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**The United Nations Economic Commission for Europe Public Private Partnership
Alliance**

Note by the secretariat: In order to find solutions to ongoing financial constraints UNECE member States have for some time given a high priority to new techniques for attracting private finance for infrastructure. The UNECE, for example, in 1996 established a BOT Expert Group to prepare Guidelines on best practices on such techniques including the development of Public –Private Partnerships. On 45 December 2000, under the auspices of WP.5, the UNECE Group presented its Guidelines to an international Forum on “Public-Private Partnerships for Infrastructure Development: The Next Steps“. The Forum agreed to establish a Public -Private Partnership Alliance to assist Governments in the implementation of socially and environmentally sustainable PPPs. The following note provides information on the role of the UNECE Public -Private Partnership Alliance. It provides details to Governments who will join this body. The inaugural Meeting of the Alliance will take place in Geneva, Switzerland, on 12 March 2002.

This document can be found on the PPP Alliance website at www.unece.org/operact/ppp

Public-Private Partnership Support for the Transition Economies of Central and Eastern Europe and the CIS

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Summary

Project Title: Public-Private Partnership Support for the Transition Economies of Central and Eastern Europe and the CIS.

Implementing Party: United Nations Economic Commission for Europe (UNECE).

Duration: Two years.

Structure: Multi-donor facility to support PPP development in transition economies.

Members: Governments and Private Sector.

Proposed Start Date: 1 January 2002. Inaugural Meeting of the UNECE PPP Alliance, Palais des Nations, Geneva, Switzerland, 12 March 2002.

Location: UNECE, Geneva, Coordinating Unit for Operational Activities.

Proposed Donor Funding: US\$ 800,000 for two years (extendible).

Key Partners: UNECE is convening with prospective international parties on how they wish to be associated with the Alliance.

1. Executive Summary

The United Nations Economic Commission for Europe's Public-Private Partnership Alliance was established on 4 December 2000 by leading industrial figures, senior government officials and chiefs of international organisations and regional development banks. The Alliance was formed following UN Secretary General Kofi Annan's establishment of the Global Compact in January 1999 to enlist the support of private enterprises in creating a more humanitarian and ethical basis for globalisation. This Alliance's purpose is to promote the use of public-private partnerships (PPPs) as the vehicle to build and maintain the vast infrastructure needs of the transition economies of Central and Eastern Europe and the CIS. PPPs are dynamic and governments need to climb a steep learning curve in order to implement projects successfully. The Alliance provides Governments with a pan-European network to exchange experiences and latest approaches that lower transaction costs and raise professional standards in project development, benefiting government, private sector and civil society alike. The PPP method is recognised as a significant means for meeting the vital development needs while also involving governments in market privatisation and without burdening them with debilitating debt from financiers. The UNECE BOT Group has been engaged in counselling and advising governments in the promotion of the PPP concept, legal reform, and training government officials on working with PPP operations.

2. The Challenges

Awareness and understanding

- Establishing a genuine dialogue between governments on PPP potential;
- Overcoming national resistance to partner with the private sector;
- Discouraging reliance on traditional debt-ridden forms of project financing.

Developing the skills

- Building the necessary skills and management in PPPs amongst the civil servants;
- Using PPP models to alleviate poverty;
- Accelerating project delivery from discussion to implementation phase.

Creating the right framework

- Improve legal and regulatory regimes to ensure PPP feasibility.

3. Justification for the Project

After a decade of slow economic growth and incidents of devastating armed conflicts, the countries of central and Eastern Europe and the CIS are in some cases bereft of even the most basic infrastructure needs. Highway transportation systems and bridges are non-existent or of low quality, water and sewage treatment facilities cannot provide for the hygienic needs of the population, power plants can barely provide large cities with sufficient electricity and ports and airports are incapable of handling broad commercial trade. In less critical cases where the need is not for new projects but the rehabilitation and maintenance of existing infrastructure, PPPs can play a significant role. All of these needs, essential for modernisation and economic renewal, are neglected because many governments do not have the capital to even begin their development. Mountains of international debt consume the cash-strapped states of the region. A successfully funded PPP project will help Governments to meet these needs by empowering national and local economies through private sector investment and democratic renewal. It will target the creation within administrations of dedicated PPP units to bring projects in a transparent manner into the market place.

