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UNECE International PPP Centre of Excellence

Discussion Paper prepared by the Secretariat

The Role of Specialist Centres in the International PPP Centre of Excellence

12 June 2013

Note by the UNECE Secretariat: In February 2012 the Executive Committee approved the establishment of the UNECE International PPP Centre of Excellence (ICoE). The following paper has been prepared for the first meeting of the ICoE. It discusses the organisational and governance modalities, the goals and deliverables of the International PPP Specialist centres (SCs), the time frame and the ways in which different UNECE PPP bodies can assist the Specialist Centres in accomplishing their objectives. It further discusses the cooperation of the ICoE with other international organisations.

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BACKGROUND AND PURPOSE

1. This is the first meeting of the International PPP Centre of Excellence (ICoE) and its Specialist Centres. This discussion paper was prepared by the secretariat as a background paper for this meeting and is intended to facilitate an open discussion among the hosts and prospective hosts of the International PPP Specialist Centres (SCs).
2. The role of ICoE is to help government policy makers achieve excellence in PPP in infrastructure development. It does this by identifying excellence in PPP and developing best practices, recommendations and standards and then assisting governments to implement these in country focused technical assistance and high level national consultation meetings. It undertakes this work of defining best practices, technical assistance, training and support with the cooperation of a number of SCs hosted in countries with the support from the private sector as exemplified in the UNECE PPP Business Advisory Board.
3. The ICoE has been approved by the Member States (UNECE Executive Committee) in February 2012 and is in its second year of operation. The first SC on PPP in health was established in the Philippines in November 2012, and the inaugural meeting of the Business Advisory Board is scheduled to take place in the Russian Federation in the second half of 2013.
4. The ICoE at its core is about developing what has been called ‘best practices’ or ‘good practices’ in PPP. These practices are very important for a number of reasons. They:
 - Save governments huge amounts of time in searching for models to address their country specific challenges;
 - Help small and medium-sized enterprises (SMEs) access information that because of their size they would not be able to collect by themselves, thereby helping SMEs to compete with large companies;
 - As they are applied, they open up markets and create a level playing field;
 - Provide tools and instruments for training policy makers and practitioners;
 - Improve practices and policies towards PPP improving the enabling environment and increasing the number and the social and economic impact of PPPs;
 - As PPPs address many of the world’s major problems, such standards can contribute to helping UN achieve MDGs and the post 2015 development agenda;
 - Improve success rates of projects will eliminate waste caused by projects failing to be delivered in a timely fashion to the agreed budget;
 - If proven best practice standards are developed and utilised globally they can save money and increase global GDP;
 - Projects that are governed by best practices aligned to the green agenda, so called green PPPs, can unlock an estimated USD 1 trillion in additional green investments through providing clear policy signals and reducing risks in financing clean and renewable energy projects.
5. Realistically, no single organization has the resources or the international spread to capture PPP experiences across such a wide range of different sectors, such healthcare, broadband, water or schools. The ICoE rectifies this by setting up SCs in specific sectors or subsectors.
6. SCs focus on two different but related types of activities:
 - Best practice models in specific sectors such as healthcare, water, (sanitation, drinking water, water management (flood protection), smart cities, etc. (e.g. the best model for a PPP toll road in developing countries, or a best price in a waste-to-energy project in a developed economy); and

- Best practice in procedures, processes and policy requirements related to the PPP enabling environment (e.g. legislation, procurement, tender documents).

7. The overall objective by the end of 2013 is to have 4 or 5 SCs established and beginning to produce best practice materials. The progress in the establishment of SCs is listed in the table below, while an indicative list of work programmes undertaken by selected SCs is contained in Annex I:

CENTRE	LOCATION AND HOST ORGANISATION	STATUS	PARTNERS	FOCAL POINT
PPP in health	Philippines Department of Health	MoU signed	ADB, WHO	Celso Managan
PPP in CIS countries	Russian Federation the Financial University	Agreement / exchange of letters	Vnesheconombank	Kirill Malutin
PPP in renewable energy	Morocco, Agence Nationale pour le Développement des Energies Renouvelables et de l'Efficacité Energétique	Expression of Interest	-	Sonia Mezzour
Green PPP	Korea, Korea Development Institute	Expression of Interest	-	Jungwook Kim
Legislation	France, location to be identified	Expression of Interest	UNCITRAL	Marc Frilet
Regional development	Russian Federation, National Research University – Higher School of Economics	Expression of Interest	-	Vladimir Korolev
ICT/ Broadband	Azerbaijan, Ministry of Communication and Information Technology	Expression of Interest	-	Nariman Hajiyev Vasiv Mammadov
Schools	Germany, location to be identified	Expression of Interest	Partnerschaften Deutschland	Bernhard Mueller
Smart cities	Spain, Business School, University of Navarra	Expression of Interest		Eva Bufi
Water management	Netherlands	Expression of Interest	PPP Government	Helena Hernandez
Infrastructure	Qatar	Expression of Interest		Amer Alshamary
Islamic Finance	United Arab Emirates	Expression of Interest	ESCWA	Abdallah Aj Dardari
Small scale economies	Aruba	Expression of Interest	P3 Aruba	Marcelle van Valkenburg, Isela Wernet
Regional Infrastructure	India	Expression of Interest		PR Swarup
Airports	Turkey	Expression of Interest	TAV	Turker Yondem

