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Reference Guide for Peer Review and Capacity Building on APEC Infrastructure Development and Investment

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**Reference Guide for Peer Review and
Capacity Building on APEC
Infrastructure Development and
Investment**

[Tentative draft]

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Committee on Trade and Investment**

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Part A General Matters

1. Background and objectives

1.1 Background

Well-designed, sustainable and resilient infrastructure enhances economic growth and boost productivity of the economy. To achieve this, APEC Leaders in 2013 recognized the importance of planning with comprehensive and holistic considerations, such as by taking into account long-lasting asset value, stability of long term cash flow and lifecycle cost of infrastructures in APEC Multi-Year Plan on Infrastructure Development and Investment (MYPIDI). Moreover, MYPIDI envisioned improving governments' expertise in planning infrastructure projects with comprehensive and holistic consideration as among the future APEC work.

Furthermore, APEC Connectivity Blueprint 2015-2025, endorsed by the Leaders in November 2014, specified, (a) enhancing infrastructure financing through public and private partnership (PPP) and other means, (b) adopting a comprehensive assessment method that considers key quality elements in evaluation of infrastructure project proposals, and (c) enhancing the application of good practices and people-centered investment for planning and implementing infrastructure projects as cross-sectoral issues under Physical Connectivity. To realize such connectivity agenda, Connectivity Blueprint envisages capacity building activities and monitoring, evaluation and review on a yearly basis.

This reference guide is to establish principle rules on peer review and capacity building, in contribution to implementing MYPIDI and APEC Connectivity Blueprint 2015-2025. Relevant laws, regulations and guidelines and their implementation relating to the planning, selection and implementation of infrastructure projects in APEC region will be analyzed and evaluated through peer review process, taking into account the importance of “quality of infrastructure” as recognized by APEC Leaders and Ministers, and cross-sectoral issues on Physical Connectivity under APEC Connectivity Blueprint. Issues and needs requiring capacity building will be identified through the peer review process, and capacity building activities will be provided as appropriate based on such issues and needs.

1.2 Objectives

The objective of this mechanism is to support and promote the initiatives by APEC member economies in advancing cross-sectoral issues under Physical Connectivity.

Specifically,

- Conduct peer review on policies and practices, including relevant laws, regulations and guidelines relating to the planning, selection and implementation process of infrastructure projects.
- Identify capacity building needs of the reviewed economy through peer review, and provide capacity building activities based on the identified needs.
- Deepen knowledge through information-sharing among member economies.

2. Scope of the Peer Review

2.1 Scope of the Peer Review

The review will focus on the analysis and evaluation of policies including relevant laws, regulations and guidelines of the reviewed economy from the viewpoint of the cross-sectoral issues under Physical Connectivity as specified by the APEC Connectivity Blueprint, which are "quality of infrastructure" and "people-centered investment, and good practices and principles" as well as "PPP". Given the ongoing works on PPP in APEC, this mechanism will be primarily focused on the other two aspects, and whether PPP will be in the scope or not will be determined on a case-by-case basis.

In evaluating the policies of the reviewed economy, practical operation of policies and the status on implementation of the relevant laws, regulations and guidelines will also be included in the scope of the review. Meanwhile, review of individual projects will not be an objective of the peer review process.

3. Basic concept

3.1 Guidelines

This peer review process is a voluntary review process. Therefore, each peer review assessment is an agreed cooperative process between the facilitating economy and the reviewed economy, under the auspices of the CTI. Funding of the process will be as agreed by both parties.

3.2 Function of the CTI

The CTI has overall accountability for this process. The economy wishing to become a facilitating economy or a reviewed economy is encouraged to express its interest at CTI meetings.

In implementing the peer review, the facilitating economy and the reviewed economy will

prepare a one-to-two page outline describing the implementation of the peer review as agreed by both economies, and submit such outline to the CTI for endorsement. The results of the peer review will be reported to the CTI by both economies for discussions.

3.3 Roles and responsibilities

The roles and responsibilities of the parties in implementing the peer review will be as follows:

(Facilitating economy)

- Set up a review team and facilitate progress of the review process, with possible contribution from other APEC economies and relevant international organizations.
- Always demonstrate a fair attitude in implementing review process.
- Designate a secretariat for the review team on an ad hoc basis. In case the APEC Policy Support Unit (PSU) is involved, necessary procedures should be satisfied.
- Identify capacity building needs based on the results of the peer review; draft a capacity building program for the reviewed economy, to be provided under conditions agreed by both parties.

