United Nations

ECE/CECI/WP/PPP/2022/6

# Economic and Social Council

Distr.: General
6 September 2022

Original: English

## Economic Commission for Europe

Committee on Innovation, Competitiveness and Public-Private Partnerships

### Working Party on Public-Private Partnerships

**Sixth session**
Geneva, 1-2 December 2022
Item 4 of the provisional agenda
**Review of the work since the fifth session of the Working Party on Public-Private Partnerships on 29-30 November 2021**

# Introduction to Public-Private Partnerships in support of the United Nations Sustainable Development Goals

## Revised note by the secretariat

*Summary*

The United Nations Sustainable Development Goals (SDGs) raise a new challenge to Public-Private Partnerships (PPPs), which have traditionally been designed as a "value for money" tool. Overall, it can be said that not all PPPs are "fit for purpose" for the SDGs. There has yet to be a model that is on the one hand transformative and on the other hand responds to the challenges of low and middle-income countries where arguably PPPs are needed the most but where they can also generate difficulties when not used in an informed and reasonable way.

The UNECE has advocated the need to make the traditional PPP model "fit for purpose" for the SDGs by placing people at the core and has developed the "PPPs for the SDGs" approach. While the value for money concept remains essential, with the adoption of the 2030 Agenda, the challenge is to implement PPPs integrating a broader set of holistic criteria and undertake projects that from inception to termination create "value for people" and "value for the planet".

This document elaborates on the PPPs for the SDGs approach and makes an argument for a new set of PPP guiding principles.

This document was originally published on 21 January 2019 in ECE/CECI/2019/6, and adopted by the Committee on Innovation, Competitiveness and Public-Private Partnerships (the Committee) at its thirteenth session on 25-27 March 2019.

The document is being reissued pursuant to a decision by the Committee at its fifteenth session on 25-27 May 2022.[1]

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# I. Introduction

1. Over the years the UNECE has maintained that PPPs can be used as a tool for sustainable development. The UNECE's 2008 Guidelines on Good Governance in Public-Private Partnerships identified the lack of public consultations as a governance challenge, and called for more public information and transparency throughout the PPP process. In 2015, the United Nations adopted the SDGs as part of the 2030 Agenda for Sustainable Development (2030 Agenda), calling for the use of and improvement to partnerships between the public and private sector. The UNECE at its International PPP Forum in March 2016 further identified that PPP models putting public interest at their forefront should be well identified and promoted in order to realize this new Agenda.

### A pause to reflect

2. Over the last 20 years, the PPP model promoted has been often used as a financing tool, and this tendency has led to the discourse and development of expertise being largely within financial circles. Interestingly, the PPP model was driven largely by the ability to capture private financing for infrastructure when public financing and budgetary funds were not sufficient, and only later did "value for money" analysis come about when budgetary constraints eased but the project still needed to be justified from a financial perspective.

3. It is worth noting that for the reason of fiscal sustainability some countries do not treat PPPs as a tool to finance projects or to deconsolidate debt/create off balance investments. For instance, in Germany and France, PPPs are regarded as only one of the possible delivery methods. The German system even prohibits the use of PPPs exclusively for financing reasons. A PPP is only eligible if it represents the most efficient choice compared to other solutions. In France the rationale for government-pay PPPs is based on the overall advantages

[1] Decision 2022 – 4b.2 (ECE/CECI/2022/2): Regarding the continued use of the name "People-first PPPs for the SDGs", the Committee took note of the results of the information consultations conducted with interested delegations on the matter since the fifth session of the Working Party on PPPs in November 2021, and decided to:

i. Change the name to "PPPs for the SDGs"; and
ii. Progressively reissue the documents endorsed and adopted by the Committee and the Working Party on PPPs to reflect i. above within the document quota allocated to the ECI subprogramme and without incurring additional costs.

The Committee requested the secretariat to reissue three core documents within twelve months, and the rest of the documents within three years. The Committee requested the Bureau of the Working Party on PPPs to decide on which non-core documents should be prioritised during this period.

Note: the three core documents are: Guiding Principles on People-first PPP in support of the UN SDGs (ECE/CECI/2019/5); Introduction to People-first PPPs in support of the UN SDGs (ECE/CECI/2019/6); and the People-first PPP Evaluation Methodology for the SDGs (ECE/CECI/WP/PPP/2021/3).

in comparison to alternative delivery methods rather than mere financing and is seen as a way to create appropriate risk incentives to the private partners to ensure quality in terms of service delivery and performance. In both countries, public interest objectives such as the SDGs have to be realized regardless of the delivery method

4. Given the centrality of PPPs in the 2030 Agenda, a large undertaking to promote PPPs in support of the SDGs is required. However, no clear campaign has begun to advance PPPs for the SDGs and few government agencies responsible for PPPs have acknowledged the SDGs as a reference point for their work. Indeed, there appears to be a "wait and see" approach towards the role of PPPs in achieving the SDGs.