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

SECTION 1 ROLES OF THE SPECIALIST CENTRES AND THE COORDINATING CENTRE

A. Role of SCs in hosting countries

8. The main role of SCs is to identify international Best Practice on the sector/procedures under its consideration (graphically depicted below) and share this information with other members of the ICoE and with the international PPP community. The following steps are essential in order to achieve and identify Best Practice (*see Box 1 for an example*):

- Identify the PPP sector/procedure;
- Create a network with the major stakeholders in its area;
- Identify the PPP model in the sector/procedure;
- Prepare Best Practices in this sector/procedure;
- Take active role in defining Best Practices (together with the Coordinating Centre) ;
- Prepare documents on Best Practice in the formats of the ICoE;
- Help governments implement these best practices;
- Become a conduit into the country for best practices developed in other SCs within the ICoE.

Box 1 – A practical example of the role of the SCs:

Government X wants to do a waste-to-energy PPP project and is looking for information on best practices based on the experiences of different countries.

The SC will make available templates on best practices, a model of which is contained in Annex II.

9. SCs face both organizational and substantive challenges. On the organizational side SCs will have to:

- Develop an organizational capacity (e.g. prepare work plan);
- Find offices which fit and support the goals of their international focus; and
- Find a modus of working with the hosting government that allows its endorsement at the same time independence to carry out their work

10. On a substantive side SCs will need to prepare a ‘best practice’ model (*for some of the challenges see box 2*). A number of sector-specific PPP projects will need to be researched, evaluated and coordinated under established criteria leading to ‘best practice’. The SCs will not be focusing on solely their own country’s PPP experiences. Rather they have to cover experiences from different countries with different types of government under diverse cultures, economic and financial conditions, manner of political administration, investment climate, etc. which will all together have to be analysed and taken into consideration.

B. Role of the Coordinating Centre in Geneva

11. The role and services of the Coordinating Centre in Geneva are as follows:

i. UN Management activities

- Managing the international framework and process, under which best practices become international UN standards in PPPs;
- Reporting to the UNECE Intergovernmental process and filing reports to the Team of Specialist on PPPs on progress in development of best practices;
- Organizing the negotiation, approval and eventual signing of the MoU and Contribution Agreements between UNECE and the hosting authority of SCs;

Box 2: Challenges in determining best practice in PPP models

PPP practitioners have different views on the definition of PPP models, as there are a number of challenges in defining which PPP model can be considered 'best' for a particular sector (e.g. renovation of buildings):

- Some PPP models favour national policies within a country;
- Some PPP models are more attractive for certain group of private sector players than others; and
- Some PPP models, although successful in one country or region, may fail in their implementation in certain countries or region due to national, legal and/or political framework.

Hence, the process of determining best practice needs to:

- be transparent;
- involve all stakeholders; and
- may result in more than one 'best practice' option.

ii. Direct support to the SCs

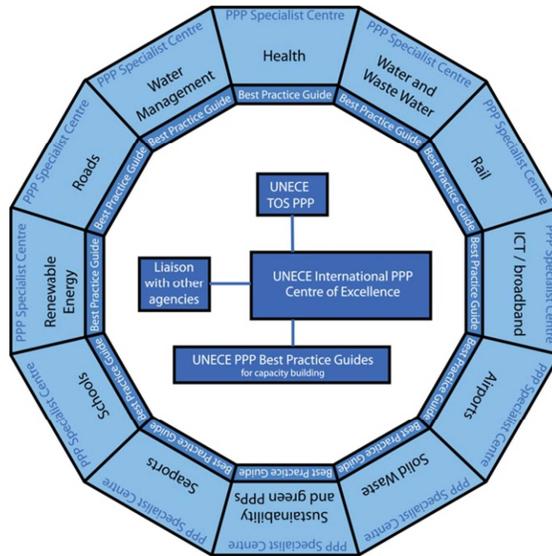
- Set out the agenda for developing Best Practice in PPP;
- Develop and distribute guidelines for identifying Best Practice in PPP;
- Ensure quality and timely delivery;
- Organize meetings with the SC's;
- Organize meetings with stakeholders (MDBs, Governments, Private Sector);
- Facilitate discussions and brainstorming;
- Translation, editing of documents (prepared by the SCs) to UN style and standards;
- Organizing the annual meetings of the ICoE.

iii. Outreach of the ICoE

- Maintaining an international website;
- Ensuring governance and transparency;
- Promote the ICoE and the SCs;
- Identify potential hosting authorities of SCs;
- Organising ad hoc Task Forces from the UNECE international PPP network to review best practice guides; and
- Cooperate with other UN Regional Commissions.

iv. Joint activities between the Coordinating Centre and the SCs

- The organisation of the Business Advisory Board;
- Organise the PPP Days (in cooperation with the World Bank and ADB); and
- Organise training in PPP (using the PPP training toolkit)



C. A number of questions can be raised:

- (i) What should be the outputs of the ICoE?
- (ii) How will the SCs gather the information to elaborate best practice?
- (iii) In performing this role how might SCs interact with each other?

(i) What should be the outputs of the ICoE?