4. External Factors and Risks

- Even with external support there is a risk that all the counseling and advice will fall on deaf ears, as the problems are extremely difficult and the capacity to develop projects with legitimate private sector companies virtually nil. There needs to be a competent non-bureaucratic and private sector driven body to promote dialogue development and transparency. In order for PPP's to proliferate in the region, Governments must be convinced of their viability by the relative success of pilot projects in their neighboring countries. These pilot-projects have to be widely promoted, aggressively marketed and competently facilitated for governments to begin to initiate PPP projects on their own.
- Without an incline in a sustainable and equitable economic prosperity, many regions in Europe will continue to be prone to instability and conflict. Economic stability is at the heart of alleviating tensions; it is necessary to promote a lasting peace and prosperity in the region. The relative stability of Europe cannot be secured again until all of its countries are on the road to success and implementing economic and market development programs. The PPP Alliance's work will allow these countries to take the essential steps towards economic progress and further European integration.

5. Objectives and Actions

The objectives of the programme are to:

- (i) Increase the delivery of successful PPP projects
- (ii) Improve the skills of the public administration in PPP techniques

To these ends, the programme will facilitate the commencement of several PPP pilot-projects to showcase what services can be provided and to display to member states the feasibility of PPP projects in meeting the essential needs of their populations. The Alliance will achieve the following:

Project development

- Selection of the initial projects by the Alliance Group of Experts;
- Bring pilot projects to request for proposal stage in partnership with the governments;
- Assistance and review in drafting or redrafting countries viable concessionaire and transparency law;
- Marketing and promotion of possible PPP projects for private sector presentation;
- Identification or review of credible and reliable private sector partners; and
- Review of the private sector contract and negotiation procedures.

Training and support

- Training and support for government officials in PPP implementation and practices;
- Promotion of wider development goals (i.e. environmental sustainability, poverty alleviation, customer service and local business development, community involvement, good governance, and transparency); and
- Mediation forums and support for disputes resolution.

6. Why is the PPP Alliance an Innovative Initiative?

The Alliance's position in the goal of widespread use of PPP initiatives is both innovative and paramount. There has been no effective program to date, steered by experts from the public and private sectors, which has enjoyed the success the Alliance has in the promotion and consultation domain, and certainly there are no efforts which will take the bold steps of actively participating with governments in PPP creation. The Alliance will be breaking new ground by actually facilitating PPPs, taking an active role in shaping the recipient governments' legal and regulatory environment, presenting projects to potential private sector partners and participating and monitoring contractual agreements. These undertakings, as well as others listed in the Objectives section of this proposal, will place the Alliance at the worldwide forefront of all PPP initiation efforts.

The Alliance itself will not become a large executive entity. Its prime resource will be the knowledge, skills and organisations of its members. Its secretariat will act as a clearinghouse for expert assistance from both sectors and provider of practical training/career development opportunities for their staff and post-graduate students. Part of their mission will be to facilitate easier and less expensive networking (pan-European and global) among PPP practitioners and to help customise proven PPP guidance for countries that lack the resources to undertake this themselves. The Alliance will also have a broader role in explaining the use of PPPs as a development tool in member states, in particular amongst the generation radicalised by Seattle and the current crisis in central Asia.

7. The UNECE as the Right Vehicle for PPP Implementation and Capacity Building

- An inter-governmental platform;
- A framework for implementation with a global outreach;
- A track- record of accumulated expertise of transition economies;
- A pan-European network of PPP units;
- A reservoir of in-kind contributions from the European business community with hands-on experience of PPPs worldwide;
- A neutral framework;
- A commitment to the social and environmental objectives; and
- A framework for good governance and democratic principles.

8. Relations Between the UNECE PPP Alliance and Other Multilateral and International Initiatives on PPPs

The following international bodies have been invited and to be **Associated Implementing Partners**: the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Organisation for Economic Co-operation and Development (OECD) (*confirmed*).

The following bodies have been invited to be **Cooperating Agencies**: United Nations Food and Agricultural Organisation (UN/FAO), Stability Pact for South East Europe, Central European Initiative (CEI) (*confirmed*), International Reconstruction Bank (IRB), Black Sea Development Bank (*confirmed*), UNIDO (*confirmed*), UNCITRAL.

The PPP Alliance will report on its activity to the **Working Party 5** (WP.5) of the **UNECE**, under the **Coordinating Unit for Operational Activities**.