(Reviewed economy)

- The section in charge of CTI or another section it designated will be responsible for the implementation of the peer review at the reviewed economy.
- The section in charge of the peer review will designate a contact point for supporting the tasks of the review team.
- The reviewed economy is responsible for preparing and submitting to the review team sufficient information on the relevant laws, regulations and guidelines and relevant information including statistical data for the evaluation of their implementation. The section in charge of the peer review at the reviewed economy should coordinate the economy's relevant governmental agencies for the preparation and submission of such information with the view to facilitating the implementation of the review.
- The contact point provides support for the review visit by the review team including logistics matters.

3.4 Treatment of information

All participants shall handle confidential information that came to be known during the course of the peer review to prevent any leakage to third parties.

Until the draft review report is submitted to the CTI, the facilitating economy, the reviewed economy and the review team must assure confidentiality of the contents.

The reviewed economy may decide that specific information of the peer review be declared confidential.

Part B Review Process

4. Review team

4.1 Roles and responsibilities of the review team

The review team has the following roles and responsibilities in implementing the review:

- The review team will conduct an analysis and evaluation on the relevant laws, regulations and guidelines and their implementation by document based review and review visit, from the view point of “quality of infrastructure” and “people-centered investment, and good practices and principles” as well as “PPP” where applicable.
- In performing a document based review, the review team may request for the submission of necessary information to the reviewed economy.
- The review team should communicate and coordinate with the facilitating economy as appropriate in implementing the review.
- The review team shall compile review results and prepare a draft report, and submit the draft report to both parties. The review team may also be asked to make a presentation at CTI meeting, as needed.
- The review team shall review with fairness and integrity from an independent standpoint. It must also endeavor not to take an attitude or behavior that will raise question to its independence.

4.2 Roles of the Review Team secretariat

The secretariat of the review team will assist review team members throughout the review process, including participation in the review visit.

It will also develop a draft report, as necessary, under the guidance of the team leader.

4.3 Composition of review team

The review team will be composed of members with the capacity and experience as specified in 4.4 below.

Diversity, including in terms of the economy of the origin of team members, should be taken into account when composing the review team and the team should consist of more than 3 members with the maximum being 10, in principle. A review team may include member(s) from non-APEC economies.

One team leader will be selected from the review team members.

Other than the above, the team leader liaises with the facilitating economy and the

reviewed economy, and be responsible for coordination within the review team and ensuring quality of review.

4.4 Capacity and experience required of the review team

The review team is expected to possess the following capacity and experience:

- All members have an understanding of the “APEC Guidebook on Quality of Infrastructure Development and Investment.”
- All members possess sufficient knowledge on infrastructure development and investment and on the relevant legal system and practices.
- One or more members must be experts on finance and accounting.
- One or more members must possess knowledge and track record in practicing planning for infrastructure development and investment.
- One or more members must possess knowledge and track record in practical procurement for infrastructure development and investment.
- It is preferable that one or more members have experience in project evaluation and audit.

4.5 Review team establishment

The review team will consist of members nominated by the facilitating economy and agreed by the reviewed economy. The facilitating economy will notify CTI members of the review team members and the review team will be officially established upon such notice.

5. Review process

5.1 Review implementation process

The facilitating economy, reviewed economy and the review team will develop a detailed review implementation plan to be agreed by all parties and implement the review based on such plan.

In implementing the review, the review team will conduct a document based review and review visit for analyzing and evaluating the relevant laws, regulations and guidelines and their implementation in the reviewed economy.

The peer review will be performed in accordance with the process described in Annex 1, in principle.

6. Review criteria

6.1 Review criteria

In implementing the review, analysis and evaluation on the relevant laws, regulations and guidelines and their implementation will be performed based on the criteria contained in Annex 2.

7. Review implementation report and publication

7.1 Preparation of a draft review report

The review team will conduct a review based on document based review and review visit, and the findings along with their rationale should be clearly described in a draft report.

The draft report should contain the outline of the review including the process, and describe review results, date drafted, review team members, future capacity building needs and possible capacity building activities.

7.2 Report to relevant APEC Meetings and publication

The review team will develop a draft report and confirm with the reviewed economy for any misrepresentation on facts.

The facilitating economy and the reviewed economy will, with mutual consent, submit the draft report to the CTI, and report the review results based on such report at the earliest CTI meeting.

Upon endorsement by the CTI, the APEC Secretariat will publicize the report unless the reviewed economy expresses otherwise. The review results will be shared with other relevant APEC meetings, as appropriate.