Best Practice in PPP

12. The ICoE at its core is about developing what has been called ‘best practices’ or ‘good practices’ in PPP. Best practices are methods and techniques that are consistently shown results superior to those achieved with other means, and that are used as a benchmark. In addition, ‘best practices’ can evolve to become better as improvements are discovered. Best practices are used to maintain quality as an alternative to mandatory legalized standards.
13. One of the criticisms of ‘best practice’ however, is that work necessary to deem any practice as the best, is rarely done, and most of the time what is best practices are ‘good practices’ and/or ‘smart practices’ that offer insights into solutions that may or may not work for a particular situation.¹ Indeed in the case of PPPs, the ‘best practices’ are often based on a rather few experiences and there is still much to be done to reach consensus on what genuinely is best practice.

Validation

14. Once best practices are identified, these have to undergo a rigorous validation process or open development assessment (see Section 5) under the UN which turns these practices into something such as a quasi-standards or recommendations that can be applied by a country. Standards are generally a more rigid set of guidelines that define exactly how a task should be done. They may provide a set of steps to be followed or requirements for the delivery of a project.

¹ In the UNECE Guidebook on Good Governance in PPP - the seven principles are an attempt to distil ‘best practices’ - but the number of cases on which to draw best practices may not have been sufficient to say for certain that they were actually best practices. Some countries however used them as sorts of standards in designing for example their procurement regime.

From Best Practices to UN Standards

15. Governments want more detail and they wish assurances that what the ICoE produces can be used with confidence and would not be opposed to the development of PPP standards if these can help shaping their PPP programmes.
16. Of course these standards or recommendations have to be contextualized. For example, a PPP may work very well in UK but not in sub Saharan Africa. It has to be thus related to the socio economic circumstances of the country in question and its own development objectives. A SC for example may recommend models for a low income country or low income transition economy, a medium income developing country and a developed country. Such categorization is very important if the output of the SC is to be taken seriously by policy makers. It may very well be that it is not desirable to implement a specific type of PPP in a particular country.

Best Practices and Excellence in PPP

17. What is the relationship between best practice and excellence in PPP? Best practices are excellence in PPP where there is a credible definition for defining excellence in PPP. A SC might for example define PPPs as 'excellent' as those which meet one or all of the following criteria: 'equity', 'efficiency', 'increase of access' and are 'replicable'. The difficulty here is that there is always a dynamic to the notion of best practices and excellence. Nothing remains the same for long. There is therefore an implicit assumption that things are constantly improving and hence best practices require constant updating.

Setting Best Practice Benchmarks Incrementally and Empirically

18. Another approach is to start collecting different case studies and then make some judgements on their impact, identifying some tentative 'standards' and benchmarks made on such a group of case studies. Then this process is repeated, again building on what has been done and review more cases and further refine the standards and benchmarks. In other words excellence would eventually be developed dynamically as an incremental process rather than what might be termed as a 'big bang'.

Excellence as 'Impact Investments'

19. As a starting point PPPs might be considered 'excellent' if they can be described as 'impact investments'. 'Impact investments' are ones that are commercially successful and obtain returns for the private partner on the one hand, and on the other deliver both strong socio economic benefits that favour vulnerable groups and or that have desirable outcomes in terms of addressing the world's main challenges, climate change, poverty etc., and are part of the post 2015 development agenda.

Increased Number of PPP Case Studies Available

20. A few years ago such an effort to define 'excellence' in PPP was simply not considered useful: there were not enough models to assess. But things have progressed in PPP. The number of PPPs that are now operational has increased and a critical mass has been achieved so that evaluations can be made.

(ii) How SCs will gather the information to elaborate best practice?

21. It has to be noted that the SCs will face certain challenges while collecting data on PPP experiences at a global level, as they cannot rely on their own country sources, which will be both costly and time consuming.
22. One possible solution, however, is linking SCs up with 'Communities of Practice' that exist within many global companies and international financial institutions. Such communities (*defined in box 3*) can provide the raw data the SCs badly need to become operational.

Box 3: Communities of Practice are groups of researchers/practitioners who share tips and best practices, and who interact regularly to learn how to do it better.

Membership is dependent on expertise - one should have at least some recent experience performing in the role or subject area.

Communities are not limited by formal structures; they create connections among people across organizational and geographic boundaries.

Source: Etienne Wenger. *Communities of practice*.

(iii) In performing this role how might SCs interact with each other?

23. SCs should develop regular contacts with each other, either through the Coordinating Centre in Geneva or directly with each other. To encourage the interaction, as well as exchange of experiences between the SCs, video conference calls, online and physical meetings can be organized either hosted by the Coordinating Centre or the SCs themselves.

*** Key Discussion Points ***

- *Is a SC by itself capable of developing excellence in PPP?*
- *Can a SC in a country where PPPs are not even practised, realistically aspire to become a SC that develops 'best practice'?*

SECTION 2
FINANCIAL AND ORGANIZATIONAL MODALITIES OF THE SCs

24. The key challenges facing SCs can be divided into the financial and organizational:

A. Financial modalities of the SCs

25. There are two closely connected questions related to the financial modalities:

- (i) How should the SCs be financed?
- (ii) How should the Coordinating Centre be financed?

