

UNECE International PPP Center of Excellence

“Developing standards and best practices in PPPs”

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Attracting Investors for PPP in Core Public Service Sector : the Benefit, Design and Blueprint of a PPP Evaluation Index (PPPEI)

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Why PPPEI?

1 – The Need for PPP

- ❑ There is no more debate on the need of PPP : Focus on LDC
- Without massive improvement of public infrastructure services, LDC's have no chance to substantially alleviate poverty and improve economic climate and governance
- Without such massive improvement a part of the development aid and NGO efforts is wasted.
- The massive improvement cannot be financed entirely by the tax budget: the international development aid will not be sufficient
- The remaining gap is huge and equals often several points of GDP
- There is only one option left : to attract private capital, and private promoters to invest and deliver the services : this is the world of PPP.

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Why PPPEI?

2 – Lessons learned during the last two decades

- ❑ Public-Private Partnership is not just another contractual venture. It involves two worlds with their own traditions, constraints and standards.
- ❑ The obligation to render a public service to the satisfaction of the end users for decades is quite different from the obligation to perform any long-term commercial contract.
- ❑ Outright privatization is not a solution in the core sectors.
- ❑ Many PPP projects have become projects in distress due to a misunderstanding of the real constraints and opportunities of the delivery of public infrastructure services in the core sectors.
- ❑ An analysis of the projects in distress show that in most cases several of the key conditions for the success of the project in PPP was lacking.

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Why PPPEI?

3 - Identifying and promoting best practices

- ❑ Many organizations across the world have designed programs in an attempt to identify and promote best practices.
- ❑ However, this task is far from being completed and no global program for exchanging on results and improvements is yet organized.
- ❑ This is due inter alia to the particular nature of PPP which is at the cross road of several layers of constraints and opportunities; among others:
 - ❑ - economics
 - ❑ - public interest
 - ❑ - private interest
 - ❑ - financial and banking
 - ❑ - contract law v/ company law (what “Partnership” means?)

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Why PPPEI?

4 – Promoting best practices through a ranking index

- ❑ Contrary to some views, it appears that there are many common issues which could lead to a universal core of best practices for PPP success in several areas such as:
 - ❑ - Planning and prioritization
 - ❑ - Preparation
 - ❑ - Procurement
 - ❑ - Contract conditions
 - ❑ - Underlying legal principles
 - ❑ - Investment climate
 - ❑ - Institutional framework

→ From there, it is useful to design a PPP evaluation index for immediate use

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How to design a reliable PPPEI ?

1 – The need of an appropriate methodology for appraising the useful lessons learned

- ❑ Examples of good methodology:
 - Identifying real reference project: example of criteria
 - At least a decade of operation
 - Representative of as many similar projects as possible (sector, countries)
 - A statistical approach providing guaranties of reliability and efficiency for aggregating lessons learnt. Most current statistics on PPP reference around the world are misleading.
- ❑ Avoiding hazardous methodology such as:
 - paying too much attention to "pilot projects" or "land-mark projects" not having a sufficient track-record or not based on robust principles deriving from professional benchmarking.
 - paying too much attention to the current requirements of the financial community for PPP.

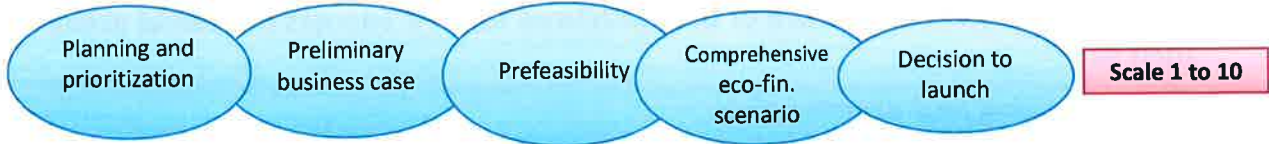
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Blueprint of a PPPEI

(for infrastructure public services)

Compliance index in LDC:
notation and rating

1. PPP preparation



2. PPP procurement



3. PPP contract conditions



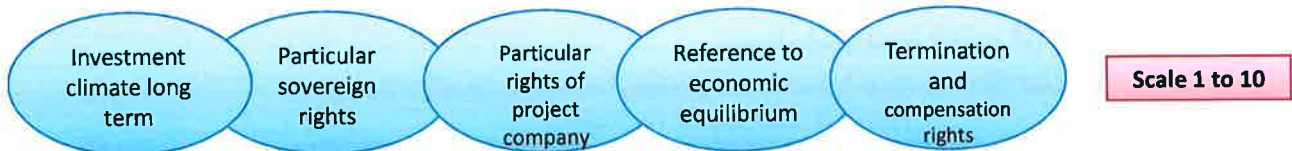
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Blueprint of a PPPEI

