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Economic Commission for Europe

Committee on Innovation, Competitiveness and Public-Private Partnerships

Working Party on Public-Private Partnerships

Second session

Geneva, 20-21 November 2018

Report of the Working Party on Public-Private Partnerships on its second session

I. Attendance

1. The Working Party on Public-Private Partnerships held its second session on 20-21 November 2018. Over 170 delegates participated in the meeting. The session was attended by representatives from the following Member States: Albania, Belarus, Belgium, Botswana, Bulgaria, China, Congo, Croatia, Cyprus, France, Georgia, Germany, Ghana, Greece, India, Iran (Islamic Republic of), Israel, Italy, Japan, Kazakhstan, Kyrgyzstan, Lebanon, Mauritius, Montenegro, Morocco, Netherlands, Nigeria, Pakistan, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Saudi Arabia, Spain, Syria, Switzerland, Turkey, Uganda, Ukraine, United Kingdom, United States of America and Uzbekistan.

2. The following specialized agencies and intergovernmental organizations participated in the session: the Eurasian Economic Commission, the European Bank for Reconstruction and Development (EBRD), the Food and Agriculture Organization, the United Nations Environment Programme (UNEP), the office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Conference on Trade and Development (UNCTAD) and the World Bank.

3. Representatives from non-governmental organizations, private sector entities, academic institutions and independent experts participated in the session.

II. Adoption of the agenda (Agenda item 1)

Documentation:

Annotated provisional agenda for the second session (ECE/CECI/WP/PPP/2018/1)

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Conclusion 2018 – 1

The Working Party adopted the provisional agenda as proposed by the secretariat.

III. Election of officers (Agenda item 2)

Conclusion 2018 – 2

The Working Party elected Mr. Sam Tabuchi (Japan) as its co-Chairperson and Mr. Raymond Saner (Switzerland) and Ms. Beatrice Florence Ikilai (Uganda) as vice-Chairpersons for a period of two years in accordance with the Commission's Guidelines on Procedures and Practices.

The Working Party expressed its appreciation to Mr. Alecos Michaelides (Cyprus) for his contribution to the UNECE PPP work as vice-Chairperson and wished him well on his retirement.

IV. Effective implementation of the Economic Commission for Europe People-first Public-Private Partnerships approach in support of the United Nations Sustainable Development Goals (Agenda item 3)

4. The Chairperson's summary of the discussions was presented under agenda item 4. The Working Party thanked the speakers and participants for the productive exchange of experiences, and their contributions to the discussion on the effective implementation of the UNECE people-first PPP approach in support of the UN Sustainable Development Goals (SDGs) with the opening of the international Belt and Road PPP dialogue.

V. Review of the PPP work since the first session of the Working Party on PPPs on 21-22 November 2017 (Agenda item 4)

A. International PPP standards, guiding principles, declarations and recommendations

Documentation:

Guiding Principles on people-first PPPs in support of the United Nations Sustainable Development Goals (ECE/CECI/WP/PPP/2018/3);

Economic Commission for Europe Declaration on a Zero Tolerance Approach to Corruption in Public-Private Partnership Procurement (ECE/CECI/WP/PPP/2018/4);

Introduction to People-first Public-Private Partnerships in Support of the United Nations Sustainable Development Goals (ECE/CECI/WP/PPP/2018/5);

Standard on PPPs in Railways (ECE/CECI/WP/PPP/2018/6);

Standard on PPPs in Renewable Energy (ECE/CECI/WP/PPP/2018/7);

Standard on PPPs in Roads (ECE/CECI/WP/PPP/2018/8);

Involving reliable and independent experts to develop People-first Public-Private Partnerships projects in low and middle-income countries (ECE/CECI/WP/PPP/2018/10);

List of essential clauses in concession contracts in People-first Public-Private Partnerships in support of the United Nations Sustainable Development Goals (ECE/CECI/WP/PPP/2018/11);

Foundation and generations: the evolution of Public-Private Partnerships the United Nations Sustainable Development Goals (ECE/CECI/WP/PPP/2018/12);

Putting the Guiding Principles on People-first Public-Private Partnerships into practice (ECE/CECI/WP/PPP/2018/13); and

Public-Private Partnerships: Project Planning and Prioritization (ECE/CECI/WP/PPP/2018/INF.4).

PPP Standards for endorsement

5. The Chairperson reminded the Working Party of the various steps in the PPP standard development process, and informed the Working Party that the Bureau has recently reviewed and endorsed the following three standards with a recommendation for endorsement by the Working Party:

- (a) The Standard on PPPs in Railways (ECE/CECI/WP/PPP/2018/6);
- (b) The Standard on PPPs in Renewable Energy (ECE/CECI/WP/PPP/2018/7); and
- (c) The Standard on PPPs in Roads (ECE/CECI/WP/PPP/2018/8).

6. The Chairperson also thanked the Project Teams and their leaders for their contribution to these standards.

7. A number of delegations highlighted the importance of disseminating and implementing the standards, and expressed their desire to have a comprehensive discussion on this at future meetings. It was also suggested that the standards be submitted officially to the Member States through their Permanent Missions in Geneva.