(i) How should the SCs be financed?

26. The SCs have flexibility and can raise financing through introducing a system based on memberships, such as the private sector companies, or through selling services. Additional funding sources can include, but are not limited to the following:

- Private sector sponsorship;
- Hosting government (including local government) contributions;
- International Financial Institutions; and
- Non-governmental organizations.

(ii) How should the Coordinating Centre be financed?

27. The Coordinating Centre is financed through voluntary extra-budgetary contributions. The main financing source is drawn from annual contributions from SCs who provide payments in return for the services that the Coordinating Centre provides to them (*a contribution matrix will be introduced at the meeting*). Logically, those who are starting afresh in PPP and have no experience of PPP will need the most help and support to make the deliverables and thus can be expected to pay more. Those who have already accumulated experience in PPPs and are ready to prepare best practice guides and standards without the need for much support, will thus pay the Coordinating Centre less.

28. The Coordinating Centre has prepared a business plan for the ICoE. There is an aim to hold a Donors' Conference shortly on the ICoE.

B. Other organizational issues

29. Under the organizational modalities, the following questions are worth raising:

- (i) What organizational form should SCs take and where should they be located?
- (ii) How the private sector should be involved in the work of the SCs?

(i) What organizational form should SCs take and where should they be located?

30. There are no specific requirements as to what organizational form the SCs should take and under which agency the SCs should be located. The following options may be considered by the SCs:

- Inside a PPP Unit;
- Inside a public or quasi-public entity;
- Inside a not-for-profit type establishment (e.g. a University, a foundation);
- 'Virtual';
- Other (for example, SCs can also be formed as clusters consisting of three, four or even more entities located in different countries. The advantage is that costs and tasks are shared. The downside is to ensure consistency and quality of the outputs).

31. Although the list of such options is not exhaustive, the SCs cannot be located or hosted directly by a private company for the same reasons as mentioned in (ii) below.

(ii) How the private sector should be involved in the work of the SCs?

32. The private sector can access PPP case studies in virtually every sector and has in-depth knowledge of the legal, regulatory, financial and technical environment of PPP. It is critical for the success of the work of SCs (and the ICoE) that companies are involved especially those who are part of each stage of PPP (law firms, advising companies, construction firms, maintenance and operation companies, banks and investment companies).

33. The private sector's interaction with SCs is therefore encouraged and desirable. The private sector can advise SCs on the pros and cons of PPP models and on what they think constitutes best practice. It is however the role of the SC to prepare the best practices on the basis of its wide consultations with stakeholders.

*** Key Discussion Point ***

- *How might a SCs work together to attract funding for the ICoE?*

SECTION 3 GETTING STARTED (FIRST 6 MONTHS)

34. As described in Section 1, the first task of a SC is to define precisely what it will do and the sector it will focus. The desired topics should have impact and meet UN goals. It is also important that there is a certain degree of market testing undertaken before selection to be assured that there is a demand for the output.
35. Potential hosts of SCs should communicate to the Coordinating Centre in Geneva by **31 August 2013** their readiness to start their work on deliverables from **1 September 2013** (see *timetable in Box 4*). Passed this deadline, prospective SCs will no longer be considered as ‘candidates’ for that particular sector and the Coordinating Centre will be free to enter into a dialogue with other prospective hosts of SCs interested in that particular sector.
36. During the first six months starting from 1 September 2013, SCs are expected to:
- prepare a base line study;
 - participate in the process of nomination of countries to be the recipients of technical assistance from the ICoE; and
 - participate in the nomination of the International Rapporteurs/Experts.

Box 4: Timetable for the first six months:

- By **30 November 2013**: prepare the first draft of the baseline study;
- By **31 December 2013**: prepare a list of countries that will be the focus of the technical assistance of the ICoE in the ‘first wave’;
- By **28 February 2014**: prepare the final draft of the baseline study.

(a) Prepare a baseline study

37. SCs will undertake what might be termed as a ‘baseline’ study namely either:
- A presentation using a specific PPP model for a project in a specific sector or sub-sector, or
 - A general set of best practice (legal, institutional, technical) principles governing a procedure/process in a PPP.

(i) Specific PPP model for a project in a specific sector or sub-sector

38. The study might target a specific project and make the case for it to be undertaken as a PPP. Over the last six months, the United Nations Office in Geneva (UNOG) asked UNECE for advice on how a PPP might be used to implement its Strategic Heritage Plan for the renovation of the Palais des Nations.
39. The secretariat was made to address something specific and tangible. Arguably, the study done for this exercise could be an outline for such a baseline study in a sector being discussed as a SC. The work generated some useful lessons for SCs:
- The importance to set up an ad hoc Task Force to provide up-to-date case study information and suggestions on the most appropriate model to be used for this project.²

² Task force consisted of people from different disciplines and favouring different approaches: there was a debate for example between using the DBFM or a sale leaseback type of PPP. It was not easy to reach consensus. For example it is still not clear how a real estate project generating income become part of the proposed PPP. Most of the task force wanted the real estate component to be totally separate from the PPP. It is still an open question whether in the UN case funding raised from real estate development can be used to meet the costs of the renovation.

