

**REPORT OF HIGH-LEVEL EXPERT GROUP MEETING ON PUBLIC-PRIVATE
PARTNERSHIPS FOR INFRASTRUCTURE DEVELOPMENT**

Seoul, 2 to 4 October 2007

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I. INTRODUCTION

A. Background

1. Public-Private Partnerships constituted a policy option available to Governments for the provision of basic services, for example, health and transportation, which sought to involve the private sector. They represented an alternative to traditional full public provision of services, particularly where the services were private in their nature and government resources were limited.

2. The United Nations Development Account Project on Public-Private Partnership Alliance Programme for Capacity Building in Infrastructure Development and Provision of Basic Services implemented jointly by the United Nations Economic Commission for Africa (UNECA), United Nations Economic Commission for Europe (UNECE) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), aimed to enhance the sustainable capacity of Governments at the national, sub-national and municipal/local levels to promote, operate and manage public-private partnership (PPP) projects for infrastructure development and the provision of basic services. For this, it would: (a) establish a global alliance and networks at regional and national levels to forge cooperation between governments, academic training institutions and the private sector; (b) develop training materials and make available necessary information to support capacity-building of public officials in undertaking and operating PPP projects at different levels; (c) assess PPP-readiness and develop national plans to improve PPP-readiness in participating countries; and (d) create an Internet-based training and resource facility.

3. The High-Level Expert Group Meeting on Public-Private Partnerships for Infrastructure Development was organized as part of the United Nations Development Account project. The Meeting was designed to provide an opportunity for agencies involved in PPP development to discuss issues of common concern in PPPs for infrastructure development, and to review a draft ministerial declaration on PPPs for infrastructure development in Asia and the Pacific which would be submitted to the Ministerial Conference, to be held in Seoul on 5 October 2007, for consideration and adoption.

B. Organization of the Meeting

4. The High-Level Expert Group Meeting on Public-Private Partnerships for Infrastructure Development was hosted by the Government of the Republic of Korea, through the Ministry of Planning and Budget, and organized by the UNESCAP secretariat at Seoul from 2 to 4 October 2007. The programme of the Meeting is contained in Annex II to this present report.

C. Attendance

5. The Meeting was attended by representatives from the following member and associate member countries: Brunei Darussalam; Cambodia; China; Fiji; Indonesia; Islamic Republic of Iran; Kazakhstan; Lao People's Democratic Republic; Malaysia; Mongolia; Myanmar; Pakistan; the Republic of Korea; Russian Federation; Sri Lanka; Thailand; Uzbekistan; and Viet Nam.

6. Representative from the following United Nations Secretariat Unit and United Nations bodies attended: United Nations Economic Commission for Europe and United Nations Development Programme.

7. The following intergovernmental organizations and non-governmental organizations attended as observers: Asian Development Bank Institute, Islamic Development Bank, Global Infrastructure Fund and Global Hand.

8. The list of participants is attached as Annex III to this present report.

D. Opening of the Meeting

1. Opening Statement by Mr. Barry Cable, Director, Transport and Tourism Division, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

9. In his statement, Mr. Cable welcomed the participants to the Meeting. He expressed deep gratitude to the Government and people of the Republic of Korea for hosting the Meeting and for the kind courtesies and hospitality extended to all delegations and secretariat staff. He also expressed appreciation to the Vice Minister of Planning and Budget of the Republic of Korea for honouring the Meeting with his presence. A special vote of thanks went to the officials of the Ministry of Planning and Budget, Korea Development Institute, and other concerned officials for their hard work and cooperation in the preparatory process.

10. Mr. Cable observed that sustained development and balanced growth of the Asia-Pacific region depended largely on the provision of efficient infrastructure facilities and services that took into account economic, social and environmental considerations. Many countries had implemented policy and structural reforms in a bid to redress serious lag in their infrastructure development, while closer regional cooperation had helped meet the challenges. Unfortunately, there existed serious shortfalls in the region's infrastructure investment.

11. The objective of the Meeting was to promote alliances and networks at the global, regional and national levels. In this context, Mr. Cable expressed the hope that this mechanism would help forge closer cooperation between the public and private sectors, academic and training institutions, and provide support to capacity-building and networking activities.

12. In closing, Mr. Cable said that UNESCAP looked forward to working closely with member and associate member Governments and other development partners in fostering PPPs in infrastructure development, to support socio-economic development and achieving the Millennium Development Goals.

2. Statement by Mr. Hyun Jung-Taik President, Korea Development Institute (KDI)

13. The President of Korea Development Institute extended his sincere welcome to the participants and expressed his deep appreciation to all guests who had joined the Meeting to share their insight and knowledge.

14. Mr. Hyun noted that over the last six decades, the Asia-Pacific region had evidenced great dynamism and achieved rapid economic growth. He also noted that during this period the demand for economic, social and cultural infrastructure had grown remarkably and that governments alone were facing serious financial and systemic challenges to meet these demands.

15. Realizing the merits and necessity of private sector participation in addressing these challenges, the Republic of Korea had adopted "The Act on Private Participation in Infrastructure", based in global standards as a legal framework.

