Project Budget	4,517,000 USD (for 3 years)
Ultimate Goal	<ul style="list-style-type: none">• Increased number of sustainable PPP projects to deliver social and economic benefits
Objectives	<ul style="list-style-type: none">• Develop international PPP standards• Enhance capability of governments to implement these standards
Contribution to the Millennium Development Goals and the post 2015 development agenda	The developed international PPP standards will incorporate the objectives of the Millennium Development Goals and the post 2015 development agenda.



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“The well-being of the world’s population depends to a very significant degree on the ability of governments to provide infrastructure and services in areas ranging from health to transport and communication, via education, water and energy, sanitation and other areas. The public availability of such goods and services are crucial for the ability of individuals to lead productive lives in appropriate conditions. Their effective supply in ways that support the individual and respect the planet is almost the definition of development itself.”

Sven Alkalaj, Executive Secretary of the UN Economic Commission for Europe and UN Under Secretary General

Executive Summary

Public private partnerships (PPPs) attract considerable interest from developing countries and transition economies fuelled by the financial crisis which has limited the Governments’ ability to finance critical projects and the increasing demand from citizens for better infrastructure and social services. The key barrier however to PPP is the difficulty of Governments to identify, design, finance and implement such projects. Various solutions, such as capacity building and establishing dedicated PPP Units and so on have been suggested but to date the challenge remains and appears intractable.

A new initiative has been taken by the United Nations Economic Commission for Europe (UNECE) acting on behalf of the UN system and the other UN Regional Commissions, to produce international PPP standards through its **International PPP Centre of Excellence**.¹ These standards will guide governments on both the procedures and processes to adopt and also on the specific models (and options) to implement in various PPP sectors and sub sectors. These documents will then be formally submitted to the UNECE whereupon they will be developed through a ‘Common Assessment Approval Procedure’ that will, step by step, translate these best practises into international PPP standards.

This project focuses on three areas – the product, its dissemination and its sustainability:

- (i) **Product**: to develop international PPP standards over a two to three year period;
- (ii) **Dissemination**: to carry out targeted assistance to countries to implement these standards into successful projects;
- (iii) **Sustainability**: to set up an online PPP Implementation Guide that will set out the standards and recommendations in a usable and understandable format.

With the creation of international standards and the tools to implement these properly, the project will deliver more successful projects, improve access to weak and vulnerable groups to basic public services and contribute to achieving the UN MDGs and the post 2015 agenda.

¹ The creation of an international PPP Centre of Excellence was mandated as a result of an inter-regional meeting in February 2009 involving several UN Regional Commissions set up to review a joint PPP capacity building project . The Regional Commissions felt there was a need for a Centre to develop PPP international standards and deliver targeted and sustainable capacity building.



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Justification of the project

Until recently ‘best practices’ in PPPs referred exclusively to what individual countries did in PPP such as the UK, Canada and France. But as the world changes and the number of PPPs has grown a number of organisations notably the UN as well as the World Bank, Asian Development Bank, and the G20 Infrastructure High Level Panel, state that international standards are now needed for the successful development of PPPs.

However, up until now, no single agency or international body has been able to do anything systematic on an international level and until the moment arrives when there are common internationally recognized standards, PPP will remain still an umbrella notion covering a wide range of economic and contractual agreements that are poorly understood and executed.

With respect to PPP performance, the attrition rate of PPPs is very high. Although data on PPP is very limited some estimates put the figures on the PPP performance in the following stark terms: a third or projects get into distress and have to be renegotiated; while another third never see the light of day. Only a minority goes on to become operational. In the water sector the failure rate is even higher: over 50 per cent of PPPs in the water sector fail to become operational. With failure come heavy associated costs accruing to the public partner.

If the objective of developing such international standards will be achieved, the following can be envisaged:

- More confidence in the PPP model both by public and private sectors;
- More successful PPPs; and
- Less projects getting into distress, having to be renegotiated or simply fail.

Main Challenge facing the Development of PPPs

Public-Private Partnerships (PPPs) have seen the rise in developing countries over the last two decades. More than 134 developing countries apply PPPs, contributing about 15-29 per cent of total infrastructure investment. They are widely utilized because of their purported advantages in off budget funding, anticipated efficiency gains, and improved service quality; PPPs are a mechanism that governments regularly turn to in the fulfilling of their responsibilities on public infrastructure and services – a phenomenon increasingly taking hold in developing countries and transition economies.