Conclusion 2018 – 4.1

The Working Party endorsed the:

- (a) Standard on PPPs in Railways (ECE/CECI/WP/PPP/2018/6);
- (b) Standard on PPPs in Renewable Energy (ECE/CECI/WP/PPP/2018/7); and
- (c) Standard on PPPs in Roads (ECE/CECI/WP/PPP/2018/8).

The Working Party thanked the Project Teams for their contribution, in particular, the leaders of each team, namely: Mr. Jonathan Beckitt and Mr. Naresh Bana (Railways), Ms. Ana-Katarina Hajduka (Renewable Energy) and Mr. Alfredo Lucente (Roads).

The Working Party requested the secretariat to submit the three documents for approval to the Committee on Innovation, Competitiveness and Public-Private Partnerships at its next session in March 2019.

Guiding Principles on people-first PPPs for the United Nations Sustainable Development Goals

8. The secretariat introduced the ten Guiding Principles on people-first PPPs for the UN SDGs (ECE/CECI/WP/PPP/2018/3) prepared in response to paragraph 48 of the Addis Ababa Action Agenda on Financing for Development. The Guiding Principles build upon the achievements of existing works on PPPs and each of these principles constitutes a response to a key challenge to PPPs for sustainable development and should be implemented by undertaking a series of actions. Each of the ten principles is presented in this document, together with the challenges that they address and key actions that could be undertaken to implement them.

9. The secretariat also explained that the ten Guiding Principles are designed to deliver people-first PPPs, that is, projects that meet the five people-first outcomes described in the document 'Introduction to People-first Public-Private Partnerships in Support of the United Nations Sustainable Development Goals' (ECE/CECI/WP/PPP/2018/5), namely:

- (a) Access and equity;
- (b) Environmental sustainability;
- (c) Economic effectiveness;
- (d) Replicability; and
- (e) Stakeholder engagement.

10. The secretariat informed that a joint discussion on the people-first principles was organised with the United Nations Conference on Trade and Development (UNCTAD) on 25 October 2018 in the context of the World Investment Forum held in Geneva and attended by over 5,000 delegates. Besides showcasing the people-first approach to PPPs among a vast audience, the event highlighted the need to work together with other UN funds, programmes, bodies and agencies to promote the people-first approach as a model that supports the SDGs.

11. The secretariat argued that the Guiding Principles need to be maintained and take on key learnings, ongoing development and policy experience, as well as discussions by the international community in multiple forums to exchange views and suggestions. To help with their voluntary implementation, a number of suggested policy recommendations. These recommendations are contained in the document 'Putting the Guiding Principles on people-first PPPs into practice' (ECE/CECI/WP/PPP/2018/13).

12. The Chairperson thanked the secretariat for facilitating the multi-stakeholder consultations held over the past two years, and for drafting the documents. The Chairperson informed that the Bureau has had extensive discussions on these documents and that it endorsed the topics covered in them. As for the next steps, he added that the Bureau proposes the Working Party to:

(a) Request the Bureau to finalise the Guiding Principles (ECE/CECI/WP/PPP/2018/3) in the coming weeks after a further round of consultation with the member State, and for the secretariat to submit them to the Committee on Innovation, Competitiveness and Public-Private Partnerships for adoption at its next session in March 2019;

(b) Take note of the people-first concept (ECE/CECI/WP/PPP/2018/5) and provide another opportunity to the member States to make comments before submitting the document to the Committee on Innovation, Competitiveness and Public-Private Partnerships for adoption at its next session in March 2019; and

(c) Welcome the suggested policy recommendations to implement the ten Guiding Principles (ECE/CECI/WP/PPP/2018/13), while providing another opportunity to the member States to make comments before submitting the document to the Committee on Innovation, Competitiveness and Public-Private Partnerships for adoption at its next session in March 2019.

13. The delegation of Botswana spoke about the importance of people-to-people projects and requested the Working Party to reflect on whether guiding principles on how governments could implement unsolicited proposals, as well as guiding principles on how governments should engage with NGOs in delivering infrastructure projects should be considered in future work.

Conclusion 2018 – 4.2

The Working Party endorsed the ten Guiding Principles on people-first PPPs for the SDGs in document (ECE/CECI/WP/PPP/2018/3 with amendments)¹ and requested the secretariat to submit it in a revised document (ECE/CECI/2019/5) to the Committee on Innovation, Competitiveness and Public-Private Partnerships for approval at its next session in March 2019.

Conclusion 2018 – 4.3

The Working Party requested the secretariat following its endorsement to share the guiding principles with the other Regional Commissions and UNCTAD and UNCITRAL for information and in order to explore the possibility to promote this work together.

Conclusion 2018 – 4.4

The Working Party endorsed the document elaborating on the people-first PPP concept and its five outcomes (ECE/CECI/WP/PPP/2018/5 with amendments)² and requested the secretariat to submit it in a revised document (ECE/CECI/2019/6) to the Committee on Innovation, Competitiveness and Public-Private Partnerships for approval at its next session in March 2019. The Working Party took note with appreciation of the joint-event organised on this topic by UNECE and UNCTAD on people-first PPPs at the World Investment Forum on 25 October 2018.