9. Modalities of Project Implementation and Delivery

- Implementations of a Programme under the OECD/UK Government Investment Compact of the Stability Pact for south east Europe to assist in identifying pilot projects, improving the legal and regulatory framework for PPPs, and training civil servants in PPP methodologies;
- Pilot project development in water and waste sector (i.e. Croatia and Yugoslavia); customs checkpoint (i.e. Belarus and Poland); airport (i.e. Russian Federation); new transport highways (i.e. central Europe); social housing (i.e. Romania);
- Awareness raising, marketing and UN Global networking events: PPP Forum on Public Administration Support for PPPs (Stability Pact, Romania), Legal Symposium (Slovenia), Global PPPs, (Hong Kong) (*separately budgeted*).

10. Progress to Date

The Alliance was established in 4 December, 2000 and has already embarked on several programmes/missions:

- Leading the Programme to Promote PPPs under the Stability Pact for South East Europe;
- Marketing of PPP Alliance at Global Summits on PPPs in London, Dublin and in Asia;
- Consultations with Donors and Partners; and
- Improvement of Legal requirements on PPPs at UNCITRAL, Vienna.

The Alliance is also the product of the UNECE Build-Operate-Transfer (BOT) Group, a Group of experts founded in 1995 under UNECE. This Group has:

- Prepared Guidelines on best practices on PPPs;
- Reached agreement between the public and private sector members of the Group on the social and environmental objectives of PPPs;
- Participated in numerous international meetings throughout Europe on PPPs;
- Held Consultative Meetings with individual Governments; and
- Prepared a Negotiating platform for Governments for PPPs.

11. Financing

The PPP Alliance is a multi-donor facility financed from both public and private sectors. The total funding, necessary for several activities (i.e. meetings task forces, consultants' travel of delegates from transition economies) is **US\$ 800,000** for two years (*extendible*). The required budget for staff time, travel and research to bring the first few pilot projects to the Request for Proposal stage is **US\$ 100,000**. To date funding has been committed for around **US\$ 250,000**.

As with the UN revolving fund for natural resources, the activities of the Alliance will be financed from a percentage of the income from the project established through the assistance provided by the Alliance.

12. Structure of the PPP Alliance (*see annex 1*)

Office bearers

- Two co-chairmen: one representing the public sector and one representing the private sector;
- Each chairman of a sub-group becomes a vice-chairman of the PPP Alliance;
- PPP Head: moderator with UNECE secretariat and responsible for carrying out the programme;

- International Liaison Officer: She/He will promote the PPP Alliance outside the UN and will endorse the cooperation with other UN agencies and the regional development banks;
- Regional coordinators;
- Treasurer;
- Senior Legal Counsel;
- Chairman of the Working Party on International Legal and Commercial Practice.

Steering Group

A steering group consisting of all government representatives and the chairmen of each of the sub-groups (see below) will determine the strategy and promote the objective of the groups as a whole.

Dedicated task forces dealing with key projects will assist in preparing for financing a number of projects submitted to the Alliance from Governments. So far requests have been received by a number of southeast European countries for a water waste disposal facility, an airport, and a customs check point. These task forces will carry out assignments in countries which request support.

A legal and regulatory group will advise governments on the legal requirements for developing projects and will lower costs through standardising PPP contracts. It will provide normative advice on competitive tendering and other procedural requirements that can assist governments as they begin to develop PPPs.

Subgroups

1. Transport Sector Group.
2. Social Housing (to work in co-operation with the UNECE Real Estate Advisory Expert Group, REAG).
3. Energy Sector Group.
4. Training and Capacity Building Group.
5. Water Plan and Waste Disposal Sector Group.
6. Legal and Regulatory Framework Group.
7. Auditing Group.
8. Conflict Prevention Group (to work jointly with OSCE).
9. Technical Innovation, Specification and Evaluation Group.

13. Benefits (*see annex 2*)

The Alliance will provide **Governments** with:

- PPP assistance.
- Pilot projects and strategic thinking.
- Marketing of investment opportunities.

- Problem solving on procedure techniques on PPP delivery (e.g. competitive tendering).
- New techniques and approaches to implement projects.
- Raising the PPP activities within national administrations.
- Save resources by lower transaction costs.

The Alliance will provide the **Private Sector** with:

- Access to government decision takers.
- Key Information on emerging markets.
- Accreditation as adviser to governments on projects.
- Early access to new projects.
- Association with the UN and its goals in PPPs.
- Development of expertise and knowledge.

The Alliance will help **Government Donors** by:

- Results.
- Multiplying financial support by leveraging other public and private finding.
- Achieving social environmental and conflict prevention objectives of PPPs.
- Building contacts with beneficiary government and with other donors.

14. The UNECE BOT Group

The UNECE BOT Group, which consists of private and public sector members, will continue to assist the dedicated task forces on promoting projects.