PPP projects are however inherently complex, and require special expertise, knowledge and skills for their implementation. When they start out on PPP, most Governments do so as a ‘leap in the dark’: they have no assured and standardised templates or models to follow in many sectors; PPP laws and regulations are often inconsistent, contradictory or insufficient to reassure prospective investors. Governments have thus immense difficulties to make PPPs happen. Typically, it takes many years before Government grasp what PPPs are and develop successful PPP programmes. Many countries search laboriously outside their own countries for PPP models that they can replicate wasting time and resources on ‘reinventing wheels’.

PPPs moreover need to be used wisely and judiciously. They are not a universal panacea and require ‘core competencies’ within public administrations such as in the financial area where they



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can have serious negative effects on public budgets because of contingent liabilities not being adequately assessed, insufficiently reported, or accounted for off-balance sheet. A country's PPP engagement demands high capacity and skill levels from the public sector authorities.

Goals and Objectives

The goal of the project is to increase the number of sustainable PPP projects to deliver social and economic benefits to people.

The main objectives of the project are to:

- Develop for policy makers at national and subnational levels detailed and comprehensive international standards and recommendations on sustainable Public-Private Partnerships;
- Deliver targeted capacity building in emerging and developing countries to advice on the adaptation of these international standards and recommendations; and
- Set up an online PPP Implementation Guide that will set down the standards in readily readable formats and with facilities to reply to specific questions raised by end users.

Solution and Methodology

First of all, the solution is the **development of international PPP standards**. These have not been done before although PPP best practices are found in several publications and on the internet but none that are comprehensive based on international best practices. The fact that they are produced under the UN adds to their authority and credibility as the neutral UN framework is the most appropriate for the production of global standards in this area. Two types of standards are being developed: one consist of standards on procedures and processes related to PPPs; and the other on sectors and subsectors. A good example of what might be provided here is a best practice document on how a government procures a PPP and selects the best partner from the private sector.

Secondly, in order to effectively disseminate **the standards** the project will target a first batch of countries who are interested in PPPs, have economies which are badly in need of PPPs and this will involve consultations with governments on how standards and best practices can be adapted and implemented in their own socio economic circumstances.

Third to **make the project sustainable** a special on line resource using the Wikipedia format will be used – PPP implementation guide - which will set down the standards and cross reference to all existing material undertaken by national organisations and the multilateral development banks especially the World Bank. The model for this Guide will be the UNECE CEFACT Implementation Guide that has been a great success in supporting the development of the technical standards produced in the realm of trade facilitation.

How will these solutions be achieved? How is it possible to do so much and cover the world in such an exercise? First as it concerns the development of international standards a two stage process is



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envisaged: the UNECE has set up a number of PPP Specialist Centres around the world whose job is to collect and prepare Guides on Best practices. (See table below).

CENTRE	LOCATION AND HOST ORGANISATION	STATUS
PPP in health	Philippines Department of Health	MoU signed
PPP in CIS countries	Russian Federation the Financial University	Agreement / exchange of letters
PPP in renewable energy	Morocco, Agence Nationale pour le Développement des Energies Renouvelables et de l'Efficacité Energétique	Expression of Interest
Green PPP	Republic of Korea, Korea Development Institute	Expression of Interest
Legislation	France, location to be identified	Expression of Interest
Regional development	Russian Federation, National Research University – Higher School of Economics	Expression of Interest
ICT/ Broadband	Azerbaijan, Ministry of Communication and Information Technology	Expression of Interest
Flood Control	Netherlands	Expression of Interest
Water and Waste Water	tbc	Expression of Interest
Roads and Highways	India	Expression of Interest
Schools	Germany, location to be identified	Expression of Interest
Smart cities	Spain, Business School, University of Navarra	Expression of Interest
Islamic Finance	United Arab Emirates	Expression of Interest
Small island states	Aruba	Expression of Interest
Airports	Turkey	Expression of Interest

- Specialist Centres established
- Specialist Centres in the pipeline
- Specialist Centres under initial consideration

This work entails examining closely PPP experiences – both good and bad – and taking from these the best models and the financing arrangements which could serve as templates for Government policy makers.