Conclusion 2018 – 4.5

The Working Party endorsed document (ECE/CECI/WP/PPP/2018/13 with amendments)³ containing a number of suggested policy recommendations for governments to voluntarily implement the ten Guiding Principles on people-first PPPs. The Working Party requested the secretariat to submit a revised document (ECE/CECI/2019/7) to the Committee on Innovation, Competitiveness and Public-Private Partnerships for approval at its next session in March 2019.

14. The UN Special Rapporteur on extreme poverty and human rights, Mr. Philip Alston, gave a keynote speech on the linkage between the people-first approach to PPPs and the human rights dimension, drawing on the conclusions in the note presented by the Secretary-General to the General Assembly in accordance with Human Rights Council resolution 35/19.⁴

15. In his key note address, Mr. Alston raised several issues related to the impact of privatization on human rights and how it affects extreme poverty, especially in low income countries.

(a) It is difficult to determine whether a private or public approach is the best solution for the provision of public services.

(b) There is a need to undertake a comprehensive evaluation of the strengths and weaknesses of privatization around the world and its impact on human rights.

(c) Although the Guiding Principles on people-first PPPs are aligned with the SDGs, they should also refer to government human rights obligations and international human right standards.

¹ Amendments proposed by delegations during a final round of consultations with the member States and endorsed by the Working Party on 31 December 2018.

² Ibid.

³ Ibid.

⁴ The note by the Secretary-General is contained in document A/73/396 dated 26 September 2018.

(d) The Guiding Principles on people-first PPPs should include accountability mechanisms to ensure that private companies comply with fundamental human rights when developing people-first PPP projects.

(e) Privatization should not always be the preferred and default approach to address public funds shortage and finance sustainable development.

(f) Governments are best placed to ensure the provision of basic public services and that fundamental human rights are respected, particularly in health, education and social protection areas.

(g) In promoting PPPs, the Working Party should not facilitate privatization in all sectors and contexts such as in high-risk and low-income countries.

(h) In less profitable projects where the private sector is less willing to invest, funding by international charities or religious or national country foundations should not be the only solution promoted.

16. In the ensuing discussion, participants commented that:

(a) The concept of privatization should not be confused with PPPs. The Special Rapporteur commented that in his report, the concept of privatization is used in a broad sense, i.e. any form of private participation in the provision of public services.

(b) PPP is a complex model which, unlike privatization, allows for risk sharing.

(c) The people-first approach to PPPs is meant to address the weaknesses of the traditional PPP models, including the non-compliance with human rights.

(d) Countries can benefit from the people-first approach to PPPs in terms of economic growth and job creation.

(e) It is important to distinguish between privatization and PPPs. There is a fundamental difference between a government divesting assets (privatization) and acquiring services (PPPs), which leads to different forms of contracts and governance. It is not possible to have a meaningful dialogue on PPPs when they are lumped in with unrelated activities with inherently different characteristics and outcomes.

(f) Further consultations should be convened in the future to further address the linkages between people-first PPPs and human rights.

17. The Chairperson thanked the Special Rapporteur on extreme poverty and human rights for its keynote speech on behalf of the Working Party.

Declaration on a Zero Tolerance approach to Corruption in PPP Procurement

18. The Chairperson referred to the decision of the Working Party at its first session in November 2017 to endorse the standard on a Zero Tolerance approach to Corruption in PPP Procurement (ECE/CECI/WP/PPP/2017/4)⁵ and the discussion on its voluntary implementation, dissemination and promotion. In this regard, he recalled that a draft declaration was introduced by the secretariat and that the Working Party requested the secretariat to work closely with the Bureau to finalise the declaration for adoption at this session.

19. The Chairperson informed that the Bureau set up a drafting group under the joint leadership of Mr. Alecos Michaelidis (Cyprus) and Mr. Steven van Garsse (Belgium) to consult with other delegates and finalise the declaration. The first round of consultations with

⁵ The standard was also approved by the Committee on Innovation, Competitiveness and Public-Private Partnerships at its annual session in March 2018.

the member States and other stakeholders took place on 26 March 2018, and the draft was further discussed and finalised during the UNECE International PPP Forum in May 2018. The Chairperson further informed that the Bureau endorsed the draft declaration (ECE/CECI/WP/PPP/2018/4) and requested the Working Party to endorse it.

Conclusion 2018 – 4.6

The Working Party endorsed the Declaration on a Zero Tolerance Approach to Corruption in PPP Procurement (ECE/CECI/WP/PPP/2018/4), and recommended to the Committee on Innovation, Competitiveness and Public-Private Partnerships to adopt it at its thirteenth session in March 2019.

Recommendations

20. The Chairperson informed the Working Party that at its meeting on 8 May 2018, the Bureau decided that policy documents from reputable sources, such as those submitted by the PPP Specialist Centres, could be submitted to the Working Party for its consideration if the Bureau considered that these documents added value and benefited the member States in implementing people-first PPPs.

