

PUBLIC-PRIVATE
PARTNERSHIPS



*Guiding Principles
on
People-first PPPs for the UN SDGs*



UNECE
INTERNATIONAL CENTRE OF EXCELLENCE

United Nations Economic Commission for Europe
International PPP Centre of Excellence (ICoE)



Main Thesis

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Guiding Principles

Definition of PPPs:

PPPs refer to ‘innovative methods used by the public sector to contract with the private sector, who bring their capital and their ability to deliver projects on time and to budget, while the public sector retains the responsibility to provide these services to the public in a way that benefits the public and delivers sustainable development and an improvement in the quality of life’.

UNECE 2008 Guidebook On Promoting Good Governance In Public-Private Partnerships



Outline

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Guiding Principles

- Introduction
- The Development We Need
- The PPPs We Need: Projects Compliant with the UN SDGs
- The Seven Guiding Principles for People-first PPPs
 - People First
 - Capacity Building
 - Policy
 - Legal
 - Risks
 - Open Competition
 - Environment
- Programme of Action



Introduction

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Guiding Principles

- Unlike the MDGs, the UN SDGs give a high priority to Partnerships for achieving the 2030 Agenda.
- Ultimately the UN 2030 Agenda is finding the resources to meet the goals, and ideally the public sector would provide the essential services that are critical for poverty eradication e.g. health, water and sanitation etc. But the public sector does not, and will not, have sufficient resources to meet the goals by themselves.
- The funding gap between available funds and what is needed to close an infrastructure gap is colossal, but not insurmountable. What is missing is not a lack of money, but a good pipeline of projects. The perennial challenge is how to build the capacity of Governments successfully to deliver concrete projects.
- All partnerships are useful but arguably the focus is on the PPP model as it can mobilize the finance necessary.



Introduction (Cont.)

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Guiding Principles

However, the PPP model is criticized:

- The suitability of the PPP model based on its record and experience, for implementing the UN SDGs;
- Its reporting and accounting; and
- Its transparency



The Development We Need

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Guiding Principles

The UN SDGs set out a new highly ambitious agenda for sustainable development highlighted by the words:

- “People”
- “Planet”
- “Prosperity”



Guiding Principles

In supporting of a “People, Planet, Prosperity” Agenda, there is a need for a specific type of development e.g.

- Inclusive
 - “Leaving no one behind”
 - Affordable and equitable access for all
 - Integration of women in PPP

- Transformational
 - Cross border and cross sectoral
 - Integrated projects that combine infrastructure with economic activities
 - But not just large projects have this impact, clusters of appropriate small scale projects can have major positive impacts as well.



Guiding Principles

- Social
 - ▣ A shift from economic infrastructure to social infrastructure, such as health, education, etc.

- Resilient
 - ▣ Developing quality, reliable, sustainable and resilient infrastructure, to support economic development and human well being.

The PPPs We Need: Projects Compliant with the UN SDGs



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Guiding Principles

To achieve these development objectives, the goals of PPPs needs to be broadened. No longer just value for money (VfM) but other criteria are needed in order to become ‘people-first’ and consistent with the SDGs. Thus, five key criteria for “People-first” PPPs can be identified:

- Economic effectiveness (VfM)
- Access and equity
- Resilient and environmentally sound
- Engagement with all stakeholders
- Replicability (allows PPP to be done to the required scale)

Relative to the old PPP model, People-first PPPs equal VfM “Plus”.

The PPPs We Need: Projects Compliant with the UN SDGs (Cont.)



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Guiding Principles

Can PPPs work successfully in all sectors?

IMF states that they work well in transportation but not in social sectors.

- Water and Sanitation
 - Pros: Private sector capacity in delivery high quality affordable water services in urban areas is good.
 - Cons: PPP capability to deliver good quality water & sanitation services is poor in rural areas. The sensitivity of private sector involvement in delivering water services, has made governments tend to keep tariffs very low especially in developing countries, offering private companies little incentives to make investments.

The PPPs We Need: Projects Compliant with the UN SDGs (Cont.)