- The need to set out a structured argument that follows logically one step after another, namely the pros and cons for doing the project as a PPP; the models that would be recommended; the feasibility of doing such a project in a country, and the type of risks associated with the projects and how the risks might be allocated to achieve the best and most successful outcomes (*see table on UNOG study in Annex II*).
- The importance in this work is to address not the converts to PPP but rather the ‘sceptics’. The latter are found more commonly in most countries’ public administrations. In this way, it is important to get rid of any pretence that PPPs are risk or cost free and that they always are successful.³

(ii) General set of principles on best practice governing a procedure/process in PPP

40. Another option for the base line study is to set out general principles for the sector that is being analysed. For SCs dealing with core principles surrounding PPP in the legal and institutional framework one suggestion might be a study on the: **“Baseline requirements for undertaking a PPP”**
41. This would be useful because governments can check these baseline requirements to see how far they are away from being ready to undertake a PPP. What is suggested here is not a full length study but a few basic principles. A good model for this is something which was prepared a few years ago by UNECE referring to the UK PFI experiences and setting out what Governments needed or do and warning them ‘not to bother doing PPPs’ if they were not ready to do so (*see Annex III*).
42. The key benefits for the SC in doing such a baseline study are:
 - The SC starts to become known nationally and internationally;
 - Secondly, through the ad hoc Task Force the SC develops its own international network of experts;
 - Thirdly, it begins to collect the PPP cases that will become further best practices after proper and detailed evaluation and validation process; and
 - Finally, it focuses on the real end users rather than exclusively on the academic or research community.

(b) Participate in the nomination of countries to be the recipients of technical assistance from the ICoE

43. During the first six months, the SCs together with the Coordinating Centre need to select the first group of countries to be the recipients of the following technical assistance:
 - A detailed high value readiness assessment;
 - A visit preparatory to a full consultative meeting; and
 - A consultative meeting between the Business Advisory Board and their senior policy makers.

³ In presenting PPP models for renovation UNOG wanted to see not the good examples, but what can go wrong. It is thus important to write the study addressing not PPP converts but quite critical sceptics of the PPP approach.

(c) Participate in the nomination of the International Rapporteurs/Experts

44. An International Rapporteur/Expert will be identified for each SC.⁴ The International Rapporteur/Expert could be viewed as a ‘liaison officer’ of a SC to ensure the quality of PPP standards developed by the ICoE. The key functions of the International Rapporteurs/Experts will be to:
- advise the SCs on case studies and other material used to identify PPP models and best practices;
 - facilitate the work of the ad hoc Task Forces;
 - work closely with the SCs to ensure that deadlines for deliverables agreed in consultation with the Coordinating Centre are met;
 - provide periodic progress reports to the Coordinating Centre on the progress of SCs in identifying PPP models and best practice;
 - lead the peer review and validation process to translate international best practices into UNECE ICoE international standards.
45. International Rapporteurs/Experts are selected by the secretariat in consultation with the SCs from among experienced international PPP practitioners with a proven track record in the specific sector/procedure. They are approved by the Bureau of TOS PPP. International Rapporteurs/Experts are appointed for an initial period of six months, which could be extended by a further six months, and are expected to receive a nominal remuneration for their services.

*** Key Discussion Points ***

- *What might be some other good topics for baseline studies for SCs to pursue in the first six months?*
- *Select the first group of countries to be the recipients of the following technical assistance*
- *Identify the International Rapporteurs/Experts who could assist the SCs deliver their outputs.*

⁴ There might be instances where more than one International Rapporteur for a specific SC is appointed.

SECTION 4
CONSOLIDATING THE WORK OF THE SC: DEVELOPING BEST PRACTICES AND
PUTTING THEM INTO UNECE ICoE INTERNATIONAL STANDARDS

46. After the baseline study there are two important tasks which the SCs in cooperation with the Coordinating Centre need to undertake. This will take place after the first six months, i.e. from 1 March 2014. The section looks at the tasks that should be undertaken under each objective:

1. Drawing up the work plan and a list of potential best practice projects; and
2. Develop PPP standards through a validation process.

1. Drawing up the work plan and a list of potential best practice projects

Preliminary phase:

- Using the ad hoc Task Force to come up with some more specific project ideas;
- Interview governments who are contemplating undertaking a PPP;
- Assess what are their concerns and needs and use this as the basis of selecting the outputs and best practices; and
- Submit to the ICoE Bureau for approval the best practice projects ideas.

Second phase

- Enlarge the network to encapsulate all the various sub sectors;
- Draw up a list of the best practice projects ideas and a work plan and timetable to deliver; and
- Establish a website where the recommendations and initial thinking can be presented for public comments.

Third phase

- After approval publish the materials in cooperation with the Coordinating Centre (on the SCs website and on the main ICoE website);
- Reach out to governments to discuss how these best practices might be implemented; and
- Follow up with the Business Advisory Board on a ‘road show’ to disseminate best practices in that specific sector.

2. Develop PPP standards through a validation process

47. Best practices become UNECE ICoE recommendations or even ‘standards’ after a process of validation has been undertaken. There are several models for developing best practices and translating them into recommendations or standards in the work of UN.⁵ The following issues are pertinent for the ICoE validation process:

- (i) Stages by which ICoE standards are created;
- (ii) Main actors involved in the validation of best practices; and
- (iii) Ensuring quality, transparency, speed and efficiency in the development of PPP standards.