15. The Inaugural Meeting

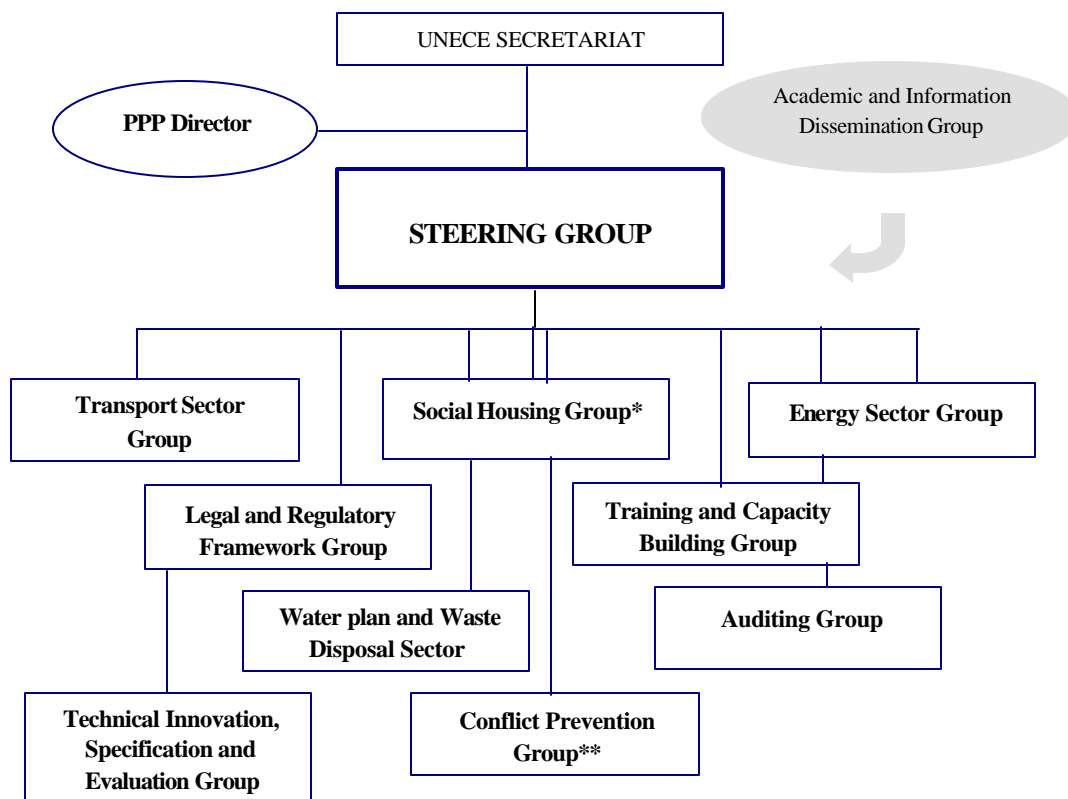
The United Nations Economic Commission for Europe will hold the Inaugural Meeting of the UNECE Public-Private Partnership Alliance at the Palais des Nations, Geneva, on **12 March 2002** (*see annex 3*). The objectives of the meeting are twofold:

- To set up the PPP Alliance organisational structure.
- To establish the future programmes and activities of the PPP Alliance in order to accomplish the goal of developing a viable, inclusive and sustainable PPP European market that functions to alleviate the poverty.

High-level government officials, donor organisations, private sector agents, international organizations, and BOT group experts will participate at this event.