16. Taking into account this background, he noted that PIMAC of KDI provided government with assistance in implementing PPP projects.

17. Mr. Hyun expressed the hope that the Meeting would encourage participants to become leaders and advocates for future PPPs.

**3. Address by H.E. Mr. Bahn Jahng-Shick
Vice Minister of Planning and Budget of the Republic of Korea**

18. The Vice Minister of Planning and Budget of the Republic of Korea, H.E. Mr. Bahn Jahng-Shick extended a warm welcome to participants.

19. He stated that in the Republic of Korea private participation in infrastructure development not only complemented public investment but also enabled significant economic growth.

20. He noted that the Republic of Korea had continuously developed private participation in infrastructure since its introduction in 1994. The most common scheme was the Build-Transfer-Operate (BTO) model. As of August 2007, 146 projects totalling US\$ 45 billion had been implemented. In 2005, the Government of the Republic of Korea had introduced the Build-Transfer-Lease (BTL) scheme to meet the demand for social infrastructure facilities. By the end of 2006, BTL projects had increased to US\$ 12 billion.

21. Mr. Bahn expressed the desire to share the knowledge and experiences of the Republic of Korea with other countries interested in introducing and developing PPPs. He also expressed the hope that the Meeting would serve as a platform for building a solid regional network for infrastructure development among UNESCAP member and associate member countries.

22. In closing, he expressed the hope that the Meeting would serve as a platform for building a solid regional network for infrastructure development among UNESCAP member countries.

II. ACCOUNT OF PROCEEDINGS

A. Major Policy Issues in Governing PPP Development

(Item 2 of the agenda)

1. Introductory remarks on the Meeting

23. A representative from UNESCAP secretariat explained the background to the Development Account project (Public-Private Partnership Alliance Programme for Capacity Building in Infrastructure Development and Provision of Basic Services) under which the meeting was being

convened. This included work undertaken by both UNECE and UNESCAP over the past decade. He explained that the proposed activities under the project included:

- (a) Preparation of resource materials;
- (b) Case studies and good practices;
- (c) PPP website;
- (d) On-line training courses;
- (e) PPP Alliance and networks;
- (f) Interregional and regional meetings;
- (g) Country-level workshops and meetings;
- (h) Support to networking activities; and
- (i) Database on PPP projects.

24. He then provided a “guided tour” of the programme of the Meeting as contained in Annex II to this present report.

2. Issues in PPPs for infrastructure development from different perspectives

25. A presentation from the UNESCAP secretariat reviewed the progress in PPP development in the region in terms of institutional and administrative arrangements, and size of investment. It was observed that while a number of PPP projects with large size of investments were being implemented in the region, they remained concentrated in only few countries.

26. The presentation also identified major issues in PPPs for infrastructure development from the perspectives of institutional and administrative aspects, partnership models, government involvement, financing, regulatory governance, risk sharing and management, and contractual matters. Some of the major issues identified were high level of uncertainty surrounding project deals due to absence of a rule-based transparent project development and procurement process supported by an enabling legal and regulatory environment. It was also noted that a lack of expertise in the public sector and limited understanding about PPPs as business entities, and the type and level of government support to PPP projects to reduce risks to the private sector were a constraining factor.

3. Insight into the Republic of Korea’s Public-Private Partnerships

27. The representative from the Ministry of Planning and Budget of the Republic of Korea, Director Cho Yong-Man of the Ministry of Planning and Budget of Korea gave a presentation on 'Korea's PPP' programs in general. The presentation consisted of six parts: 1. Introduction to PPP in the Republic of Korea, 2. Performance of Korean PPP, 3. Lessons from PPP Experiences, 4. Fiscal Management Plan, 5. PPP Policy Direction, and 6. Closing Statement. In the first part, Director Cho discussed history of Korea's PPI Act, available project and facility types, and major government support programs. The second part, briefly explained Korea PPP's performance for last ten year period. The third part, highlighted few problems such as the Minimum Revenue Guarantee that arose with implementation of PPP in the Republic of Korea and solutions that had been implemented. The fourth part, discussed the establishment of the Mid-to-Long Term Private Investment Plan to control the fiscal burden. The fifth part, explained future investment and policy directions of country. The last part, indicated that the Republic of Korea would like to share Korea's extensive experiences accumulated from implementing PPP, technical, engineering and financial expertise of Korean construction companies and financial institutions and to help meet increasing demand of infrastructure in the Asia Pacific region.

4. Country experiences

28. In the discussion of country experiences, delegations informed the meeting of the development that had taken place in their countries with respect to PPP. Many delegations mentioned the shortfalls in infrastructure investment in their countries. They also mentioned the substantial benefits of involving the private sector not only in helping bridge the financing gap but increasing efficiency in terms of project delivery and reduced cost in construction and operation. It was reported that, in many countries PPP development was at an early stage and there was an eagerness to learn from the experience of countries that had made considerable progress.

29. The delegations attending the Meeting stated the areas and type of projects in which major PPP developments were taking place in their countries. The meeting noted that in many countries a significant proportion of road projects were being implemented through PPPs.

30. Some delegations mentioned the deficiency in their current legal frameworks and administrative arrangements. These frameworks were narrowly focused yet unclear on many aspects.

