

Distr.
RESTRICTED

ECE/CECI/PPP/2013/CRP.1
01 February 2013

ENGLISH ONLY

ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON ECONOMIC COOPERATION AND INTEGRATION

Team of Specialists on Public-Private Partnership

Fifth session

Geneva, 5-6 February 2013

Item 4 of the provisional agenda

Financing the UNECE International PPP Centre of Excellence

Conference room paper submitted by the Secretariat

This document provides an overview of the UNECE International PPP Centre of Excellence (ICoE) and its financing strategy. The UNECE International PPP Centre of Excellence was approved on 7th of February 2012 by the Executive Committee of the UNECE. It consists of the coordinating hub within the UNECE PPP Secretariat and specialist centres established around the world.

UNECE INTERNATIONAL PPP CENTRE OF EXCELLENCE (BACKGROUND, GOALS, ROLE)

The idea to create an International Centre was first raised in February 2009 at an inter-regional meeting involving United Nations Economic and Social Commission for Asia and Pacific (ESCAP), UNECE and United Nations Economic Commission for Africa (UNECA) in order to respond to the growing demand for capacity building in public-private partnerships. On 7th of February 2012, after many consultations with key stakeholders, the Executive

Committee of the UNECE gave its approval to the creation of the UNECE International PPP Centre of Excellence.

The goals of the ICoE are to:

- A. Identify international PPP best practice;
- B. Assist governments to implement best practices successfully; and
- C. Encourage shared learning especially between countries new to PPP and those with mature PPP programmes.

The role of the Centre is not just to help governments to learn how to do PPP but rather to help policy-makers to do the very best in PPP. PPP mechanism is an excellent tool for achieving on time and on budget project delivery. But PPP is also critical for addressing many of mankind's most pressing problems, including the greening of the economy and mitigating the effects of climate change. Indeed, PPPs can, and should be, considered as "impact investments" delivering social and economic values and at the same time a commercial return for investors. The challenge is precisely to discover what projects in the world constitute best practice and to select those that can be easily replicated. In this way, the benefits from PPP can be spread more widely. To date, however there is little information, consensus or methodology to clearly identify what is best practice in PPP.

APPROACH AND BENEFITS

In order to elaborate best practice and at the same time not create a huge organization, it was agreed to establish specialist centres devoted to specific sectors and thematic areas. Each specialist centre will be responsible for the preparation of best practice guides, case studies, including detailed information on projects' contractual and financial arrangements. In addition, they will help countries implement best practice models successfully.

The benefit from this approach will, it is hoped, increase the capacity of governments to accelerate their own PPP development. The governments will be able to identify quickly and find the right project from worldwide PPP experience that match their own needs and which can be used to benchmark their own PPP programmes. The previous very costly practice of governments to acquire their PPP capability through "trial and error" was both time and capital intensive and would, hopefully, become a thing of the past¹. The ICoE could cut the lead time of countries by up to 5 years and eliminate the failed experiments with PPP that often occur.

¹ Germany, for example, started its first PPP programme in 2003 but it was not until 2010 before a significant pipeline was underway and in the meantime huge amounts of money was spent on ineffectual capacity building.

SOME IMPORTANT MILESTONES AND ACHIEVEMENTS

Milestone 1. “PPP Days” 2012

“PPP Days” was held in Geneva, on 21-24 February 2012. It was the first time it had been held in Europe and brought together over 700 participants from 89 countries. The event was co-hosted by the UNECE, the World Bank Institute (WBI) and the Asian Development Bank (ADB) with the support of the International Finance Corporation (IFC) and the Swiss Economic Cooperation Organization (SECO).



Achievement: “PPP Days” triggered an initial agreement between ADB, WBI and the UNECE for further discussions to work together within the framework of the ICoE.

Milestone 2. Establishment of the first Specialist Centre on PPP in Health

On 22 November 2012, Sven Alkalaj, United Nations Under-Secretary-General and UNECE Executive Secretary, and Dr. Enrique T. Ona, Secretary of Health of the Republic of the Philippines, signed a Memorandum of Understanding establishing the Specialist Public-Private Partnership Centre on Health in the Philippines. An official signing ceremony took place in Manila at the National Kidney and Transplant Institute (NKTI), where the office of the specialist centre is located.



Achievements:

- (i) An initial survey of best practice in PPP in health was carried out by UNECE in cooperation with ADB and WHO as a discussion paper for a jointly organized

international conference on PPP in health (“Experiences in Europe and Asia”, Manila, 23-25 October, 2012).

- (ii) ADB and WHO have agreed to help the Specialist Centre in Manila to meet their objectives.
- (iii) ADB President and UNECE Executive Secretary met on November 23, 2012 in Manila and agreed to cooperate in ensuring that the specialist centre on PPP in Health will be successful.
- (iv) A mutual beneficial cooperation between ADB and UNECE is proposed: ADB will provide data and case studies to the specialist centre on health which will evaluate and identify the best projects which ADB will then fund.

RESOURCE CHALLENGE AND RISKS

Currently, the broad tasks of the ICoE can be divided into three streams:

- (i) PPP capacity building: carrying out national readiness assessments, consultations with governments and assistance with implementation of key recommendations;
- (ii) Making the ICoE operational: Setting up the specialist centres as part of the ICoE, including drafting and negotiating MoUs, discussion with the United Nations Legal Office on following correct procedures etc.;
- (iii) Providing advice on PPP to the United Nations Office in Geneva (UNOG) currently implementing the Strategic Heritage Plan (SHP) for the Palais des Nations.