16. Annexes

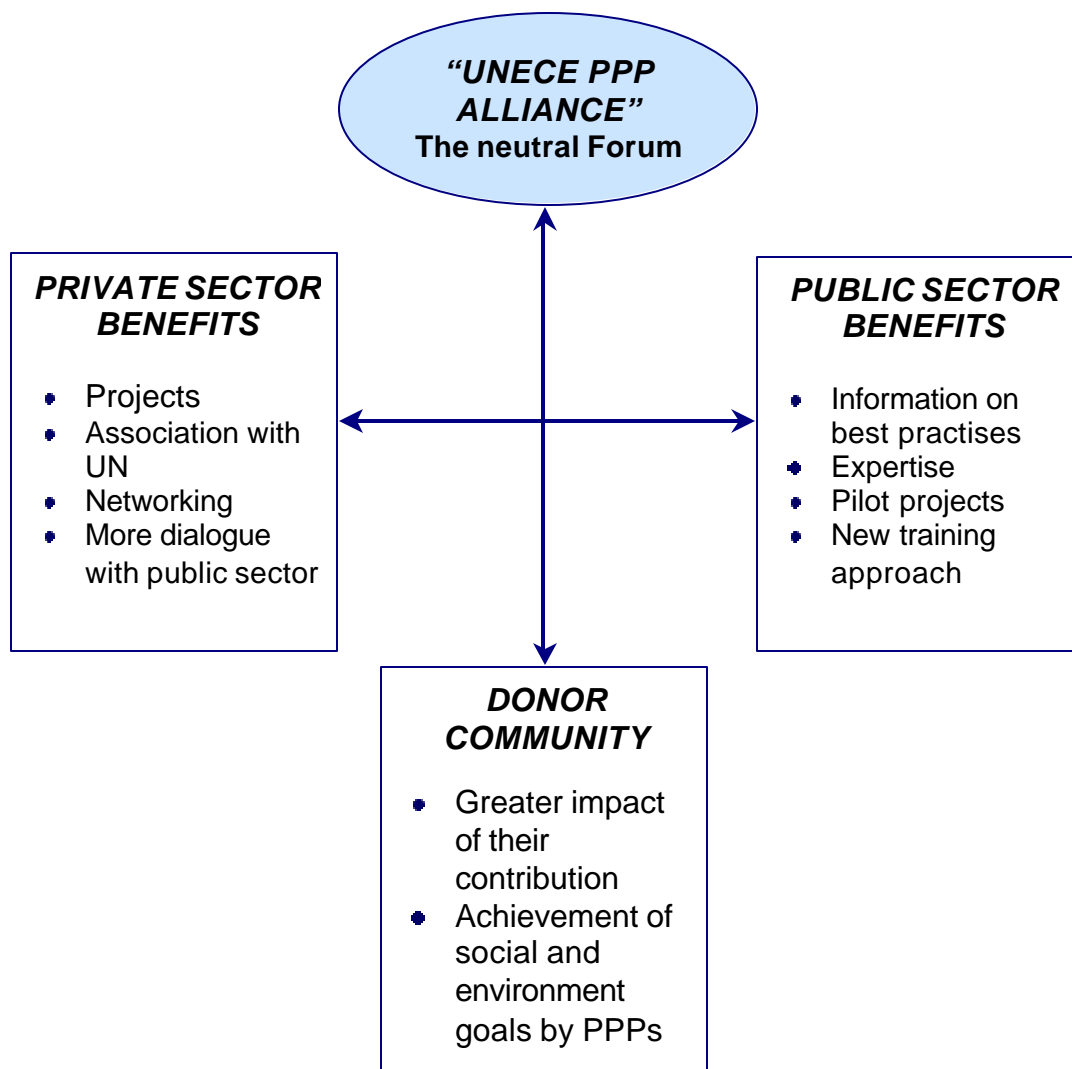
Annex 1: Organisational Structure of the PPP Alliance



* The Social Housing Group will work in co-operation with the UNECE Real Estate Advisory Group (REAG).

** The Conflict Prevention Group will work jointly with OSCE.

Annex 2: The win-win situation



Annex 3: Provisional Agenda of the Inaugural Meeting

<p style="text-align: center;">PROVISIONAL AGENDA Inaugural Meeting of the UNECE PPP Alliance 12 March 2002</p> <p style="text-align: right;"><i><u>Venue:</u> Palais des Nations, Geneva, Switzerland</i></p>	
<i>Item 1</i>	Election of office bearers.
<i>Item 2</i>	Approval of mandate and programme of PPP Alliance work.
<i>Item 3</i>	Definition and approval of the sub-groups role.
<i>Item 4</i>	Implementation of the project proposals of the previous day's Forum.
<i>Item 5</i>	Co-operation with UN supported activities, and with the Investment Compact of the Stability Pact.
<i>Item 6</i>	Other business.

Annotated Outline

Item 1 Election of office bearers.

It is proposed to elect two co-chairmen for the PPP Steering Group: one will represent the public sector and one will represent the private sector. It is further proposed to elect the chairmen of each subgroup.

Item 2 Approval of programme of work.

The Alliance will have before it a programme of work

Item 3 Definition and approval of the sub-groups role.

The Alliance will elect the chairmen of each sub-group and approve their activities

Item 4 Implementation of the project proposals of the previous day's Forum.

The Alliance will determine the ways and means of implementing projects, which have been presented at the Forum

Item 5 Cooperation with UN supported activities, and with the Investment Compact of the Stability Pact.

The UNECE secretariat/OECD/UK Government will report on the Stability Pact

Item 6 Other business

(a) Date of next meeting