Many delegations stressed the necessity of having a clear legal framework and defined administrative arrangements for a successful PPP programme.

31. The meeting noted that many countries had enacted or were considering enactment of PPP laws. Countries were also taking various other measures to facilitate PPP development. Among such initiatives included the establishment of project development funds to provide government support to PPP projects.

32. The meeting noted that Bangladesh, Indonesia, the Philippines, the Republic of Korea and Sri Lanka had established PPP units at the national level while others including Fiji were in the process. Many countries had also established such units at the state or provincial levels.

B. Governance Issues in Public-Private Partnerships

(Item 3 of the agenda)

1. Promoting good governance in public-private partnerships

33. The representative from UNECE secretariat made a presentation on the draft “Guide to promoting good governance in public-private partnerships’ which formed part of the documentation for the Meeting. In his presentation, he highlighted seven principles which had fashioned the guide. These included: a coherent PPP project; strong enabling institutions; a legal framework with “fewer, better and simpler” rules and regulations; cooperative risk sharing and mutual support between the public and private sector; competition in the procurement process; accountability to citizens; and that profitable projects can achieve social and environmental goals. He emphasized that the guidelines directly addressed a number of misconceptions about PPPs.

34. In the second part of the presentation, Mr. Arthur Smith presented five case studies that formed part of the guide. These case studies included landfill, hospital, highway, power and forestry projects and illustrated that PPP projects could be designed to address environmental, employment, social and health issues.

2. Selected planning and policy related issues in good governance

35. A presentation was also made by Mr. Anthony Smith, one of the private sector members of the UNECE Network on “Risk management in PPPs, public sector comparators and value for money”. During the presentation, various risks were outlined including: land acquisition; planning;

design; construction; operational; residual value (at the end of the concession period); financial; performance; as well as technology and obsolescence. In considering “value for money” he highlighted that the concept was concerned with obtaining the “optimum combination of whole life costs and quality”, not necessarily the “cheapest” project. He noted that “value for money” could be achieved through: reducing the cost and time of procurement; improving project contract and asset management; using competitive procurement; making use of the government’s size and purchasing power; and using the best procurement process. He also discussed the associated concept of the Public Sector Comparator, which considers a similar hypothetical project implemented by the public sector.

3. Self-assessment of PPP-readiness of countries

36. A presentation was made by UNESCAP secretariat on their “PPP-Readiness Self-Assessment”, which also formed part of the documentation for the meeting. It was explained that the aim of the assessment was to provide a diagnostic tool for identifying the key areas that governments need to address in order to facilitate more active involvement of the private sector in the infrastructure development process.

37. It was further explained that the assessment consisted of 98 questions, falling within ten main headings, that the respondent was to answer on a scale of 0-4 with 4 being the highest score. The first four main headings (containing 40 questions) related to the general investment climate in the country and included the macroeconomic, business, financial and legal environments. The remaining six main headings (containing 58 questions) focused on questions specifically related to PPPs and included: legal and regulatory provisions; policy framework; capacity; project selection and contracting process; post-selection process; and social dimensions.

C. Administration and Management of PPP Programmes

(Item 4 of the agenda)

1. Case studies in administration and management of public-private partnership programmes

38. Concerning the issue of administration and management of PPP programmes, four presentations were made from PPP units in Bangladesh, the Philippines, the Republic of Korea and

Sri Lanka that described the current processes for developing, approving and implementing PPP projects in those countries. The key features of the current processes followed by the PPP units are mentioned below.

(a) Infrastructure Investment Facilitation Centre, Bangladesh

39. Mr. Nazrul Islam, Executive Director and CEO, Infrastructure Investment Facilitation Center (IIFC), made a presentation on the administration and management of PPPs in Bangladesh, highlighting that the Government had issued the Bangladesh Private Sector Infrastructure Guidelines in 2004. Under the Guidelines, an inter-ministerial committee, the Private Infrastructure Committee (PICOM) had been formed that was mandated to take a holistic approach for developing PPPs. While laying out the procurement processes and composition of the evaluation committees, it has a strong focus on capacity building in the areas of technical, commercial, financial, legal, project structuring and negotiations areas. It also provided the good practices that an executing agency should adopt while carrying out PPP projects. PICOM was supported by the Board of Investment, Bangladesh Bank and the IIFC.

(b) BOT Centre, the Philippines

40. Ms. Corazon Ravara in her presentation stated that the policy framework for PPP/BOTs in the Philippines was incorporated in the BOT Law, Republic Act No: 7718, an act authorizing the financing, construction, operation and maintenance of development and infrastructure facility by the private sector. It embodied the governments' policy on private sector participation in public infrastructure projects. It provided a clear legal framework for procuring private sector partners for a wide range of infrastructure projects and BOT variants.

41. The BOT Law allowed two modes of implementation: solicited and unsolicited modes. Solicited projects were priority projects of the government implemented through competitive bidding. Unsolicited projects were those submitted by the private sector not in response to a formal solicitation or request issued by the government.

