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**Substantive Segment: UNECE Public-Private Partnership Initiative: New mechanisms to raise the quality of policy advice on PPPs**

### **ASSURING THE QUALITY OF POLICY ADVICE ON PPPs: THE ROLE OF THE UNECE PUBLIC-PRIVATE PARTNERSHIP INITIATIVE**

Conference room paper submitted by the Secretariat

#### **Executive Summary**

The objective of this paper is to highlight the main causes on the universal lack of quality advice on PPPs and to elaborate on the steps taken by the UNECE International PPP Centre of Excellence to improve the quality of advice to Governments in countries with economies in transition and developing countries on PPPs by articulating and developing best practice in specific sectors, and deliver top quality contextualised advice through its Advisory Board and the UNECE Roster of PPP Experts.

## **1. Background**

The PPP model has been very successful over the past two decades to introduce new sources of funding in the provision of public services hitherto untapped. More and more governments are being attracted to the PPP model as a mechanism to finance their infrastructure needs and thus bridging the infrastructure gap. Despite its increasing popularity,<sup>1</sup> PPP projects remain inherently complex to implement, and countries getting started in PPPs depend on external advice at different stages of the PPP development.

The lack of good quality advice is often the root cause that leads to PPP projects failing to deliver the expected results. Governments from countries with economies in transition and developing countries are often reluctant to use the services of advisers for a variety of reasons, though the most compelling reason offered so far seems to be their fear that the advice provided is not the most appropriate for their specific needs. In other words, the advice lacks the necessary quality and contextualization, and there is an insufficient analysis of existing case studies from where to draw a series of best practices. This reality was underlined at “PPP Days 2012” in February 2012,<sup>2</sup> when a number of Governments from

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<sup>1</sup> It is estimated that there are currently between 4,500 and 5,000 projects worldwide

<sup>2</sup> “PPP Days” is the premier global meeting for public sector PPP practitioners. It took place at the *Palais des Nations* in Geneva, Switzerland, on 21-24 February 2012 and was jointly hosted by the

countries with economies in transition and developing countries stressed their reluctance to use the services of external advisers in the PPP process.

## **2. General lack of good quality advice on PPPs**

The problems with PPP advice could be distilled in three inter-linked categories:

- i. General lack of quality advice due to;
- ii. Lack of contextualization; and
- iii. Insufficient analysis of existing case studies.

How can one identify the right projects for bankability? How to set up the most effective procurement? Which projects are the ones that countries should focus on? Which projects have been successful, and which projects have been unsuccessful and should be avoided at all cost? This is the sort of advice that countries with economies in transition and developing countries need in order to develop their PPP process. However, most of these questions remain unanswered for the simple reason that most external advisers and organisations working in the field of PPPs have no clue how to answer them comprehensively as there is an overall general lack of knowledge of what best practice in specific sectors actually is.

Most advisers, including those within the UNECE network, provide anecdotes to governments: they tell them when something worked in one country, or how it happened in another country, but there is nothing consolidated that could give governments a definitive answer.

This reality is impacting the development of PPP programmes in countries with economies in transition and developing countries as it has been widely demonstrated that good quality contextualised advice based on international best practice is key to the successful development of a PPP programme. What is needed is an institution that can integrate knowledge from each country that does PPPs and synthesize the accumulated wisdom, and do two things:

1. Articulate and develop best practices on PPPs in different sectors; and
2. Assist governments to implement projects in these sectors into successful projects through a ‘learning by doing’ approach – in other words, to move away from academic discussions and to focus instead on how to get the governments, including at the local and regional level, to do successful projects for the benefit of their citizens.

## **3. The role of the UNECE International PPP Centre of Excellence (Centre of Excellence) in providing good quality policy advice to member States**

The UNECE International PPP Centre of Excellence (Centre of Excellence) was established in February 2012 precisely to provide quality information on best practice projects in PPPs from experiences around the world. In filling the gap identified above, the Centre of Excellence will offer a comprehensive range of services to Governments in these areas of intervention:

### **I. Guidance on Excellence**

The Centre of Excellence will develop and disseminate information on international best practices in various sectors in the form of “Best Practice Guides”. It will develop standards, methodologies, keeping detailed case studies that can be used as references by governments. An Editorial Board within the

framework of the Centre of Excellence will review materials and provide quality assurance. Excellence is not about complexity. It is about keeping things simple so that they can be more easily implemented. The Centre of Excellence will also provide information in a ‘no frills’ format – basic principles on legislation, concession and other contracts, bid documents, financing requirements and basics of a PPP programme.