21. The Chairperson further informed that three such documents are before the Working Party, namely:

(a) Document ECE/CECI/WP/PPP/2018/10 containing recommendations on the use of reliable and independent experts to advise on people-first PPP projects in low and middle-income countries prepared by the International Specialist Centre of Excellence on PPP law, policies and institutions in France. A key recommendation in this document is for a project team to be set up to elaborate a standard on the selection and employment of reliable and independent experts to develop pipelines of people-first PPPs in low and middle-income countries;

(b) Document ECE/CECI/WP/PPP/2018/11 containing a list of recommended clauses in concession contracts in people-first PPPs in support of the SDGs, prepared by the International Specialist Centre of Excellence on PPP law, policies and institutions in France; and

(c) Document ECE/CECI/WP/PPP/2018/12 containing an overview of the different PPP models categorised in three generations, with the third generation being the UNECE people-first approach to PPPs, prepared by Mr. Kaimeng Li, Senior PPP Expert at the National Development and Reform Commission of China, and vice-Chairperson of the Working Party on PPPs.

22. The Chairperson expressed his appreciation to the authors of these documents and informed the delegates that the documents have been reviewed and edited by the secretariat and were subsequently considered by the Bureau and submitted to the Working Party.

23. The Chairperson asked the authors of the documents to briefly present them, and in the case of Mr. Marc Frilet, to also introduce document ECE/CECI/WP/PPP/2018/INF.4 with recommendations on planning and prioritization of people-first projects prepared by Mr. Vincent Piron.

Conclusion 2018 – 4.7

The Working Party endorsed documents:

- (a) ECE/CECI/WP/PPP/2018/10 containing recommendations on the use of reliable and independent experts to advise on people-first PPPs projects in low and middle-income countries⁶; and
- (b) ECE/CECI/WP/PPP/2018/11 containing a list of recommended clauses in concession contracts in people-first PPPs in support of the SDGs;
- (c) The Working Party also took note of the following documents:
- (d) ECE/CECI/WP/PPP/2018/12 containing an overview of the different PPP models categorised in three generations, with the third generation being the UNECE people-first approach to PPPs; and
- (e) ECE/CECI/WP/PPP/2018/INF.4 with recommendations on planning and prioritization of people-first projects.

The Working Party thanked the authors of these documents, namely, Mr. Marc Frilet, Mr. Kaimeng Li and Mr. Vincent Piron.

PPP standards under preparation

24. The secretariat provided a progress report on the draft standards at various levels of development, namely:

- (a) Water Supply and Sanitation;
- (b) Urban Rail Transit; and
- (c) Model law for PPP/Concessions.

Conclusion 2018 – 4.8

The Working Party took note of the status of the standards at various stages of development in the following areas:

- (a) Water Supply and Sanitation;
- (b) Urban Rail Transit; and
- (c) Model law for PPP/Concessions (in close collaboration with UNCITRAL).

It urged the project teams to continue working on these standards and to submit them for endorsement at its next session in 2019. The Working Party requested the project teams and the secretariat to ensure that they consult with other UNECE Sectoral Committees and their subsidiary bodies and keep the member States at the Working Party sessions informed.

B. Issues related to the PPP Business Advisory Board (BAB)

C. Other capacity building activities and initiatives

25. The Chairperson presented the summary of the discussion under agenda item 3, and recalled that this was part of the three-pillar approach by UNECE to capacity building, namely:

- (a) Build institutions and capacity building in countries;
- (b) Develop flagship projects; and

⁶ The delegation of Botswana asked if in any future revisions of the document, a chapter on local experts should be added.

- (c) Provide a multilateral forum to discuss common issues.

Conclusion 2018 – 4.9

The Working Party welcomed the discussion under agenda item 3 on the mandated UNECE three-pillar approach to capacity building focusing on the Belt and Road PPP dialogue as set out in the Memorandum of Understanding between the UNECE and China, which are contained in the Chairperson's summary. It agreed on the areas for discussion at the next dialogue, subject to extrabudgetary resources, as part of the UNECE International PPP Forum and requested that the Chairperson's summary be annexed to the report of the second session.

The areas for discussion are:

- (a) Showcase project submissions by countries and help in pilot project design, selection and development;
- (b) Building operational level people-first PPP capability development in countries;
- (c) Fair and open procurement with zero tolerance to corruption;
- (d) Ensuring projects do not harm the environment;
- (e) Establishment of common rules and standards that can lower transaction costs in cross-border infrastructure projects; and
- (f) Women's empowerment in people-first projects.

26. The Chairperson then referred to the report of the third UNECE International PPP Forum held in Geneva on 7-9 May 2018 (ECE/CECI/WP/PPP/2018/INF.3) and asked the secretariat to report on the main outcomes of the Forum, on the activities of the PPP Business Advisory Board and other capacity building activities and initiatives which took place since November 2017.