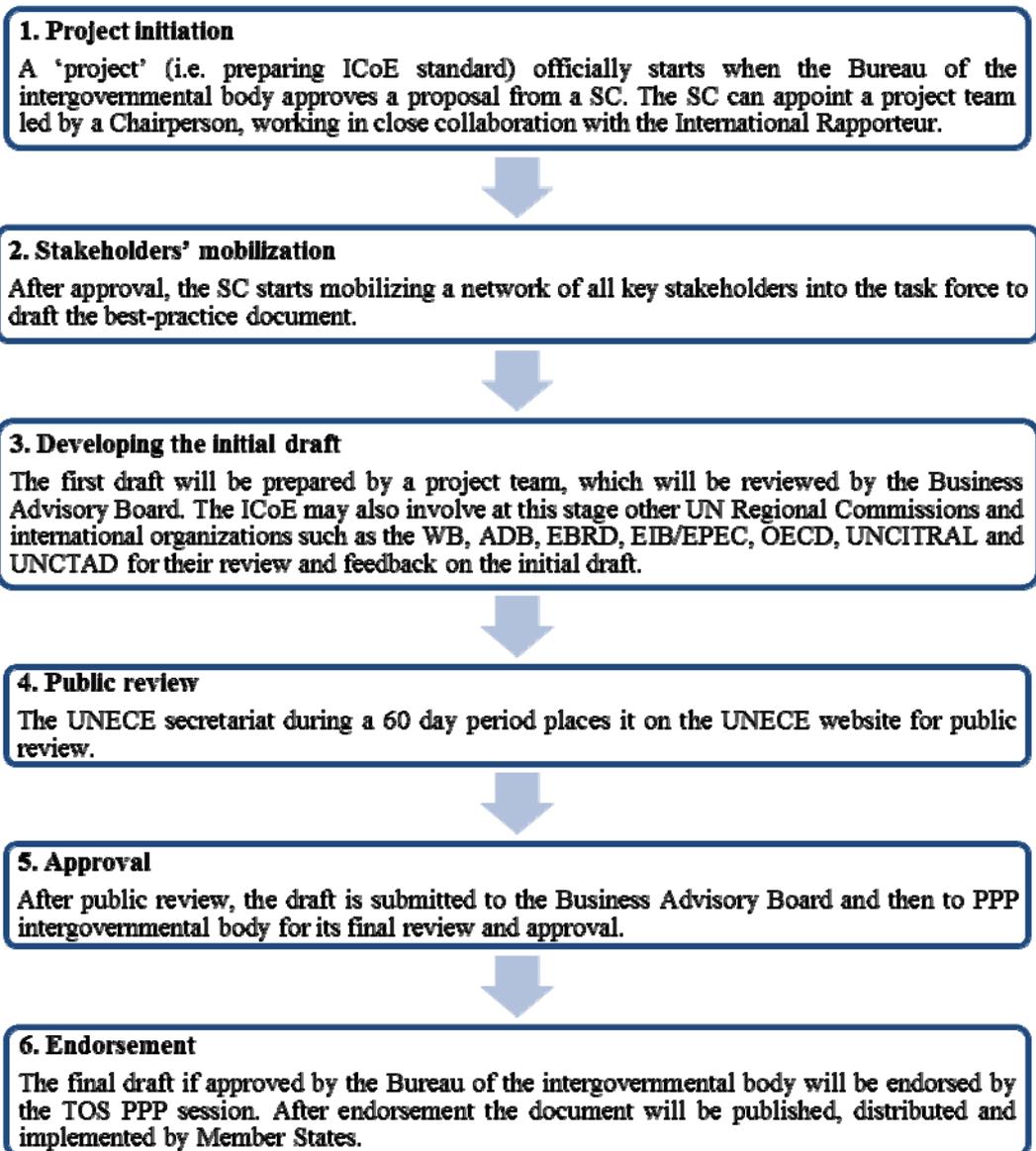
The next stage is to submit these ‘project documents’ to an ‘Open Assessment Approval Process’. The Open Assessment Approval Process will consist of several stages as seen in the diagram: project initiation; stakeholders’ mobilization; developing the initial draft; public review; approval; and endorsement.²

² For more details on the validation stages, see page 16 of the Discussion Paper Note to Cornelia: unless we are also distributing the discussion paper, please remove this footnote.



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The Open Assessment Approval Process



Legend: ICoE – UNECE International PPP Centre of Excellence
TOS PPP – UNECE Intergovernmental body (Team of Specialists on Public-Private Partnerships)
Bureau – Governing Body of TOS PPP
BAB – PPP Business Advisory Board

This procedure is tried and tested and ensures involvement of governments especially at the approval phase when the project document is presented to the final approval stage. It produces transparency – the public review allows for comments by stakeholders including NGOs. It is quality assured - the UNECE Network has over 2000 experts from the public and private sector many of whom have detailed knowledge of the transaction process itself. Efficiency is also guaranteed as the the review process can be done in less than 9 months without losing anything in terms of the quality of the final product.