Best Practice Guides will consist of:

- a) Synopsis of recent experience in PPPs in specific sectors;
- b) PPP prototypes in accordance with UN goals and principles;
- c) Best practice case studies accompanied by PPP training videos; and
- d) Best practice database.

## **II. Support for implementation through comprehensive capacity building programmes**

### **a. Readiness Assessments**

The Centre of Excellence will conduct PPP Readiness Assessments with a view to demonstrating challenges in the enabling environments and to identifying the best projects with which to start. Through its constantly updated roster of PPP experts, the coordination hub of the Centre of Excellence in Geneva will be able to recommend experts able to provide, legal, regulatory, institutional, financing and implementation advice. Readiness Assessments have been undertaken in a number of countries since the sixth session of CECI in December 2011.<sup>3</sup>

### **b. High level consultations with the Advisory Board**

In order to deliver support at the highest possible level, an Advisory Board will be established and will consist of a number of representatives from public and private sectors, recognized for their contributions to the development and use of PPPs either in their respective countries or worldwide. The Advisory Board will advise national and regional governments in implementing their PPP programmes based on best practices having the Readiness Assessment as a starting point.

## **III. Working together with international partners**

In providing policy advice to member States, the UNECE is teaming up with international partners, especially during the Readiness Assessment process, to address the training and institutional capacity building needs in countries with economies in transition and developing countries. In Belarus, for example, the UNECE has teamed up with the European Union and UNDP to deliver a major training and capacity building programme co-financed by the European Union and UNDP, with substantive support from UNECE. This two-year project, which was tailor made to the specific needs of Belarus as identified by the Ministry of Economy, is expected to commence in 2013. Similar initiatives are being discussed with international partners in other countries where Readiness Assessments have been or are in the process of being undertaken in the next few months.

The UNECE is also discussing with international partners with a view to raising the necessary financial resources to finance Readiness Assessments and follow-up activities in countries with economies in transition and developing countries. The UNECE has recently concluded a cooperation agreement with the Eurasian Development Bank, where the latter has provided financial resources for Readiness Assessments in the CIS region.

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<sup>3</sup> Since the sixth session of CECI in December 2011, a number of Readiness Assessments have been planned and are at different stages in Moldova, Belarus, Kyrgyzstan and Tajikistan. Readiness Assessments are planned for 2013 in Azerbaijan, Kazakhstan, and Turkmenistan as part of the UN Development Account Project on “Building the capacity of SPECA countries to adopt and apply innovative green technologies for climate change adaptation” and the cooperation agreement with the Eurasian Development Bank.

#### **4. Highest quality of advice to member States**

It is crucial that the advice given by the Centre of Excellence to Governments is of the highest quality. Both the members of the Advisory Board and the PPP experts working on Readiness Assessments need to be of the highest calibre and possess the necessary international experience in working with countries with economies in transition and developing countries.

The Team of Specialists on PPPs has at its third session in April 2011 established a Roster of PPP Experts. The Roster is envisaged as a resource from where the secretariat selects the most suitably qualified international PPP experts to assist the Team of Specialists on PPPs in preparing the recommendations to member States on the basis of the Readiness Assessment reports. The Roster is available on the UNECE website and will be updated regularly by the secretariat. The Roster is open to all PPP practitioners wishing to participate in and contribute to the work of the Centre of Excellence.<sup>4</sup>

#### **5. Conclusion**

PPPs are a critical component of every government's consideration when trying to meet their infrastructure and public services needs, for the simple reason that there exists a huge gap between the financing required to deliver efficient infrastructure services and what is available from the public purse. Accordingly, there is a strong interest from countries with economies in transition and developing countries to explore the potential of the PPP model to deliver much needed public services to their citizens. However, there is a lack of high-level policy advice, and an adequately funded Centre of Excellence will be at the forefront of the delivery of policy advice, and hence playing a primary role in filling this void.

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<sup>4</sup> The roster is available at: <http://www.unece.org/ceci/ppp.html>