42. The procurement of a private sector partner for both solicited and unsolicited projects entailed a four-stage process. For solicited projects, the first stage involved the identification, appraisal and preparation of a feasibility study; stage 2 was the approval by appropriate body; stage 3 procurement

stage; and the final stage: contract execution and implementation. For unsolicited projects, the process started with the submission of a complete proposal by the private sector, evaluation and acceptance by the agency and negotiation between the government and the private proponent; the second stage was the approval by the approving body; stages three was the solicitation of comparative proposal; and the final stage – contract execution and implementation.

(c) Public and Private Infrastructure Investment Management Centre (PIMAC), the Republic of Korea

43. Mr. Kim Jay-Hyung made a presentation on the two processes followed in the Republic of Korea: Build-Transfer-Operate (BTO) and Build-Transfer-Lease (BTL). The BTO model was designed for economic infrastructure including roads, seaports, and light rail projects, while the BTL model was for social infrastructure such as schools, military housing, and environmental facilities.

44. PPP projects were initiated either as solicited projects or as unsolicited ones. For an unsolicited project, a private company submits a project proposal, and then the competent authority along with PIMAC examines and if approved designates it as a PPP project.

45. Based on the lessons learned in earlier PPP management, the Government of the Republic of Korea put more and more time and efforts to select/designate a good PPP project. At the beginning stage of the cycle, every PPP proposal has to be carefully reviewed and screened by both Preliminary Feasibility Study (PFS) and Value for Money (VfM) test by PIMAC. A good PPP project, which has been proposed and evaluated to have a higher VfM, was more easily accepted, and a higher point was given to the proponent in the bidding process later.

46. For an unsolicited project, bonus points (within 10 per cent of the total assessment points) were awarded to the initial proponent upon review of the VfM of the project proposal.

47. The MPB was supervising the whole procurement process from Step 1 (Designation of PPP project) to Step 7 (Construction and Operation). It was mandatory for every competent authority to apply in advance to the MPB if the project needs government subsidy more than KRW 30 billion.

(d) PPP Unit, BOI, Sri Lanka

48. Ms. Pauline Matthias in her presentation stated that the establishment of the Bureau of Infrastructure Investment (BII) under the Board of Investment of Sri Lanka (BOI) in 1996 was the

start of development of BOT/BOO projects in Sri Lanka. The BII was established at the initiative of the then President of Sri Lanka and was directly reporting to the President of Sri Lanka. The BII was equipped with expertise in legal, financial and also with experienced transaction specialists. BII paved the way for the development of the PPP projects in the Power and Ports sector. Several mini hydro projects and several large thermal power projects were established where the value of investments were around US\$ 400 Million. In the ports sector a sea port terminal in the capacity of 1m TEU's was established on BOT basis where the private sector investment was around US\$ 300 Million.

49. The PPP Procurement process for infrastructure was stated in Procurement Guidelines Part 11 developed by the National Procurement Agency, the details of which could be obtained at <www.npa.gov.lk>.

50. The PPP Unit was the successor the BII and functions under the BOI. The projects in the pipeline for PPP investments are in summary: two IT Parks, several special economic zones, a few large scale coal power projects, development of an MRT, two expressways, development of the railway tracks and stations, etc.

2. Streamlining the public-private partnership implementation process

(a) e-Governance for Infrastructure Development in Japan

51. Mr. Yoshio Umehara made a presentation on e-Governance for Infrastructure Development in Japan. In collaboration with the relevant public sectors, private sectors and IT-vendors, the Ministry of Land, Infrastructure and Transport of Japan (MLIT) and Japan Construction Information Center (JACIC) had been developing and promoting the CALS/EC activities in the context of e-Governance, which included electronic bidding (e-Bidding) system and electronic delivery (e-Delivery) of work outputs by using information and communications technologies (ICT).

52. Throughout the life-cycle of public work process, the system enhanced work efficiency and productivity by ensuring information exchange, sharing and coordination as well as reducing time, cost and labor by simplifying and standardizing the procedures, which enabled the establishment of a favourable working environment for infrastructure development.

(b) KONEPS, the e-Procurement System in the Republic of Korea

53. Mr. Kim Jong-Yeul from the Public Procurement Service (PPS) made a presentation on the e-Procurement system in the Republic of Korea. The procurement system in the country was a combination of centralized and decentralized systems. The PPS was the central procurement agency. Established in 1949, the agency provided supply-related services to government departments and agencies on a fee-for-service basis. The PPS operated an on-line procurement system known as KONEPS. The system provided the following services:

- Electronic data interchange (EDI) with customers and suppliers;
- e-Shopping Mall for commercially available products;
- e-Tendering;
- e-Surety and e-Payment;
- On-line e-Procurement;
- Wireless tendering service.

54. The presentation provided some details on how it worked. It also provided the estimated savings in transaction costs made through the use of the system. Mr. Kim mentioned that evaluations of the system were undertaken by several international organizations such as the United Nations and the OECD. In an evaluation by the United Nations in 2004 KONEPS was judged as the best e-procurement model.

(c) PPP – An agenda for action

55. Mr. Siddhartha Das made a presentation on the experiences of PPPs in India. He observed that one of the key reasons for the sustained growth of India was its innovative approach to PPPs. More than half of the approximately US\$ 400 billion investment envisaged in India's 11th Five Year Plan would be in PPPs making it one of the largest PPP programmes in the world.