27. The secretariat provided detailed information on the following activities (in date order):

- (a) Switzerland: third edition of the UNECE International PPP Forum "Scaling up: Meeting the challenges of the United Nations 2030 Agenda for Sustainable Development through people-first Public-Private Partnerships" held in Geneva (7-9 May 2018). The Forum advanced the work on the Guiding Principles; the declaration on a Zero Tolerance approach to Corruption in PPP Procurement; the PPP sectoral standards; the campaign to attain 500 people-first case studies; and the capacity building programme for Belt and Road countries. The high-level dialogue focused on women's empowerment in PPPs, and more precisely how to increase the participation of women and women-led companies in long-term infrastructure projects;
- (b) Ukraine: an international conference on Implementing people-first PPPs for the UN SDGs was jointly organised with the Ministry of Economic Development, the Kiev City State Administration, the Ukrainian PPP Development Support Center, and with the support of the World Bank Group, in Kiev (5-6 June 2018);
- (c) Russian Federation: at the request of the President of Tatarstan, the PPP Business Advisory Board conducted a PPP readiness assessment in Kazan to assess the preparedness of Tatarstan to undertake people-first PPPs (24-26 July 2018);
- (d) Belarus: six regional PPP workshops were held jointly with the PPP Unit of Belarus in the cities of Brest, Gomel, Grodno, Minsk, Mogilev and Vitebsk (2018);

(e) Belarus: an international conference on the role of people-first PPPs in support of the Sustainable Development Goals was jointly organised with the Ministry of Economy in Minsk (12 September 2018); and

(f) Bulgaria: consultative visit of the PPP Business Advisory Board to Sofia co-organised with the Ministry of Regional Development and Public Works, with a focus on PPPs in the roads and water sectors, Sofia (19-20 September 2018).

28. The Chairperson congratulated the secretariat for organising a very successful third edition of the UNECE International PPP Forum from 7 to 9 May 2018. He also expressed his gratitude to the PPP experts, including the member of the PPP Business Advisory Board, participating in policy advisory services and the capacity building activities, and especially those who did so on a pro bono basis, and to the secretariat for organizing and servicing these activities.

29. The delegation of Bulgaria referred to the visit of the UNECE PPP Business Advisory Board and thanked the Business Advisory Board and the secretariat for organising a very successful meeting in Sofia.

30. The delegation of Belarus appreciated the assistance given by UNECE to Belarus in the past year, with seven capacity building activities organised in Belarus in 2018. Among the topics discussed were the people-first approach to PPPs and the Belt and Road Initiative.

31. The delegation of Ukraine expressed its appreciation to the UNECE for organising an international PPP conference in Kiev in June 2018, with an emphasis on the setting up of the new PPP agency set up in Ukraine to advocate the people-first approach.

32. The Chairperson reminded the Working Party that its policy advisory services and capacity building programme depended on extra budgetary funding. He expressed his appreciation to the donors who had provided in-kind and financial contributions in support of the UNECE's PPP work, including the development of PPP standards and the organisation of demand-driven policy advisory services and capacity building activities of the UNECE International PPP Centre of Excellence, namely:

- (a) The Government of the Russian Federation;
- (b) Tsinghua University, Beijing, China;
- (c) City University of Hong Kong;
- (d) IFEJI: the Institute of French International Legal Experts; and
- (e) China International Engineering Consulting Corporation

33. The Chairperson urged member States and other stakeholders to follow in the footsteps of existing donors and support the work of the UNECE International PPP Centre of Excellence with extra-budgetary resources and in-kind contribution.

Conclusion 2018 – 4.10

The Working Party took note of the meetings of the UNECE PPP Business Advisory Board with the Governments of Bulgaria and the Russian Federation since the first session of the Working Party on Public-Private Partnerships in November 2017. The Working Party expressed its appreciation to the members of the PPP Business Advisory Board who took part in these activities for their pro-bono contributions to the success of the UNECE PPP policy advisory missions and capacity building activities.

Conclusion 2018 – 4.11

The Working Party expressed its gratitude to the secretariat for organising a very successful third edition of the UNECE International PPP Forum from 7 to 9 May 2018. While taking note of the report of the third International PPP Forum (ECE/CECI/WP/PPP/2018/INF.3) and the progress in the standards and other outputs, the Working Party requested the secretariat to continue expanding the database of case studies as part of a campaign for 500 case studies that demonstrate the UNECE people-first PPP criteria and how these case studies support achievement of the SDGs.

The Working Party took note of the capacity building activities organised in Belarus and Ukraine, and expressed its appreciation to the experts who took part in these activities for their contribution towards their successful organisation.

Conclusion 2018 – 4.12

The Working Party took note of the work carried out so far on developing an evaluation methodology to identify critical people-first ingredients in PPP projects that support the achievement of the SDGs. It requested the secretariat to give priority to this endeavour.