⁵ UN CEFAC has drawn up a comprehensive process by which best practices become standards ECE/TRADE/CEFACT/2010/24Rev 2. CEFAC is a body with global in spread which serves as a focal point for trade facilitation recommendations and electronic business standards

(i) **Stages by which ICoE standards are created**

48. The following stages could be envisaged in this validation process:

1. Project initiation

A 'project' (i.e. preparing ICoE standard) officially starts when the TOS PPP Bureau approves a proposal from a SC. The proposal must include a purpose, a clearly defined scope, a list of deliverables, time frame and when the proposed final draft will reach the required quality. The SC can appoint a project team led by a Chairperson, working in close collaboration with the International Rapporteur.

2. Stakeholders' mobilization

Once the TOS PPP Bureau approves the proposal on project initiation, the SC starts mobilizing a network of all key stakeholders into the task to be involved in the standards drafting.

3. Developing the initial draft

The first draft will be prepared by a project team, which will be reviewed by the Business Advisory Board. If the BAB and the SC are satisfied, the draft can be circulated for Public Review. However, before the public review stage, the ICoE may also decide to involve other UN Regional Commissions and international organizations such as the World Bank, ADB, EBRD, EIB/EPEC, OECD, UNCITRAL and UNCTAD ('Key Stakeholders') for their review and feedback on the draft.

4. Public review

After taking into account the feedback received from all Key Stakeholders the UNECE secretariat during a 60 day period places it on the UNECE website and notifies its network through various distribution lists that the draft is available for public review and provides them with review-process details. The criteria, evaluation and ultimate decision to go to the next stage are the decision of the SC and the project team.

5. Approval

The project team, once the public review is over, needs to submit the draft for its review and approval to the TOS PPP Bureau through UNECE Secretariat. The TOS PPP Bureau will either approve the final draft or identify the next steps for the project team. If approved by the TOS PPP Bureau, the final draft will be passed to the TOS PPP session for its endorsement.

6. Endorsement

The final draft if approved by the TOS PPP Bureau will be reviewed and endorsed by the TOS PPP session. After endorsement the document can be published for its distribution and implementation by Member States.⁶

⁶ There is also envisaged a 'maintenance' afterwards to incorporate any revisions that need to be made.

(ii) Main actors involved in the validation of best practices

49. The main actors involved in the validation of best practice proposals will be the following:

- SCs who must prepare them;
- A delegated Chairperson, working closely with the International Rapporteur, who is tasked to prepare them under the auspices of the SC and chosen because of his/her expertise in the area;
- An ad hoc Task Force that will work with the Chairperson and the International Rapporteur in the development of the best practice project;
- The Business Advisory Board
- The Bureau of the TOS PPP; and
- The TOS PPP.

(iii) Ensuring quality, transparency, speed and efficiency in the development of PPP standards

- Quality is guaranteed by the strength of the review process and the involvement of stakeholders at different stages in the validation process;
- Standards are initiated by SCs in close collaboration with and under the guidance of the Coordinating Centre; and
- Coordinating of the work should be done with the UN Regional Commissions⁷ and other international organizations such as the World Bank, ADB, EBRD, EIB/EPEC, OECD, UNCITRAL and UNCTAD;

50. The validation process selected ensures the:

- Direct involvement of real practitioners;
- Delegated authority to the SCs to work on the standards themselves;
- Clear approval process of the project proposals at the beginning by the TOS PPP Bureau;
- Clear approval process at the end of the process by the TOS PPP Bureau; and
- Commitment to the implementation of standards leading to clear improvements in the enabling environment and in project delivery.

51. The validation process is set up to avoid that:

- The standard setting exercise becomes independent of the UNECE secretariat (Coordinating Centre);
- Standards are created exclusively by one group advancing a specific project;
- Standards are tested with the IFI's to show the feasibility of the model: otherwise unrealistic prototypes could be developed;
- Standards become unbalanced if they are developed only from one region or one continent;
- Not enough exchanges of experiences are undertaken between SCs on these projects and best practices; and
- Standards lie on a website unused.

⁷ Besides the UNECE, the other four UN Regional Commissions are: UNESCAP (United Nations Economic and Social Commission for Asia and Pacific), UNECA (United Nations Economic Commission for Africa), UNESWA (United Nations Economic and Social Commission for Western Asia) and UNECLAC (United Nations Economic Commission for Latin America and the Caribbean).

