

## Project Concept Note Template for the follow-up meeting of the 2010 SPECA Economic Forum

**Ashgabat, 2011**

**Deadline: 15 April 2011**

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| <b>Project Title</b>                   | PPP Readiness Assessment - from capacity building into direct project delivery in essential basic services   |  |
| <b>Outcome</b>                         | PPP readiness assessments, action plans and actual projects started in waste management and health in the SPECA region   |  |
| <b>Indicative Funding Requirements</b> | Total estimated budget:  | \$ 710,000   |
| <b>Potential Sources of Funding</b>    | [USAID, GIZ and other bilateral donors]:<br>[ADB, EBRD, WB]:   | \$ 200,000 to 350,000<br>\$ 300,000 to 400,000<br>Note: No funding has been pledged so far |
| <b>Expected start date</b>             | 2011 (second half)   |  |
| <b>Expected Duration</b>               | 4 years  |  |
| <b>Implementing Organisation(s)</b>    | UNECE  |  |
| <b>Country/Countries</b>               | All SPECA countries  |  |
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### 1 Background

One of the critical challenges facing the SPECA region is the modernization of its infrastructure and the improvement of its public services. In many cases it is not a question of the lack of infrastructure nor of the lack of public services, but rather the extremely low productivity of existing assets, such as, power plants, transport networks, hospitals, schools etc. There is a clear need for massive new investment to boost efficiency and productivity of these resources. On top of this there is still an infrastructure gap in these countries between what they need and what is available from the public exchequer.

Increasingly around the world, governments are looking for the private sector to make a contribution to the infrastructure challenges. This is particularly so in the post crisis period where governments lack public funds to do the basic maintenance and rehabilitation of these assets. The SPECA region is also beginning to look at PPPs as a means to addressing their infrastructure challenges. Kazakhstan, for example, has announced a very ambitious PPP programme, and has created its own PPP unit. But at the same time, for most of these countries, PPP is a totally new concept and a model where there is no living memory of, and substantial capacity building will be required in order to deliver these much needed projects.

### 2 Justification

At a recent meeting of the UNECE Team of Specialists on PPPs, governments from this region have reiterated their strong desire for capacity building programmes to provide their public sector with basic knowledge of the potential of PPPs to meet their needs, and of the experience of other countries in implementing PPPs. As a demonstration of their strong interest, within the Team of

Specialists on PPP, a special group was created for this region devoted to learning and exchange of experience on PPP.

Unlike other regions in the world, there is still no systematic training of public sector, and to date, while different international organizations are ostensibly active, such capacity building work tends to be ad hoc and 'one off' without any systematic follow up and evaluation of success.

### **3 Expected Output(s)**

This project is aimed at two essential outcomes:

1. the improvement of the **PPP enabling environment** (legal, institutional, and financial requirements), and
2. the identification and implementation to pre-feasibility of potential **PPP pilot projects**.

Therefore, within the accomplishment of this project, in a period of up to four years, the following results are expected:

1. removal of the barriers (institutional, financial and legal requirements) to PPPs in the respective SPECA countries;
2. projects that will undertake a learning by doing approach by which the knowledge and skills are transferred into the public administration, and retained and used to undertake more PPPs and eventually a PPP project pipeline;
3. at least 2 projects per country started in the economic and social sector, which are critical for the safety of the population and in desperate need of new financing and management. For example, waste management and health; and
4. at least 2 PPP units in the region to champion the programme in the respective countries.

From being a policy pronouncement of good intention, this project will lead into project implementation with the institutional and political basis for sustainability.

### **4 Proposed Approach & Strategy, including Capacity Development Response**

One of the typical approaches to capacity building in PPP is the organization of lectures to interested public sector officials that cover such issues as, definition, benefits, financing, project experience, risks, legal contracts, etc. Such lectures are often delivered by international PPP experts with very high level knowledge of the PPP process in their own countries, though lacking detailed knowledge of the countries to which they are addressing these lectures. Unfortunately, the lessons from such activities have been often generally disappointing and a more effective approach to capacity building is required. Accordingly, the UNECE has developed an approach that focuses on capacity building through the delivery of the actual project itself: what we have termed a "learning by doing" approach. By working with government officials who are directly involved in the project, trainers take the officials through the various stages of the project so that they can acquire a practical understanding of such things as preparing a business plan, identification and allocation of risks in the project, and some of the essential practices related to financing and bankability.

This learning by doing approach needs however a framework in order to be really effective. For example, projects to get off the ground require a conducive enabling environment where essential barriers are removed. Thus the chosen framework is one whereby the government commits to allow itself to have its enabling environment fully evaluated by a readiness assessment undertaken by the PPP Readiness Assessment Task force of UNECE composed of a group of PPP experts from the private and public sector. This readiness assessment is conducted in the country through a series of meetings with relevant stakeholders and produces the required evaluation plus a draft action plan. The next stage is discussing with the government to generate consensus and agreement on the action plan for PPP development in the country. This action plan is delivered at two levels: the first level is the level of top decision takers who are responsible for key legal, institutional and financial norms in the PPP environment, and who can give political support to the PPP process within the government; and the second level is among the working level of PPP units and middle management civil servants who are responsible for project implementation. This approach has been tried and tested, and the linkage between improvements to the enabling environment and the identification of actual projects to kick start the PPP projects have been particularly appreciated by governments who already are participating in these programmes. Suffice it to mention the case of Uzbekistan and Kyrgyzstan where the governments have already agreed and requested the UNECE to undertake a readiness assessment with a view to identify potential pilot projects.

## 5 Annual Work Plan

Years: 2011-2014

| PLANNED ACTIVITIES<br><i>List activity results and associated actions</i>  | TIMEFRAME |    |    |    | PLANNED BUDGET |
|--|-----------|----|----|----|----------------|
|  | Q1        | Q2 | Q3 | Q4 | Amount         |
| 1. Readiness assessment in Kyrgyzstan and Uzbekistan in 2011   |           |    |    |    | 100,000        |
| 2. Readiness assessment in Tajikistan and Kazakhstan in 2012   |           |    |    |    | 100,000        |
| 3. Readiness assessment in Afghanistan, Azerbaijan and Turkmenistan in 2013  |           |    |    |    | 150,000        |
| 4. implementation of action plans for two countries in 2012  |           |    |    |    | 120,000        |
| 5. implementation of action plans for two countries in 2013  |           |    |    |    | 120,000        |
| 6. implementation of action plans for three countries in 2014  |           |    |    |    | 180,000        |
| 7. PPP promotional and marketing brochure for the SPECA region to attract international investment in the respective programmes, incorporating material from the readiness assessment and the action plans |           |    |    |    | 50,000         |
|  |           |    |    |    |                |
|  |           |    |    |    |                |
|  |           |    |    |    |                |
|  |           |    |    |    |                |
| <b>TOTAL</b>   |           |    |    |    | <b>820,000</b> |