Conclusion 2018 – 4.13

The Working Party also expressed its gratitude to the donors who have provided in-kind and financial contributions in support of the UNECE PPP work, including the development of PPP standards and the organisation of demand-driven policy advisory services and capacity building activities of the UNECE International PPP Centre of Excellence, namely:

- (a) The Government of the Russian Federation;
- (b) Tsinghua University in Beijing, China;
- (c) City University of Hong Kong;
- (d) IFEJI - the Institute of French International Legal Experts; and
- (e) China International Engineering Consulting Corporation

VI. Implementation plan for 2018-2019 (Agenda item 5)

Documentation:

Report of the Committee on Innovation, Competitiveness and Public-Private Partnerships on its twelfth session (ECE/CECI/2018/2, Annex II – Intersessional implementation plan for 2018-2019); and

Report of the Working Party on Public-Private Partnerships on its first session (ECE/CECI/WP/PPP/2017/2, Annex I List of topics for PPP standards).

34. The chairperson referred to the discussions under previous agenda items on the evaluation methodology and asked Ms. Sedef Yavuz Noyan, vice-Chairperson of the Working Party on PPPs and the Chairperson of the Committee on Innovation, Competitiveness and Public-Private Partnerships to make a proposal on behalf of the Bureau on future work to develop this tool.

35. Ms. Yavuz Noyan informed the Working Party that she represented the Bureau in a number of discussions on the evaluation methodology and that significant progress has been achieved over the past twelve months. She added that the discussions are entering a critical moment where guidance was needed for the experts developing the tool. She argued that the process will benefit immensely from experts with different backgrounds from governments,

the private sector, the lending community, academia and the NGO community. She proposed that a Project Team be set up to take this process forward.

Conclusion 2018 – 5.1

The Working Party agreed that further work on the evaluation methodology for people-first PPPs will be needed. The Working Party requested the secretariat to submit a proposal for the creation of a project team including its composition and governance framework to the Bureau for consideration and approval. The Working Party noted that no additional costs are required to service this Project Team.

36. The secretariat referred to Annex II of the report of the Committee on Innovation, Competitiveness and Public-Private Partnerships on its twelfth session in March 2018 (ECE/CECI/2018/2), which contained the list of PPP mandated activities, while highlighting in particular (in date order):

(a) A meeting of the Specialist Centres of Excellence affiliated to the UNECE International PPP Centre of Excellence, in Beijing, China, on 3-4 December 2018, the purpose of which is to reach an agreement among the Specialist Centres to cooperate more closely on the PPP standards, international best practices, and the promotion of the people-first PPP programme in support of the SDGs;

(b) A meeting of the PPP Business Advisory Board with the President of Tatarstan in Kazan, the Russian Federation, on 13 December 2018, to present the PPP readiness assessment report and discuss follow up activities;

(c) A possible PPP event in Davos, Switzerland, in January 2019 as part of the winter World Economic Forum 2019 to present the work on people-first PPPs and the international Belt and Road PPP dialogue; and

(d) The fourth edition of UNECE International PPP Forum to be held in Geneva either on 28-29 March 2019, back to back with the annual session of the Committee on Innovation, Competitiveness and Public-Private Partnerships, or in early May 2019. The second international Belt and Road PPP dialogue will take place simultaneously with the Forum subject to agreement by the member States.

37. The secretariat also referred to Annex I of the Report of the Working Party on Public-Private Partnerships on its first session (ECE/CECI/WP/PPP/2017/2, which contains a list of topics for PPP standards. The secretariat explained that no major updates to the list are envisaged, with the exception of adding to the list the proposed standard by the Specialist Centre of Excellence on PPP law, policy and institutions in France on the involvement of reliable and independent experts to develop people-first PPP project in low and middle-income countries.

38. The delegation of Ukraine informed the Working Party of its intention to set up an International Specialist Centre of Excellence on PPPs in e-government, data security and accountability, affiliated to the UNECE International PPP Centre of Excellence. The Centre will be hosted at the Kiev City State Administration. A letter will be sent by the Government to the Executive Secretary of UNECE and plan to launch the Centre at the forthcoming Business for Smart City Congress in Kiev in January 2019.

39. The delegations of Kyrgyzstan and Uzbekistan informed the Working Party of their recent and ongoing PPP initiatives, and expressed their desire to receive support in their PPP development going forward.

40. The delegation of France requested the secretariat to prepare an information note to take stock of the implementation of the Memorandum of Understanding with China on the Belt and Road Initiative and present this information to the delegates at the Committee on Innovation, Competitiveness and Public-Private Partnerships in March 2019.

41. At the request of the delegation of Uganda, the secretariat briefed delegates on the cooperation between UNECE and the Economic Commission for Africa (ECA), launched at the PPP Forum in May, and encouraged member States from Africa to communicate to ECA their interest in receiving PPP assistance from the United Nations. The secretariat added that it was ready to work with the ECA on PPP training and capacity building programmes.

Conclusion 2018 – 5.2

The Working Party took note of the list of activities planned for the rest of 2018 and for 2019 mandated by the Committee on Innovation, Competitiveness and Public-Private Partnerships (ECE/CECI/WP/2018/2, Annex II). It noted in particular a possible PPP event in Davos in January 2019 as part of the winter World Economic Forum 2019, and the fourth International PPP Forum and, subject to agreement by the member States, the international Belt and Road PPP dialogue to be held in Geneva either on 28-29 March 2019 or in early May 2019.