56. The learnings from the Indian growth story were believed to be scaleable and replicable across the developing world. The key impediment to PPP was the absence of an institutional, policy and regulatory mechanism. While there may be "one off" transactions, legislating a PPP policy, developing a shelf of PPP projects, maturing these PPP products and possibly creating an infrastructure fund were critical to fast track PPP. To achieve this, countries needed to have a robust institutional mechanism that included a PPP cell with a technical secretariat staffed with experts.

57. The technical secretariat needed to be involved, among others, in the following tasks:
- (a) Bid process management and investor solicitation;
 - (b) Building a shelf of projects and maturing those projects;
 - (c) Evaluation of these shelf of projects against national and international best practices;
 - (d) Drafting of Model Concession Agreements;
 - (e) Considering institutional arrangements for Public-Private Partnerships.
58. Some of the key lessons that had been learned from experience in India included:
- The existing arrangements, models, institutions and frameworks could be adapted or adopted as needed and there was no need for any complete change.
 - Investor participation dissipates over time in the absence of “action”. For investors, the transaction was the “action”.
 - A competitive deal not only “spurred” the existing players, other players looked at the country opportunities in the country more keenly.
 - The most rigorous learning of the PPP transaction process was from managing a transaction process.
 - Successful transactions were the culmination of a process including an indication of the appropriateness of the institutional arrangements.

D. The Way Forward

1. Regional cooperation for technical assistance, experience sharing and capacity building

59. Representatives from the Asian Development Bank Institute (ADBI) and UNDP’s Public-Private Partnerships for Service Delivery (UNDP-PPPSD) made presentations on their existing arrangements for regional cooperation for technical assistance, experience sharing and capacity building.

60. ADBI outlined its mandate and increased focus on infrastructure development and regional cooperation in order to link its research and capacity building programmes and provide a cross cutting approach to address its 4 thematic priorities. An overview was provided of ADBI’s research and capacity building and training programmes highlighting activities related to the conference theme.

Two ADBI activities were profiled: ADBI's flagship study on infrastructure and regional cooperation, and the PPP workshop it would be organizing for 19-22 November 2007, in Tokyo. ADBI indicated that this PPP workshop was designed to build on the commitment and momentum generated by this conference, and with the assistance of partners including UNESCAP, UNECE, UNDP, PPIAF, and the Commonwealth Secretariat, was targeted to achieve further strengthening and acceleration of PPPs in infrastructure across the Asia-Pacific region.

61. The representative of the UNDP in his presentation observed that one of the common problems in the conventional PPP approach was that the poor do not necessarily benefit from the arrangement. The UNDP through its Public-Private Partnerships for Service Delivery (PPP-SD, formerly PPPUE) facility, has been addressing the issue of private sector and other non-state providers' involvement in the delivery of basic services to the poor. It promoted and facilitated the PPP means of engagement as participatory, market driven and sustainable form of delivering services to the poor, in addition to the existing traditional ones. In several instances it had also been directly engaged in modifying existing unbalanced or "poverty neutral" large PPP projects in some developing countries in Africa and Asia.

62. In the process, the UNDP had accumulated valuable knowledge on pro-poor PPPs that delivered tangible economic, social and environmental benefits to the poor. It was also conscious of the existence of a body of work performed by other agencies that had resulted in the accrual of knowledge and experiences in establishing PPP regulatory frameworks that prevented adverse impacts on the poor and followed the principles of good governance.

63. It was against this background and based on this knowledge and experience that UNDP PPP-SD proposed to the Regional Commissions and the Regional Development Banks to join efforts and look into the possibility of providing the countries with a platform for:

- Exchanging knowledge and experiences on Pro-poor dimensions of PPPs in the delivery of basic services;
- Accessing and tapping into the existing international expertise in the area; and
- Developing capacity of local governments to design and implement Pro-poor regulatory frameworks and regimes for PPPs in local basic services delivery.

2. PPP Alliance Networks and actions for addressing governance issues in public-private partnerships

64. The UNESCAP secretariat in reviewing the presentations and discussions at the Meeting reminded participants that two themes had run through it. First, there was the set of activities being undertaken within the Development Account project and secondly, the specific issue of governance in public-private partnerships.

65. Concerning the Development Account project the secretariat reviewed the ongoing activities that had been presented at the Meeting as well as other work-in-progress. He apprised the Meeting of the Website <www.unescap.org/ttdw/ppp/index.html> that was under development and already included draft resource materials, the PPP-readiness documentation, country reports and links to PPP units and programmes. The secretariat's Wiki for administering and updating country reports was also described.

66. In considering possible structures for networks, a number of Internet based options were presented ranging from the rather loose organization of OSCE (Organization for Security and Cooperation in Europe) to the pro-active partnerships used by CAI-Asia (Clear Air Initiative-Asia). For the time being it was decided to continue with the UNESCAP Website described above.