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To ensure dissemination the UNECE has established a vehicle for dissemination. This consist of a high level Business Advisory Board under the chairmanship of James Stewart, formerly chief executive of Partnerships UK and now senior partner and head of PPP at KPMG international. Under the responsibility of the Bureau of TOS PPP, this body will organise consultations with Governments at the highest level to discuss standards and how these can be implemented and adjusted to the specific socio economic conditions existing in that country. This formula has proved very successful and far more effective than vague capacity building that is not targeted and of dubious results.

Finally with respect to the sustainability, an Implementation Guide will allow for interaction and popular communication of PPP through the posting of standards. Standards moreover will be ‘maintained’ that is, reviewed after a few years with the PPP Specialist Centres taking a lead to ensure that changes are incorporated into the existing standards and a process of renewal is built into the process. In this way, prospective beneficiaries are assured of the sustainability of the standards. A certification process may at a later stage be used to encourage compliance by say PPP Units exiting in countries with responsibility for PPPs.

Funding request

The project will have to be underpinned by significant administrative resources to achieve its aim. In that context, any funding commitments need to be long-term, that is, spanning a number of years, not just for 2013-14.

The following request is for the sum in USD on annual basis which will cover 2-3 staff members (PPP experts and administrative officers) in the following areas:

- Coordination and Liaison with the Specialist Centres in the development of best practices;
- Management of the open assessment approval process;
- Substantive editing, drafting and research;
- Creation and management of the online PPP Implementation Guide of the ICoE and
- Coordination with the Multilateral Development Banks: World Bank, EBRD, ADB; etc.

At the end of 2014, the technical assistance programme covering some priority countries for implementation of these international standards in PPPs will be launched and this will require a full time technical assistance officer for the organization of consultative visits with these countries.

Product development	Elaboration of the PPP Standards	775,000
Dissemination	National capability development	1,780,000
Sustainability	An Online PPP Implementation Guide	450,000
Programme management	UNECE based Secretariat	1,512,000
TOTAL		4,517,000



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Outcomes and Evaluation

Each “standard” will consist of 10 to 15 pages in length, based on international experiences with PPPs and with clear focused references to the model being proposed for a specific project or the procedure and process required for successful PPPs.

**Outline
Template/Model for Sectorial PPP Standards³**

- 1. Review of experiences - good and bad - in PPPs in the specific sector or subsector.**
- 2. Model (BOT, BOO, DBFM, etc.) recommended and rationale.**
- 3. Financing model recommended and rationale**
- 4. Feasibility (legal institutional, financial etc.)**
- 5. Appropriate socio economic conditions.**
- 6. Risk allocation matrix**

³ Source: Agreed template at UNECE Meeting of Specialist Centres, Palais des Nations, June 25 2013.



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Production of International PPP Standards under the auspices of the UNECE (Indicative only)			
Sectorial	Responsible SC for Preparing Best Practice	Indicative Nr. of Standards expected	Supporting Partner(s)
Best models/templates for Drinking water and waste water	tbc	4	World Bank / SECO, Aquafed / OECD / ADB
Best models/templates for Health	Phillipines	4	ADB
Best models/templates for Roads	India	3	ADB
Best models/templates for Renewable Energy	Morocco	3	International Renewable Energy Agency
Best models/templates for Flood Control + Water Management	Netherlands	2	UNISDR
Best models/templates for Schools/Education	Germany	2	UNESCO
Best models/templates for Vulnerability of Small Island States	Aruba	2	Alliance of Small Island States
Best models/templates for Green PPPs	Republic of Korea / PIMAC	2	UNEP
Best models/templates for 'Smart Cities'	Spain/Austria	3	IESE Business School / City of Vienna
Best models/templates for ICT + Broadband	Azerbaijan	1 - 2	International Telecommunication Union
Best models/templates for Airports	Turkey	1 - 2	
Best models/templates for Ports	Greece	3	International Maritime Organization
Process and Procedures			
Identification of PPP Projects	France	1	World Economic Forum, PPIAF
Appraisal Evaluation Methodology	France	1	EPEC - EIB
Procurement	Canada	1	EU / EPEC-EIB
Sound Principles for PPP Financing	tbc	3	World Bank / ADB / EIB
Islamic Financing Principles	UAE	2	Malaysian Government
Risk Allocation		1	
Srandard clauses in a PPP contract	France	1	
Risk Mitigation and Procedures	France	1	
Legal Issues/Framework/ Development of a model law	France	4	UNCITRAL
Effective Contract Management	tbc	3	
Procedures related to zero tolerance of corruption in PPP	tbc	3	Transparency International