8. Revision of the reference guide

8.1 Process for the revision of the reference guide

Three years after agreed by the CTI, this reference guide will be discussed at the CTI meeting for the need of a review and the contents will be revised, as required.

Part C Capacity Building

9. Capacity building

9.1 Identification of capacity building needs

For the implementation of infrastructure development and investment emphasizing “quality of infrastructure” and “people-centered investment, and good practices and principles” as well as “PPP” where applicable, capacity building needs will be identified as agreed by both parties, based on the findings of the peer review as requiring capacity building at the reviewed economy.

9.2 Implementation of capacity building

The facilitating economy will develop details of the capacity building program¹ based on the capacity building needs as identified in 9.1 above, and implement such program under the terms as agreed by both parties.

Possible capacity building activities may include the following:

<Capacity building activities samples>

A) Sample agendas

- Enhancing understanding of the concept of “APEC Guidebook on Quality of Infrastructure Development and Investment.”
- Establishing and improving relevant legal systems
- Enhancing practical capabilities of officials, required for project implementation

B) Sample project items

Implement by combining the following items through seminars and/or field trips, organized in either the facilitating economy or the reviewed economy (3-5 days):

- Discussion on major policies and issues for promoting the infrastructure project
- Sharing of diverse experiences and practical knowhow for infrastructure project implementation
- Case study covering past projects (e.g., method for securing quality, success factors, details of tasks)
- Sharing of issues and countermeasures for each of the project phases, including finance, procurement and construction management

¹ When they develop a CB program they should consider similar activities in the economy and try to avoid duplication.

C) Expected Participants

Experts to technical level officials of promotion agency or procuring agency for infrastructure development and middle to senior level officials depending on the content.

9.3 Report on capacity building support

After completing capacity building activities, the facilitating economy and the reviewed economy will report the results to the CTI at the earliest CTI meeting.

(Annex 1 : 5.1 Review implementation process)

	CTI	Reviewed Economy (including contact point)	Facilitating economy	Review team (including secretariat)
Prior to decision on implementing review	Facilitating economy and reviewed economy to express interest (3.2)			
		Peer review implementation outline developed and agreed (3.2)		
	Peer review implementation outline is endorsed (3.2)			
Implement review		Determine section in charge of implementation/designate contact point (3.3)		
		Nomination of review team members (4.5) Consent by reviewed economy (4.5)		
			Notify review team members to CTI members (4.5) Designate review team secretariat (3.3)	
		Develop/agree review implementation plan (5.1)		
		Submit information for document based review (3.3)		Request information for document based review (4.1, 4.2)
				Implement document based review (4.1,4.2, 5.1)
		Support for review visit by contact point (3.3)		
		Implement review visit (4.1, 4.2, 5.1)		Implement review visit (4.1, 4.2, 5.1)
			Analysis, evaluation (4.1, 4.2, 5.1)	
After implementing review				Compile draft review report (4.1,4.2, 7.1)
		Confirm/agree draft review report (4.1, 4.2, 7.2)		
		Submit/report draft review report to CTI, explain (3.2, 4.1, 4.3, 7.2)		
	Discuss(3.2)/endorse (7.2) review report			
	Publicize report(7.2)			
Capacity building			Develop capacity building program based on capacity building needs (3.3. 9.2)	
		Agree capacity building program (3.3. 9.2)		
		Provide capacity building activities (3.3. 9.2)		
		Report results of capacity building to CTI (9.3)		
	Results of capacity building reported (9.3)			

(Annex 2: 6.1 Review criteria)

Focus of the evaluation		Criteria
1. General	Public procurement	Is there a legal system in place on public procurement?
	Legal system related to PPP	Is there a legal system in place related to PPP?
	Accounting system	Is there an accounting system in place?
	Tax law	Is there a tax law in place?
	Environmental and social assessment	Are there laws and guidelines in place that stipulate the implementation of an environmental and social assessment for implementing infrastructure projects?
	Funds	Is there a structure in place for providing funds (e.g., funds for conducting a FS) for infrastructure projects?
		Is there a structure in place for providing funds necessary for promoting PPP projects and for providing government guarantee?
	Structure for project promotion	Are there organizations in place for promoting infrastructure projects or PPP projects?
	Others	Is there a system in place for protecting the private sector from arbitrary policies or changes in the system?
		Is there a system in place relating to land acquisition?
		Is there a system in place relating to foreign exchange?
		Are there policies and systems in place taking account of the poor, socially vulnerable, gender gap, etc?
		Are there laws and guidelines in place for preventing bribery and corruption?
	2. Project planning	Consistency between policy/master plan
In case the current projects are not specified in the master plan or the infrastructure development plan, has it been confirmed that the project will contribute to achieving the objectives of policies or goals?		
In case the current project is not specified in the master plan or the infrastructure development plan, have necessary measures been taken such as the amendment of the master plan or the infrastructure development plan?		
Project's economic evaluation		Is it stipulated that the project's economic performance be quantitatively measured using measures such as EIRR?
		Is it stipulated that alternatives be considered and the better method adopted through comparing economic performance?
Environmental and social assessment considerations	Are considerations of environmental and social assessment stipulated?	