CHALLENGES AND FOLLOW-UP ACTIONS

- (i) The first meeting of ICoE on 25 June 2013 reviewed a number of challenges and advises the following actions points to be taken to make the SCs a permanent and viable component of the ICoE:

<p><i>Challenge 1: Commitment of the SCs and follow the strategy of the ICoE</i></p>	<ul style="list-style-type: none"> – Prospective hosts of SCs should confirm and communicate to the Coordinating Centre in Geneva their plans to become a SC by 31 August 2013 and confirm their readiness to focus on the deliverables from 1 September 2013; – SCs should conclude the agreements (MoU and/or Contribution Agreement) with UNECE and should prepare a baseline study on PPPs in their respective sector/procedure and by 28 February 2014;
<p><i>Challenge 2: Commitment of the SCs to become fully operational</i></p>	<ul style="list-style-type: none"> – SCs should draw up the work plan of the SCs by the end of 2014. – SCs should hold meetings of stakeholders at the earliest opportunity to discuss the work plan.
<p><i>Challenge 3: Commitment to ensure the financial sustainability of the ICoE</i></p>	<ul style="list-style-type: none"> – Tailor the Business Plan of the ICoE for key prospective donors; – Organise a Donors’ Meeting in Geneva in the 1st week of September 2013;

Annex I

INDICATIVE LIST OF WORK PROGRAMMES UNDERTAKEN BY SELECTED SPECIALIST CENTRES⁸

Health

<p>Subject areas: Eradicate Extreme Poverty and Hunger Rural Development Social Development</p>	
<p>Mandate: The main role of SCs is to identify international Best Practice on Health through the following steps: Create a network with the major stakeholders in the Healthcare sector; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.</p>	
<p>Deliverables: Best practice PPP model for a public health and primary care (vaccinations, family planning, general practitioners); Best practice PPP model for clinical support services (labs, imaging, radiology, ambulances); Best practice PPP model for specialized clinical services (dialysis, radiotherapy and cancer treatment, day surgery); Best practice PPP model for public hospitals (hospital management, new/renovated public hospitals, and private wing within a public hospital). Best practice PPP model in health programmes (research and development, improvement of access to health products, public advocacy and increasing awareness, regulation and quality assurance, training and education)</p>	<p>Means to achieve deliverables: Specialist Centre on Health can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following: Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.</p>
<p>Key partners: WHO, UN Regional Commissions, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD</p>	

⁸ A revised version of the indicative list will be provided at the meeting. Participants are invited to make specific comments on this Annex to be incorporated into this revised version. Please send your comments by **20 June 2013** to: tony.bonnici@unece.org.

Legislation/Concessions

<p>Subject areas: Social Development Transparency Accountability Governance</p>	
<p>Mandate:</p> <p>The main role of SCs is to identify international Best Practice on Legislation/Concessions through the following steps: Create a network with the major stakeholders; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.</p>	
<p>Deliverables:</p> <p>Best practice in eliminating and reducing the possibilities of corruption and increasing transparency;</p> <p>Best practice in selecting PPP project and undertaking a feasibility study;</p> <p>Best practice in determining value for money;</p> <p>Best practice in selecting the best bidder for a PPP project;</p> <p>Best practice in transaction structuring for successful projects.</p>	<p>Means to achieve deliverable:</p> <p>Specialist Centre on Legislation/Concessions can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following:</p> <p>Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.</p>
<p>Key partners: UN Regional Commissions, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD</p>	

Renewable Energy

SUBJECT AREAS: Climate Change Rural Development Innovation	
Mandate: The main role of SCs is to identify international Best Practice on Renewable Energy through the following steps: Create a network with the major stakeholders in the Renewable Energy sector; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.	
Deliverables: Best practice PPP model for generation projects in: wind power, solar energy, hydropower, biomass, and geothermal;	Means to achieve deliverables: Specialist Centre on Renewable Energy can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following: Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.
Key partners: UN Regional Commissions, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD, IRENA	

ICT/Broadband

SUBJECT AREAS: Universal Primary Education Rural and Social Development Economic Development and Employment Innovation	
Mandate: The main role of SCs is to identify international Best Practice on ICT/Broadband through the following steps: Create a network with the major stakeholders; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.	
Deliverables: Best practice PPP model for developing ICT/Broadband in rural areas; Best practice PPP model for developing ICT in managing public utilities; Best practice PPP model for developing e-governments;	Means to achieve deliverables: Specialist Centre on ICT/Broadband can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following: Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.
Key partners: ITU, UN Regional Commissions, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD	

Accommodation and Public Buildings

<p>Subject areas: Social Development Innovation</p>	
<p>Mandate:</p> <p>The main role of SCs is to identify international Best Practice on Accommodation and Public Buildings through the following steps: Create a network with the major stakeholders; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.</p>	
<p>Deliverables:</p> <p>Best practice PPP model for a renovation of a public building (brownfield project) and the necessary economic conditions prevailing in the hosting authority;</p> <p>Best practice PPP model for a construction of a public building (greenfield project) and the necessary economic conditions prevailing in the hosting authority</p> <p>Best practice PPP model for a renovation/construction of government buildings and the necessary economic conditions prevailing in the hosting authority;</p>	<p>Means to achieve deliverables:</p> <p>Specialist Centre on Accommodation and Public Buildings can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following:</p> <p>Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.</p>
<p>Key partners:</p> <p>UN Regional Commissions, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD</p>	

Water Management

Subject areas: Disaster Risk Management Innovation Rural Development	
Mandate: The main role of SCs is to identify international Best Practice on Water Management through the following steps: Create a network with the major stakeholders; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.	
Deliverables: Best practice PPP model for dyke and water management; Best practice PPP model for innovative multiple use of flood protection systems.	Means to achieve deliverables: Specialist Centre on Water Management can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following: Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.
Key partners: UN Regional Commissions, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD	