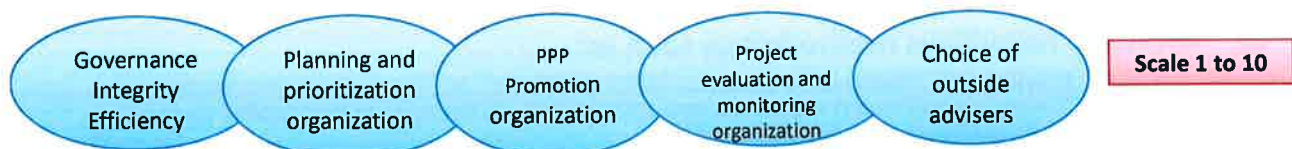
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Compliance index in LDC:
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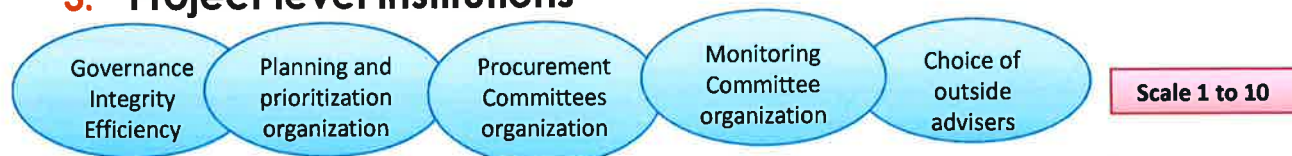
1. PPP underlying legal principles



2. Central level institutions

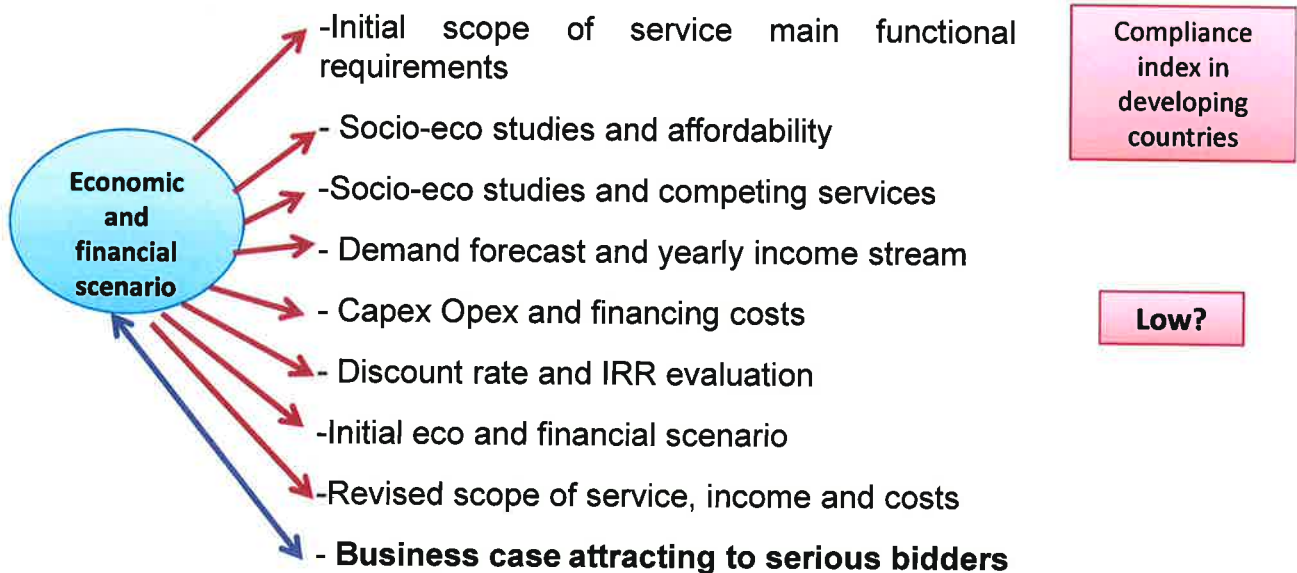


3. Project level institutions



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Blueprint of a PPPRI - Example of content of a link -



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The way forward PPP Evaluation Index

- ❑ The blueprint PPPEI needs to be tested in a range of real situations (such as a particular project in a particular country, either at a design or operational stage)
- ❑ The Index should eventually facilitate the design of best practices and possibly best standards which could play a major role in designing framework laws and procedure for successful pipeline of projects in LDC.
- ❑ Any comments/critics are welcomed.

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THANK YOU

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