67. Concerning the specific issue of governance in public-private partnerships the secretariat noted the presentations of the PPP units from Bangladesh, the Philippines, the Republic of Korea and Sri Lanka that described current processes for developing and implementing PPP projects. It was observed that little use was being made of e-Governance, including e-Procurement, in the PPP process. On the other hand, it was noted from the presentations of Japan and the Republic of Korea that such electronic techniques were being used for a number of aspects of government procurement. It was agreed that the application of such electronic techniques should be investigated further in order to streamline the PPP process thereby creating a more conducive environment for private sector participation.

III. DRAFT MINISTERIAL DECLARATION ON PUBLIC-PRIVATE PARTNERSHIPS FOR INFRASTRUCTURE DEVELOPMENT IN ASIA AND THE PACIFIC

(Item 5 of the agenda)

68. The representative of the Republic of Korea presented a draft ministerial declaration on

public-private partnerships for infrastructure development in Asia and the Pacific that had been developed in collaboration with the secretariat and circulated for reviewed.

69. The Meeting deliberated extensively on the draft ministerial declaration.

IV. CONCLUSIONS AND RECOMMENDATIONS

70. Following extensive deliberations on each of the issues presented, the Meeting reached the following conclusions and recommendations:

- (a) The development of economic and social infrastructure including transport facilities and services, water, waste water treatment, power supply, telecommunications, education, health and welfare facilities played a crucial role in meeting the challenges of globalization, socio-economic development and achieving the Millennium Development Goals.
- (b) In view of limited governmental budgets and competing demands for such funds, the Meeting recognized public-private partnerships (PPPs) as an important and valuable approach to addressing this constraint in infrastructure development.
- (c) The Meeting observed that there was a fundamental difference between conventional government construction contracts and PPPs. In the case of construction contracts the skill set required was largely technical including procurement and more recently e-Procurement, whereas PPPs were essentially a business requiring an appropriate business management skill set. The Meeting noted the necessity for the public and private sectors to develop both of these skill sets.
- (d) The Meeting endorsed the approach that UNESCAP, UNECE and UNECA were using in implementing the Development Account Project on Public-Private Partnership Alliance Programme for Capacity Building in Infrastructure Development and Provision of Basic Services to enhance opportunities to exchange experience and build capacities at the national and regional levels as well as details of successfully applied institutional arrangements, standard bid documents and model concession agreements.

- (e) The Meeting noted the advanced stage which the Republic of Korea had reached in promoting Public-Private Partnerships in the development of economic and social infrastructure. It also recognized the valuable experience in the promulgation of PPP legislation, the establishment of effective institutions and the introduction of efficient procedures as being very relevant to regional countries. The approaches to minimum revenue guarantees (MRGs), viability gap funding and other forms of subsidies were also discussed. It was noted that in the early stages of private sector participation these types of subsidies could be useful but would require refinement as the PPP process matures.
- (f) The Meeting expressed its appreciation to the Ministry of Planning and Budget for providing detailed information on the progress it had made with respect to PPP. It also noted with appreciation that the Government of the Republic of Korea was considering ways of sharing its experiences with member and associate members of UNESCAP to more actively engage the private sector in infrastructure development.
- (g) The Meeting noted that private sector participation in infrastructure development was important for not only large projects but also smaller projects, especially at the local government level. It was also noted that in many countries of the region the development of infrastructure was being decentralized and devolved to local governments. In these respects, national governments, national PPP units and donor agencies can consider appropriate types of training programmes for capacity-building of local government officials and potential private sector partners including micro, small and medium size enterprises.
- (h) The Meeting also noted that innovative approaches may be required to address the issues faced by least developed, land-locked, island developing states and economies in transition as well as post conflict regions.
- (i) The Meeting expressed interest in the secretariat's PPP-readiness Assessment. It recognized that the approach could be of considerable assistance as a diagnostic tool for assessing readiness as well as forming the basis for the development of action

plans. The Meeting requested the secretariat to consider the development of modified versions of the Assessment that would provide the opportunity to simplify initial assessment and to focus on strengths and weaknesses of different sectors. The secretariat was also requested to provide indicative benchmark scores from successful PPP countries to assist evaluation of scores and performance.

- (j) The Meeting requested the secretariat to continue its capacity building programmes related to PPP and to deliver practical training programmes at the regional and country levels in collaboration with development partners including ADBI and UNDP.
- (k) The Meeting deliberated extensively the draft Ministerial Declaration prepared by the Government of the Republic of Korea. The Meeting proposed that the refined agreement (attached as Annex I) be submitted for adoption by the Ministerial Conference on PPP for Infrastructure Development on 5 October 2007.

71. The Meeting expressed its appreciation to the Government of the Republic of Korea for hosting the Meeting and its generous hospitality accorded to participants.

V. ADOPTION OF THE REPORT

72. The High-Level Expert Group Meeting on Public-Private Partnerships for Infrastructure Development adopted its report on 4 October 2007 at Seoul.