Focus of the evaluation		Criteria
3. Feasibility study	Clarification of the project's level of achievement	Is it stipulated that the project's level of achievement be clarified through the following elements? <ul style="list-style-type: none"> - Is the minimum required level stipulated in accordance with relevant laws and regulations? - Are specific levels of achievement specified using quantitative indicators? - Is the lifecycle cost (LCC) calculation model specified?
	Implementation of an environmental and social assessment	Is it stipulated that the following be considered in the environmental and social assessment? <ul style="list-style-type: none"> - Treatment of workers and working conditions - Environmental contamination prevention/reduction and measures in case of contamination - Local community's sanitation/safety - Land acquisition and inhabitants' relocation - Conservation of biological diversity and sustainable control of natural resources - Respect for indigenous people and protection of cultural heritage - Economic benefits (e.g., job creation for local residents), enhance resilience against disasters, building local residents' capacity
	Safety considerations	Are the following stipulated in terms of safety? <ul style="list-style-type: none"> - Appropriate construction management and maintenance & operation management - Safety control for users and residents in neighboring area - Resilience against disasters - Response in times of disaster or emergency
	Risk management	Are the following stipulated? <ul style="list-style-type: none"> - Appropriate identification of risks assumed for individual projects - Method for prioritizing identified risks - Measures against identified risks
		In case of a PPP project, is the appropriate risk-sharing between the public and private sectors stipulated?
	Study on the private market	Is it stipulated that consideration be given to the competitive environment based on hearings conducted on private entities regarding the contents of the project?
Selection of the procurement method	Is it stipulated that review and selection of the project's procurement method be based on criteria such as VFM?	

Focus of the evaluation		Criteria
4. Procurement	Procurement in general	Is it stipulated that the quality aspects of the project are to be focused in the procurement such as output specifications and/or service level specifications.
		Is the use of appropriate incentives for procurement stipulated, such as applying performance based approach to contracts (e.g., contingency fee)?
		Is consideration for an appropriate risk-allocation in procurement specified?
		Do laws and guidelines stipulate that not only the price be the basis of evaluation in tenders but the quality also be evaluated appropriately?
		Is there a standard form of an agreement to be executed; Does it reflect best practices?
		Is it stipulated-a competitive dialogue or similar procedures be taken as appropriate?
		In developing an evaluation method, are economic benefits (e.g., job creation for local residents), enhancing resilience against disasters and building local residents' capacity taken into account?
	Pre-qualification	Are the following items clearly stipulated in the evaluation criteria, to be evaluated/confirmed? <ul style="list-style-type: none"> - Financial appropriateness - Track record in sufficiently similar projects - Keeping to construction schedule and appropriate cost control - Environmental impacts - Prevention of bribery (eg., use of World Bank Listing of Ineligible Firms and Individuals)
		In confirming the above evaluation criteria, does the ordering party systematically accumulated data of past records (preferable to have a database set up)?
	Proposal evaluation	Are evaluation criteria use methods such as LCC, so that the most economical proposal over the project period can be prioritized?
		In terms of the evaluation criteria, is the method for achieving the required service level stipulated?
		In terms of the evaluation criteria, are keeping to construction schedule and appropriate cost control stipulated?
		In terms of evaluation criteria, is environmental impact stipulated?
		In terms of evaluation criteria, is appropriate risk management stipulated?
		In the proposal evaluation, are technical aspects in the proposal also appropriately evaluated, in addition to the price (eg., comprehensive evaluation, 2-envelope method)?
	Management of contract and monitoring	Are contract management and method of monitoring stipulated?
		Are penalties and incentives stipulated for management of contract and monitoring?

Focus of the evaluation		Criteria
5. Ex-post evaluation		Is the method for ex-post evaluation stipulated?
		Is it stipulated that objective data be accumulated in the project's ex-post evaluation to be used in the project of the next term?