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- Health
 - Pros: Technology
 - Cons: Demographic changes and changes in treatment and technologies over long term contracts can lead to creation of underutilized hospitals.
 - Examples: Lesotto Hospital PPP, Manila PPP hemodialysis Project

- Renewable Energy
 - Pros: Technology
 - Cons: High risk
 - Examples: Pamir Tajikistan

The Seven Guiding Principles for People-first PPPs



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Guiding Principles

The following should guide the actions of governments in order to implement `people-first PPPs`

1. Putting People first: Actions not words
2. Taking PPP Capacity building seriously and leaving no one behind
3. A Policy framework that promotes PPPs in support of the UN SDGs
4. A Legal framework that facilitates people-first PPPs
5. Sharing project risks as one
6. Open competition in selecting partners
7. Ensuring that PPP enhances the environment not at the expense of it

The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

Keep people out: they do not understand the technical matters...

No!
People have to be put first.

PRINCIPLE 1. PUTTING PEOPLE FIRST



The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

- It is not a slogan
- We can forge the criteria of 'people-first' and make it verifiable and quantifiable allowing partners to evaluate their projects against the SDGs... and make alterations if their projects are not meeting the goals
- PPP people-first criteria can be mainstreamed
- PPP structures are flexible enough to be tailored to the UN SDGs
- Transparency, accountability inclusiveness etc. can be added to the VfM criterion so that People-first PPPs can also be referred to as 'VfM plus'.
- The criteria can be put into `output specifications` in the contract agreements and the private partner can be held to account if these goals are not reached.
- The issue of engaging with stakeholders including civil society, should be determined in discussions between the government and civil society and then put into the contract for the private sector to comply with.

The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

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The Seven Guiding Principles for People-first PPPs (Cont.)



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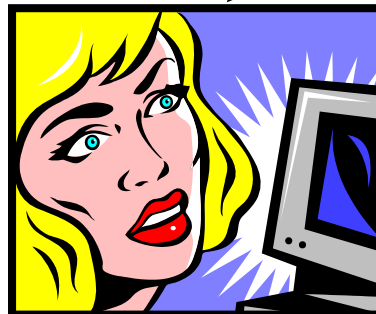
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Guiding Principles

Projects can be ring fenced...

No!
You need to build the skills within the government and set up the right institutions.

PRINCIPLE 2. CAPACITY BUILDING



The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

AAA Para 48 (highlights the importance of PPP capacity building)

- Huge asymmetry in knowledge between public and private sectors which blocks the development of projects
- Challenge is not the PPP model itself; it is training the governments to use the model in ways to promote the UN goals

Internally

- Train personnel for the required skills for PPPs
- Establish PPP Unit at a central level and with sufficient powers

Externally

- Use qualified and certified PPP trainers and consultants

The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

Approach

Apply the right comprehensive approaches to training e.g. the UNECE-UNDP capacity building project in Belarus:

- ▣ keep it project focused and working only to develop concrete projects, a 'leaning by doing' approach
- ▣ not one off ad hoc events.
- ▣ invite all departments and ministries to select and then prioritize using the SDG criteria
- ▣ involve those who are responsible for the project delivery

Benchmarks: Number of governments that go through a comprehensive training

Challenge: How to retain PPP staff on the Government pay roll, once they have been trained?

The Seven Guiding Principles for People-first PPPs (Cont.)



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The Seven Guiding Principles for People-first PPPs (Cont.)



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A few PPP pilots will start the process.

No!
You need a policy framework for the people-first programme.

PRINCIPLE 3. POLICY



The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

- ❑ A PPP Policy is needed to fix a “roadmap”/timelines
- ❑ Policy integrated into a country’s National Infrastructure Plan
- ❑ Strong social objectives, e.g. increasing accessibility for disadvantaged
- ❑ Core values and principles (fairness, continuation of services, improved quality)
- ❑ Consultation within Government and creation of an inter-Ministerial task force
- ❑ Consult investor community
- ❑ Identify the right projects to get started
- ❑ There should be no off balance sheet reporting

Benchmarks: number of governments citing the UN SDGs as part of their national infrastructure plans

The Seven Guiding Principles for People-first PPPs (Cont.)



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The Seven Guiding Principles for People-first PPPs (Cont.)



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PPP's are essentially legal contracts: establishing the legal framework for PPP's can come later!

No!
The legal and regulatory frameworks are essential for making the contracts secure.