ANNEX I

Draft Seoul Declaration on Public-Private Partnerships for Infrastructure Development in Asia and the Pacific

PREAMBULAR

We, the Ministers attending the Ministerial Conference on Public-Private Partnerships for Infrastructure Development in Asia and the Pacific, held at Seoul, Republic of Korea, 5 October 2007,

Recognizing the increasing impact of globalization, and the substantial growth in output, trade and investment being experienced by many countries in the Asia and Pacific region,

Stressing the crucial role of economic and social infrastructure, including transport facilities and services, water, waste water treatment, power supply, telecommunications, education, health and welfare facilities in supporting continued economic and social development and achieving the Millennium Development Goals,

Recognizing that inadequate infrastructure facilities and services have strong adverse effects on production and transactions costs as well as on levels of social and personal health and welfare, which are affecting development efforts and preventing our countries from realizing their full development potential,

Realizing that infrastructure requirements are significantly larger than normal budget provision and that innovative solutions are needed to raise resources for financing the development of infrastructure, as well as to create incentives to promote the maintenance of infrastructure,

Recalling General Assembly resolution 55/2 on the United Nations Millennium Declaration of 8 September 2000; General Assembly resolution 60/1 on 2005 World Summit Outcome of 16 September 2005; the Johannesburg Declaration on Sustainable Development adopted at the 17th plenary meeting of the World Summit on Sustainable Development on 4 September 2002; and the Monterrey Consensus of the International Conference on Financing for Development, adopted at the 5th plenary meeting on 22 March 2002, all of which support and promote the concept of public-private partnerships (PPPs) in the development process,

Reiterating the importance of the ten universal principles of the United Nations Global Compact in the areas of human rights, labour standards, the environment and anti-corruption,

Convinced of the important role that PPPs can play in infrastructure development,

Realizing the need to address a number of issues of major concern to both the public and private sectors that impede the development of effective partnerships,

Being aware of the need to enhance or create an environment that is conducive to private sector participation in the provision of infrastructure facilities and services including:

- (a) Formulation of a PPP policy framework;
- (b) Reform of legislative and regulatory regimes;
- (c) Establishment of administrative mechanisms to promote good governance in PPPs; and
- (d) Enhancement of the capacity of the public sector to implement PPPs,

Taking note of the eight major characteristics of good governance, namely that it is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law,

Convinced that application of information and communications technologies (ICT) has considerable potential to promote and realize good governance in PPPs,

Being aware that standardization of terminology, contracts, processes and procedures reduces the transactions costs of PPPs and is a prerequisite for introduction of ICT and e-Governance initiatives,

Noting the significant progress made in some countries that have facilitated and promoted PPPs,

Commending the work of the regional commissions of the United Nations for:

- (a) Establishing a global PPP Alliance and corresponding networks at the regional and national levels;
- (b) Developing training materials to support capacity-building of public officials;
- (c) Assessing PPP-readiness and developing action plans to improve such readiness in participating countries; and
- (d) Creating Internet-based training and resource facilities,

Recognizing the important contribution that bilateral donors, international financial institutions and other organizations are making to assist countries in their PPP endeavours,

COUNTRY COMMITMENT

Confirm that infrastructure development needs to be given high priority in our national development agendas,

Agree that PPP is an effective means to complement the efforts of governments in the development and provision of infrastructure facilities and services,

Declare our commitment to the promotion of PPPs in infrastructure development in our countries,

Resolve that our respective governments will develop and implement policies at the regional, subregional, national and sub-national levels in line with the above-mentioned principles of good governance,

Invite countries to review and assess their:

- (a) Public-Private Partnership, sectoral and other relevant policy frameworks and action plans for infrastructure development;
- (b) PPP-Readiness to identify the key issues that governments need to address in order to promote PPPs in infrastructure development;
- (c) Processes and procedures for implementing PPPs, including effective management over their whole life cycle;
- (d) Legislative, regulatory and institutional environment for PPPs at the general and sectoral levels that may impede effective PPPs; and

- (e) Capacity to implement PPPs and evaluate their impact on development,

Encourage countries to actively engage in regional cooperation initiatives including:

- (a) Participation in regional networking arrangements;
- (b) Development and delivery of educational and training programmes;
- (c) Development and sharing of databases on PPP projects, statistics, laws, guidelines, model agreements, etc;
- (d) Standardization of terminology, contracts, processes and procedures; and
- (e) Provision of technical assistance,

Request bilateral donors; United Nations secretariat, bodies and specialized agencies; international financial institutions and other organizations to support the implementation of this Declaration, including providing technical assistance and sharing experience,

Welcome the offer of the Government of Indonesia to host the next biennial Ministerial Meeting on Public-Private Partnerships for Infrastructure Development in Asia and the Pacific.