The risks of doing this work without adequate resources can be considerable:

- (i) The ICoE must aim for the highest quality of output. A lack of resources can diminish the quality of the final product;
- (ii) To ensure that advice is of the highest quality, independent and neutral, the UNECE Secretariat has to play a central role in a management of this process and UNECE resources are insufficient;
- (iii) Member States become frustrated that their expectations for the ICoE are not being met.

In terms of the amount of resources required, the Secretariat for ICoE has calculated in a business plan prepared for the ICoE that in order to fully secure the objectives of the Centre, UNECE PPP/ICoE Secretariat has to be reinforced by three full time staff members (2 professionals, and one administrative assistant) and has to raise funds for various outputs of the Centre. Currently, there are two full time fixed term staff members and several members of the team on short term and part time basis serving the ICoE and the UNECE PPP capacity building programme as a whole.

While donors have already provided the ICoE with generous contribution (see Annex 1), these resources need to be supplemented by others.

THE FUNDING STRATEGY

Based on its contribution to the advancement of excellence in PPP, the ICoE will provide a number of services that will be of interest to different donors. Many of these donors accordingly will have a direct interest in supporting the ICoE. Specifically, it is proposed that the Secretariat will conduct fundraising with the following groups:

International organizations, IFIs, governments

As it was argued above, many international organizations, including the United Nations, have a great need to elaborate best practices and set up a well maintained depository of best practice information. UNECE will approach the donor community in order to identify an activity/or a sector where a donor organization/ country would be willing and interested to contribute. In addition, the ICoE will offer products and tools, notably its readiness assessment tool and advisory support in return for a financial or in-kind contribution.

The private sector

Resources, management skills and the latest technologies are usually always found in the private sector. The private sector is rich in PPP case studies in virtually every sector with in-depth knowledge in legal, regulatory, financial and technical environment of PPP. It is critical for the success of the ICoE to bring on board the private companies involved in each stage of PPP development (law firms, advising companies, construction firms, maintenance and operation companies, banks and investment companies) and to tap into their “community of practice”.

The private sector in return for its support will obtain access to the decision makers within the governments through the ICoE network and better understanding of PPP perspectives from the governments’ point of view. The ICoE will acknowledge contributions from the private sector, financial and in kind, in various activities of the ICoE and will list the names of companies who have contributed to the ICoE on its soon-to-be created website.

The specialist centres

It is envisaged that to cover support, dissemination, advice from the Editorial and Advisory Boards and to showcase their outputs on the UN platform and/ or global events such as future “PPP Days”, each specialist centre will provide the UNECE with a contribution. A cooperation agreement will be signed with each specialist centre after the signing of a Memorandum of Understanding.

The services of the ICoE are particularly of interest to the above-mentioned groups.

Having identified the key targets in this fundraising exercise, the question then is how to effectively engage these prospective donors. The answer to this question consists of the following:

- (i) Improve awareness of the existence of the ICoE;
- (ii) Set up a proper website;
- (iii) Send staff members together with the Chairperson(s) of the TOS PPP to hold promotional and donor meetings with public and private sector representatives (regularly reporting back to the Bureau and the Secretariat on the results of these meetings);
- (iv) Hold dedicated meetings with IFIs (ADB, EBRD, IFC etc.) on how they can cooperate with the ICoE in a 'win-win' situation. For example they might financially support the ICoE if the latter provided them with fully endorsed 'best practice' projects that had the ICoE's full 'seal of approval'.

IMMEDIATE ACTION POINT TO FOLLOW-UP

The Secretariat will organize a pledging conference in the first half of 2013 in Geneva.

Annex 1. Financial resources allocated by member States

1. The Government of the Netherlands has allocated a senior PPP expert for three years with a major task to secure financial resources and promote ICoE around the world. This expert will devote his second year of service to fundraising and promotional activities for the ICoE to ensure its complete constitution by the end of 2013.
2. In 2011 the State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)” of the Russian Federation reached an agreement with the UNECE to support the Centre financially for three years (USD200,000 per year). First year contribution agreement was supplemented by additional activities contracted by Vnesheconombank and UNECE, including elaboration of training modules as well as bringing together CIS countries for training activity/s conducted jointly by Vnesheconombank, UNECE and the Financial University. Cooperation for the year 2013 is being discussed and may focus on support for the activities of the Advisory Board that will be set up within the framework of the ICoE.
3. Toyo University is one of the main donors of the UNECE International PPP Centre of Excellence, and has over the past three years provided a financial contribution towards the UNECE work on PPP. From January 2013, Toyo University is also contributing towards the salary of a junior PPP assistant working with the secretariat. Toyo University offered finance for a comprehensive pre-feasibility study in 2013 on the PPP options to renovate the Palais des Nations as a PPP. The study, which will be carried out by the UNECE Team of Specialists on PPP and the Toyo University, will address a number of issues identified by UNOG and member States, and will help UNOG to prepare a report to the General Assembly on this topic. The Toyo University has allocated in the region of USD100,000 for this study.
4. The Eurasian Development Bank and the UNECE concluded an agreement whereby the former provided funding amounting to \$76,000 for the UNECE International PPP Centre of Excellence to undertake PPP assessments in Kazakhstan, Kyrgyzstan and Tajikistan in the period 2012-2013. Fact-finding missions to Kyrgyzstan and Tajikistan took place in September 2012 and a follow-up workshop will follow in 2013. Preparations are already in place to undertake the PPP assessment in Kazakhstan in the second part of 2013.