Water and Waste Water

<p>Subject areas: Food Security Poverty Alleviation and Hunger Eradication Innovation</p>	
<p>Mandate: The main role of SCs is to identify international Best Practice on Water and Waste Water through the following steps:</p> <p>Create a network with the major stakeholders; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.</p>	
<p>Deliverables:</p> <p>Best practice water concession/lease projects (full private or mixed financing); Best practice in water management contracts (utility building and knowledge transfer); Best practice PPP model for building and operating wastewater treatment plants (new BOT contractual models focusing on portion of value chain, e.g. sanitation services); Best practice in performance based service contracts; Best practice PPP model for management of drinking water supply to urban areas; Best practice PPP model for restructuring and rehabilitating the water network and developing irrigation system; Best practice PPP financing for new emerging models;</p>	<p>Means to achieve deliverables:</p> <p>Specialist Centre on Water and Waste Water can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following:</p> <p>Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.</p>
<p>Key partners: UN Regional Commissions, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD</p>	

Green PPPs

SUBJECT AREAS: Environment and Climate Change Economic Development and Employment Innovation	
Mandate: The main role of SCs is to identify international Best Practice on Green PPPs through the following steps: Create a network with the major stakeholders; Identify the PPP model, prepare Best Practice and develop relevant documents in the formats of the ICoE; Help governments implement these best practices; Become a conduit into the country for best practices developed in other SCs within the ICoE.	
Deliverables: Best practice PPP model for waste-to-energy projects (reducing greenhouse gas emissions); Best practice PPP model for constructing green buildings in transition economies;	Means to achieve deliverables: Specialist Centre on Green PPPs can raise financing by introducing a membership based system (e.g. private sector, companies or selling services). Additional funding sources can include, but are not limited to the following: Private sector sponsorship; Hosting government (including local government) contributions; International Financial Institutions; and Non-governmental organizations.
Key partners: UN Regional Commissions, UNEP, WB, ADB, EBRD, EIB-EPEC, OECD, UNCITRAL, UNCTAD	

Annex II

Possible outline (drawn from the UNECE study prepared for UNOG)

Section 1: Pros and cons of PPP in the particular sector (based on selected case studies)

The section reviewed as many cases as possible of PPPs and used evidence from the case studies to demonstrate the advantages and the disadvantages of using a PPP versus a traditionally procured project.

Section 2. Selecting the most appropriate model

Giving a series of options to policy makers is not a good idea. There needs to be a major effort to provide conclusive evidence why a specific model is desirable. In the UNOG study a DBFM model was recommended primarily because of the comprehensive nature of the model and the fact that UNOG lacked the resources to deliver the project. (Here it is very important that in making the recommendation of a most suitable model the context in which the project is situated must also be taken into account. For example the Lesotho hospital PPP is an excellent project brings modern medicine and service to a very poor community. But how useful is it to recommend this model when the cost borne by the government consumes a huge percentage of total health spending leaving many parts of health care unserved)?

Section 3 making the business case for the project (overall feasibility of doing it in a specific country or region)

Even if there are reasons for doing the project there still needs an assessment whether the best practice projects are feasible given the factors surrounding the project namely the socio economic status of the country, the capability of the public administration and the presence of private companies able to bid for the project.

Section 4 allocating the risks in the most optimal way

Risk allocation is a critical element of PPP and getting this right means getting effectively the PPP right as well. There is no science although the principle that risks is best borne by the party best able to handle it is widely recognised as PPP best practice.

Annex III

Checklist of the key points that governments should address if intending to implement a PPP approach

- A political will must exist to drive the country or region towards achieving better value for money in public service delivery.
- A financial and legal framework must be in place to enable the project to compete for long-term international investment.
- Fair risk sharing criteria must be established that permit a good chance of generating profitable returns for the private sector, whilst putting private sector investment at risk if services are not delivered at the service level required.
- There must be acceptance of the principle of whole life costing, and an absolute commitment to the long-term (15-30 years) funding of the facility/service by government.
- Officials must be able to define the services required in terms of output specifications rather than the usual input specification approach, with a willingness to accept creative solutions that can save money and improve the level of service.
- Training of public sector officials by experienced public and private sector bodies saves repeating errors identified elsewhere and shortens the learning and implementation time.
- A PPP task force, fully empowered to act for the financing arm of the government, should be established to manage and prioritise the project pipeline, as well as providing a ‘bank’ of expertise for municipalities and government departments to draw on.
- The final short list of companies will normally require negotiation. Do not resist ‘step-in’ rights for the investors to sort out poor performance. They are better placed than government to do this.
- Transparency is better than secrecy. Consult all stakeholders particularly employees. Manage adverse publicity. Standardise documentation where possible to simplify processes and reduce cost.
- Be prepared for a fair balance of reward between the public and private sector if the project is refinanced at a later (lower risk) stage.

The ‘reality check’ for any government proposing to encourage a PPP programme, is to ask themselves the following:

- Is there a viable financial and legal framework able to support long-term private sector investment?
- Are we prepared to pay for advice on what problems have to be tackled and how to put them right?
- Can we, and any future government, give a commitment to pay for the services being delivered over the life of the contract, which may be 30 years?

If the answer is No to these three questions the Government may be advised to forget pursuing a PPP strategy

Source: UNECE PPP Alliance: Contribution by Graeme Rowcroft UK DTI 2004