Conclusion 2018 – 5.3

The Working Party reviewed the topics for future standards (ECE/CECI/WP/PPP/2017/2, Annex I) and agreed to add to the list the one proposed by the Specialist Centre of Excellence on PPP law, policy and institutions in France on the use of reliable and independent experts to advise on people-first PPP projects in low and middle-income countries. The Working Party noted that no additional costs are required to service this additional work.

Conclusion 2018 – 5.4

The Working Party took note of the request by Ukraine to set up a Specialist Centre on PPPs in e-government, data security and accountability affiliated to the UNECE International PPP Centre of Excellence, to be hosted by the Kiev City State Administration.

VII. Other business (Agenda item 6)

Dates of the next session

Conclusion 2018 – 6

The Working Party agreed that its next meeting be held in the second half of 2019. The secretariat will fix the dates in consultation with the Bureau and the conference room services at the *Palais des Nations* in Geneva.

42. The delegations of France and Germany made the following points to be adhered to in future sessions:

(a) Ensure that delegates are alerted by the secretariat each time a new pre-session document is posted online in compliance with Rule 3 of the Rules of Procedure, and provide a deadline for consultations among member States where appropriate;

(b) Upon request of a member State following the approval during Working Party sessions, place specific conclusions under a silent procedure consultation among representatives of member States for a period of two weeks;

(c) Provide a list of registered participants to member States in advance of sessions of the Working Party; and

(d) Ensure that any proposals for amendments made by representatives of member States during the sessions of the Working Party are documented and reported, even if rejected.

VIII. Adoption of the report (Agenda item 7)

Conclusion 2018 – 7

The Working Party adopted the report of its second session and requested that it be published in English, French and Russian.

Annex

Effective implementation of the Economic Commission for Europe People-first Public-Private Partnerships approach in support of the United Nations Sustainable Development Goals (Agenda item 3)

Chairperson's summary

Introduction

1. The International Belt and Road PPP Dialogue is one of the three pillars making up the project of cooperation between the UNECE and the National Development and Reform Commission of the Government of China. The other two are: a national based PPP capacity building that will establish enabling conditions for PPP in the participating countries; and a facilitation programme that can help, in partnership with the multilateral development banks, to deliver ten flagship projects.
2. The delivery of these projects constitutes the overall objective of the cooperation that was set out in a Memorandum of Understanding signed between the respective heads of the organisations in May 2017.
3. From the UNECE perspective, the Belt and Road Initiative has to be seen through the lens of the SDGs: how can this huge opportunity of massive investment in infrastructure be used to promote the SDGs?

Session 1: Evaluation methodology for identifying People first PPPs that meet the UNSDGs

Setting up a proper evaluation methodology

4. There is a need to differentiate high quality infrastructure projects in the Belt and Road Initiative (BRI) that add value and meet the SDGs from the rest. Not all partnerships meet the SDGs. Participants recognized that the next most crucial step in implementing the people-first PPP approach for the SDGs along the BRI and beyond is to identify a proper evaluation methodology. Such a methodology could score PPP projects and encourage the various partners to make them people-first. Investors, of course, have already their own metrics, which are financial and economic metrics.
5. The private sector has the economic and financial metrics to score projects but lack tools to measure social and environmental impact for economically viable projects.
6. This evaluation methodology could help to attract lenders for financing new projects, as well as to score and monitor existing projects at the different stages in their lifecycle.
7. The evaluation methodology could serve as a basis for MDBs, development agencies and investors to select viable projects with high economic, social and environmental added value.
8. It should also serve as a basis to select ten PPP flagship projects that will be developed in order to promote others.
9. Participants argued that there is a need to develop an upstream evaluation mechanism to identify the right projects that will support the achievement of the SDGs, while using existing methodologies and indices.

10. While ensuring that this methodology is applicable, it should include criteria related to fiscal, financial, environmental and social sustainability.

11. A joint effort from multiple stakeholders is needed to develop this methodology. Contribution from a broad group of experts and organizations will also be needed.

Follow-up

12. A global project team⁷ bringing together a broad network of experts interested in the BRI should be set up, which inter alia would consider also the issue of who and which entities will decide whether a project is people-first and SDG-compliant or not.

Mechanisms for selection and facilitation

13. Participants wondered how the 10 flagship projects will be selected and the mechanism by which such projects should be submitted.

14. A number of candidate projects were proposed, and their relevance debated. Several projects were identified as potentially good candidates to be developed as part of the people-first flagship programme.

Follow-up

15. An upstream and downstream approach is needed. The process might consist of the following steps: 1) the submission stage; 2) the selection stage; 3) the establishment of a facilitation unit to make projects bankable and achieve the operational stage; 4) the financing stage through MDBs; and 5) a readiness assessment stage. Countries are welcome to submit candidate projects for the flagship programme that could also be integrated in the UNECE campaign to attain 500 case studies.