Seoul, 5 October 2007

ANNEX II

UNITED NATIONS
ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

High-level Expert Group Meeting on Public-Private Partnerships for Infrastructure Development

**2-4 October 2007
Seoul**

PROGRAMME OF THE MEETING

Tuesday, 2 October 2007

0800-0845 hours **Registration**

0900-0920 hours **Opening Statement**

Director of Transport and Tourism Division of the United Nations
Economic and Social Commission for Asia and the Pacific
(UNESCAP)

Welcome Address

President, Korea Development Institute (KDI)

Congratulatory Address

Vice Minister of Planning and Budget

Coffee Break (09:20~09:40)

0940-1230 hours **Major Policy Issues in Governing PPP Development**

1. Introductory Remarks on the EGM
UNESCAP
2. Issues in PPPs for infrastructure development from different perspectives
UNESCAP
3. Korea's Public-Private Partnerships
Ministry of Planning and Budget, Republic of Korea
4. Country experiences

Lunch break (12:30~14:00)

1400-1700 hours **Governance Issues in Public-Private Partnerships**

PART I: Good Governance in PPPs

1. Promoting good governance in public-private partnerships
Economic Commission for Europe (UNECE)
2. Selected planning and policy related issues in good governance
Anthony Smith, Independent Consultant
 - (a) Risk management in public-private partnerships
 - (b) Public sector comparators/value for money

Coffee break (15:20~15:40)

3. Self-assessment of PPP-readiness of countries
UNESCAP
4. Discussion by participants

Wednesday, 3 October 2007

0900-1230 hours **PART II: Administration and Management of PPP Programmes**

Brief summary of the proceedings made in the first day

1. Case studies in administration and management of public-private partnerships programmes

Presentations by PPP units

- Bangladesh;
- Philippines;
- Republic of Korea; and
- Sri Lanka

Coffee break (11:10~11:30)

2. Streamlining the public-private partnerships implementation process
Osamu Kikuchi, Japan Construction Information Centre(JACIC)
Kim, Jong Yeul, Specialist of Information Planning Team,
Public Procurement Service (PPS)
Siddhartha Das, Ernst & Young Private Limited

Lunch break (12:30~14:00)

1400-1700 hours **The Way Forward**

1. Regional cooperation for technical assistance, experience sharing and capacity building

UNESCAP, ADBI, UNDP-PPPSD

Coffee break (15:20~15:40)

2. PPP Alliance Networks and actions for addressing governance issues in public-private partnerships
UNECE, UNESCAP
3. Draft declaration
MPB presents a draft Ministerial Declaration prepared earlier

Thursday, 4 October 2007

1630-1730 hours **EGM Closing session**

Conclusions and Recommendations

Adoption of the Report

Vote of Thanks

Closing

ANNEX III

UNITED NATIONS
ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

High-level Expert Group Meeting on Public-Private Partnerships
for Infrastructure Development

2-4 October 2007
Seoul

LIST OF PARTICIPANTS

BANGLADESH

Mr. Mohammad Mahbubur Rahman, Secretary, Ministry of Communications, Dhaka

BRUNEI DARUSSALAM

Mr. Marzuke bin Haji Mohsin, Director of Development, Public Works Department, Ministry of Development, Berakas

Ms. Hajah Dayang Suzana Bte Haji Awg Adenan, Engineer, Construction Planning and Research Unit, Ministry of Development, Berakas

Mr. Haji Joharry Haji bin Haji Abdul Karim, Assistant Director, Land Transport Department, Ministry of Communication, Bandar Seri Begawan

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Mr. Viv Sokhom, Commercial Counsellor, Royal Embassy of Cambodia, Seoul

Mr. Sok Chenda Sophea, Personal Advisor to the Prime Minister, Secretary General of the Council for the Development of Cambodia, Phnom Penh

Mr. Net Mony, Director, State Property Department, Ministry of Economy and Finance, Phnom Penh

Mr. Eng Touch, Head of Private Sector Development Coordination Division, Ministry of Economy and Finance, Phnom Penh

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FIJI

Ms. Jiu Daunivalu, Senior Economist, Ministry of Public Enterprises and Public Sector Reform, Suva

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Mr. Choi Yun-Talk, Chief, Highway Planning Team, Highway Division, Korea Highway Corporation, Gyeonggi-do

Mr. Tim Challis, Director, LIFT Development, Partnerships for Health Ltd., London

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Mr. Maxim Seregin, Head of Section, Department of Economics and Investment, Ministry of Transport, Moscow

Mr. Vladimir A. Uskov, Second Secretary, Department of International Organizations, Ministry of Foreign Affairs, Moscow

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Mr. Thosapala Hewage, Secretary, Ministry of Enterprise Development and Investment Promotion, Colombo

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Mr. Sardor A. Koshnazarov, Economist, UNDP, Tashkent

INTERGOVERNMENTAL ORGANIZATION

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Mr. Ahmed Saleh Hariri, Director, IsDB Regional Office, Kuala Lumpur

NON-GOVERNMENTAL ORGANIZATION

Global Hand

Ms. Kate Falconer, Executive Board Member, Global Hand, Tuen Mun

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Global Infrastructure Fund (GIF)

Mr. Norio Yamamoto, Executive Vice President, GIF Research Foundation Japan, Tokyo

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Infrastructure Investment Facilitation Center (IIFC)	Mr. Nazrul Islam, Executive Director and CEO, IIFC, Dhaka
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Japan Construction Information Center (JACIC)	Mr. Yoshio Umehara, Executive Director, JACIC, Ministry of Land, Infrastructure and Transport, Tokyo Mr. Tetsuya Ikeda, Registered CALS/EC Instructor, Senior Researcher, Electronic Bidding Core System Development, JACIC, Ministry of Land, Infrastructure and Transport, Tokyo Mr. Osamu Kikuchi, Chief, CALS/EC Department, JACIC, Tokyo
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