PRINCIPLE 4. LEGAL



The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

Legal

- ❑ Legislation has to be elaborated under the principle “simple, fewer, better”.
- ❑ Legislation must be designed to lower transaction costs.
- ❑ No need to “reinvent the wheels”.
- ❑ Use model laws for PPP and standard clauses and contracts.
- ❑ Ensure effective monitoring of contracts to ensure the private partner has kept to the agreement.

The Seven Guiding Principles for People-first PPPs (Cont.)



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The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

PPP provide assets to governments at no risk and no cost.

No!
Governments must assume some risk and offer some subsidy, sharing risks and rewards fairly (AAAA Para 48)

PRINCIPLE 5. RISK SHARING



The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

- ❑ Cooperative sharing and mutual support, see AAAA para 48
- ❑ Risk sharing key to PPP success. Generally the public partner takes the political and legal risks; the private sector assumes the rest.
- ❑ Ideally the adversarial nature of PPP negotiation should be set aside as both partners cultivate a common interest in the success of the project for the good of the SDGs
- ❑ Private sector may have to accept a new risk–reward ratio in low income countries
- ❑ Yes to some government subsidy... but done with care

The Seven Guiding Principles for People-first PPPs (Cont.)



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The Seven Guiding Principles for People-first PPPs (Cont.)



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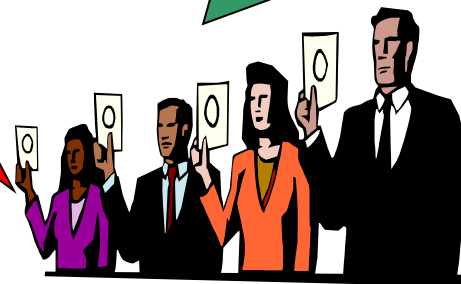
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Guiding Principles

Open competition is too costly, too long and unnecessary when governments have already decided who the partners should be

No!
An open competitive procurement process is essential for protecting the public interest.

PRINCIPLE 6. Open Competition



The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

- ❑ Open and transparent tender process
- ❑ Opportunities should be made public
- ❑ Non-discrimination
- ❑ Zero tolerance to corruption
- ❑ Solution is not just ‘more’ regulation – which can be a source of more corruption not less; but smart processes that effectively monitors the process on behalf of the public interest
- ❑ “Sustainable procurement” – ensuring local companies – e.g. women led – and SMEs are able to participate in competition for tenders
- ❑ The tender should incorporate people-first criteria and be a factor in deciding the winner

Benchmarks: Number of PPP tenders that use people-first criteria in selection of the successful partner

The Seven Guiding Principles for People-first PPPs (Cont.)



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The Seven Guiding Principles for People-first PPPs (Cont.)



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In designing PPPs, you have to choose between making profits and social and environmental development...

No! It is not a trade off between the two. People-first Projects can make both profits and achieve social and environmental goals.

PRINCIPLE 7. ENVIRONMENT



The Seven Guiding Principles for People-first PPPs (Cont.)



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Guiding Principles

- The 'Green case' works for PPPs
- Provide incentives to the private sector to adopt green criteria
- Avoid politically correct 'add ons' that mean nothing
- Address the risks arising from climate change
- Reward the private sector for adopting new technologies that can make infrastructure more resilient



Programme of Action

Guiding Principles

The fundamental goal of the UN SDGs is not to ‘reinterpret’ the world but to transform it – accordingly it is appropriate to end with an Action Programme.

Programme of Action for Advancing People-First PPP:

- ❑ **Alignment:** the Action Programme must align the private sector’s interests to those of the UN SDGs: PPP has been done by Governments generally up until now, in order to give tax payers better ‘value for money’. It is necessary to broaden the scope of PPP to include poverty eradication, mitigating the effects of climate change etc. as well as value for money.
- ❑ **Mobilization:** it is important to bring the private sector behind the UN SDGs: To this end UNECE has launched a campaign to develop 500 people-first PPPs by the end of 2017.

Programme of Action (Cont.)

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Guiding Principles

- ▣ **Implementation:** the aim is to implement projects to advance the UN SDGs: To this end it is important to (i) focus capacity building on learning by doing, (ii) organize consultations with Governments to encourage project development based on standards, (iii) evaluate projects to ensure they are consistent with the UN SDGs. UNECE is developing an evaluation methodology for this purpose.

Challenges:

- To promote the programme - not just as the UNECE - but as **'one UN'**.

Thank you for your attention!