16. The secretariat will prepare a detail plan or mechanism by which projects can be submitted and the necessary steps taken thereafter.

Mega versus small-scaled projects

17. Mega projects are not the only ones with a real impact and smaller projects that emerge from people's needs should be developed. These people-to-people projects should be considered before infrastructure projects.

18. Participants recognized the increasing interest for small-scaled people-first projects that directly benefit local communities, as these address people's basic needs.

19. They argued that people's needs should be the basis for the selection of projects and therefore the evaluation methodology should include this aspect using relevant criteria.

Follow-up

20. Encourage the development of small-scale people-to-people projects under the flagship programme that can be easily replicated in other countries and regions.

Session 2: Encourage more inclusive multi-stakeholder models

21. To date some projects within the BRI have been characterized as state to state partnerships with the often-state-owned enterprise providing a 'package' to the host government consisting of technology, the human resources as well as the financing. This 'one

⁷ See also Conclusion 2018 – 5.1 above

stop shop' approach to infrastructure development has the advantage of accelerating project delivery but it can often come at the expense of providing business opportunities to private companies, both local and foreign.

22. The challenge is to move to a more inclusive multi-stakeholder approach that provide greater opportunities for local and foreign private sectors. This makes sense because the huge scope of projects being considered lies outside the resources of a single country. PPP is needed because there is a lack of resources from aid agencies, governments and other public sectors.

23. China has been very active in implementing policy measures to foster an open and enabling environment supporting foreign investment. Examples were given of the measures taken to ease market access for the private sector and develop a fair procurement, while implementing online tools and forms to facilitate administrative procedures for foreign investors.

24. As part of its efforts to strengthen cooperation with countries and multinational organizations, China has also taken steps to promote and facilitate outbound investments and has developed a code of conduct for Chinese companies investing abroad that obligate them to respect laws and regulations of host countries.

25. The debate reflected the importance of having a mechanism for different actors and stakeholders to meet regularly, such as the international Belt and Road PPP dialogue, establishing clear objectives and focusing on concrete outcomes.

26. It is furthermore important to involve those who are affected by the development of a project, including the future users. In this respect, the projects emanating from the BRI should be developed and implemented meeting international labour and environmental standards.

27. Participants stressed the need for a fair and standardized approach in the tender process and that MDBs should play a role to avoid unfair supplier selection process.

28. The private sector faces many challenges when investing in a PPP project and better transparency and good governance are needed. One way of reducing the transaction cost is to develop a good business plan and perform a demand risk analysis at the early stage of the project definition.

29. Risk mitigation and financial viability of PPP projects are key elements to attract international investors to invest in Belt and Road projects. In some cases, Governments could provide a guarantee mechanism to the private sector investors so that they do not take all the risk. Nevertheless, transferring the risks to the private sector remains sometimes the motivation of the public sector when developing a project under the PPP model.

30. There is a need for an adaptive participatory model involving different private sector partners and not a "one size fits all" solution.

Follow-up

31. Develop guidelines or criteria of good conduct ensuring that all stakeholders and private sector entities benefit equally from the opportunities arising from the Belt and Road Initiative.

Session 3: Environmental sustainability

32. Participants recognized that large-scale infrastructure projects generally cause some environmental challenges and that there is a degree to which the environment will be affected. The challenge though is to ensure that large scale infrastructure projects are not undertaken at the expense of the environment.

33. In addressing this challenge, participants focused on conventions and standards and environmentally sustainable projects.

34. With regards to international standards and conventions, participants argued that standards could play a strong role in undertaking good projects that do not damage the environment.

35. The UNECE ESPOO Convention provides a most useful standard for the undertaking of environmental impact assessment including the transboundary dimension. This Convention allows parties to require that a neighbouring country undertakes an Environmental Impact Assessment in projects with potential negative environmental impacts. Its influence also extends beyond the signatories providing important principles which countries can follow. It is also open to all countries to join including non UNECE member States, such as China.

36. Environmental Impact Assessments are taken very seriously by the banks and project developers are required to comply with strict environmental standards.

37. With regards to sustainable projects, participants reported on several environmentally sustainable projects that have been implemented in their respective countries.

38. Investing in sustainable people-first PPPs should not be seen necessarily as a risk, as these are precisely the projects people want and need.

Follow-up

39. Environmental sustainability is identified as one of the five outcomes of people-first PPPs, and environmental criteria should be monitored accordingly using international environment-related standards.

40. Beyond the economic effectiveness, Environmental Impact Assessment tools should be widely implemented and further integrated into the people-first evaluation methodology.

Next steps: thematic areas for discussion at the next dialogue

41. Participants considered the following areas to be considered for the next dialogue⁸:

- (a) Showcase project submissions by countries and help in pilot project design, selection and development;
- (b) Building operational level people-first PPP capability development in countries;
- (c) Fair and open procurement with zero tolerance to corruption;
- (d) Ensuring projects do not harm the environment;
- (e) Establishment of common rules and standards that can lower transaction costs in cross-border infrastructure projects; and
- (f) Women`s empowerment in people-first projects.

⁸ Subject to agreement by member States