**Model not "fit for purpose"**

5. Why is there a "pause" in the promotion of PPPs for the 2030 Agenda?

6. First of all, there is some doubt over whether the traditional PPP model is "fit for purpose" for the SDGs. Some argue that even though the SDGs call for the promotion of PPPs, the PPP model has not been aligned properly with the outcomes contemplated by the SDGs.

7. Others argue that PPPs in general delegate a key implementation role of government to non-state actors such as the private sector or civil society which, rather than contributing to the successful delivery of governmental infrastructure and service, it may imply an abrogation of the responsibility of Government. Others think that governments' use of PPPs introduces a dangerous profit motive in the delivery of public services that should be abandoned or needs to be greatly improved.[2] Some civil society organizations, for example, have argued that private companies making profits taint any good they may bring, and this process will inevitably result in projects being more costly, detrimental to public welfare, or impose a burden on the lives of citizens.[3] In other words, it is argued by some that PPP models "privatize the rewards and socializes the costs".[4]

8. However, these concerns may be overlooking that governments regularly procure goods and services from the private sector, and the performance of many public responsibilities for economic public services is provided by or involves private providers in one way or another. Overall, it can be said that not all PPPs are "fit for purpose".

9. According to reports released in UK and France, together with IMF recommendations, the budgetary burden for future generations in the Private Finance Initiative Public-Private Partnerships[5] model must be well appraised with utmost care before launching the project on the market. Governments, in paragraph 48 of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda), also requested heightened attention to potential drawbacks, calling in for the elaboration of guidelines on PPPs to improve their use and effectiveness in achieving the SDGs.

10. Experience shows that PPPs can involve international sustainable development programmes and donor funds; and can offer various means for improving the risk-return

[2] See comments by Mr. Felix Dodds in his blog available at: http://blog.felixdodds.net/2017/11/presentation-on-unece-principles-for.html#comments.

[3] As stated in Hall (2015, p.3), "private sector corporations must maximize profits if they are to survive. This is fundamentally incompatible with protecting the environment and ensuring universal access to quality public services".

[4] The Private Finance Initiative of the United Kingdom has come under just such an attack and has been criticized by civil society organizations for excessive profits and excessive embedded operational and maintenance costs.

[5] PFIs: Private Finance Initiatives are one type of Public-Private Partnerships, which can also be referred as concession-based arrangements.

profile of sustainable development projects through certain tools, including PPPs, investment insurance, blended financing and advance market commitments. However, caution is needed as PPPs can result in relatively expensive methods of financing and may increase the cost to the public sector if up-front investment costs and subsequent revenue streams (investment returns) are not adequately assessed. This is especially relevant for countries with weaker technical, institutional and negotiation capacities.[6]

11. It is clear that, if there is a positive track record of some PPP models outside the developed countries, it remains that most of the traditional PPPs have been undertaken in fully developed Western countries with mature economies and relatively low risks, which are also well balanced between the parties. On the other hand, a PPP model that is on the one hand transformative and on the other responds to the challenges of low and middle-income countries, remains to be much better identified on the basis of many common issues and approached in a realistic manner leading to common principles embedded in empirical evidence. The approach of PPPs for the SDGs shall assure that PPP projects – if realized – will help such countries contribute to the achievement of the 2030 Agenda. For this to occur, the projects should be implemented in a sound and sustainable manner, truly responding to the people’s needs.

# II. The Sustainable Development Goals and importance of partnerships

12. It is critical for achieving the 2030 Agenda to mobilize new investment, especially in low and middle-income countries, in high quality infrastructure projects. Infrastructure investment overall is a key driver of economic and social progress, creating jobs, higher productivity and boosting trade. Such investments can help directly eradicate poverty by *inter alia* achieving universal access to infrastructure and distributing public services more effectively and equitably, such as health and education services, renewable energy and water and sanitation. Across Central Asia for example inadequate roads and rail transport limit producers’ ability to get their products to market and lift marginalized communities out of poverty.

### Funding and financing gaps

13. A huge amount of funding and financing will be required to achieve the SDGs. This has been calculated at between 3.3 trillion US Dollars to 4.5 trillion US Dollars on an annual basis up until 2030 for developing countries (UNCTAD, 2014). Capital investment is just one part of what is needed; however, more investment and operational expenditures will be needed as well, that is, in the operation and maintenance of infrastructure assets. In addition, in some sectors, such as health, the cost of training of new doctors, nurses, and other staff will be considerable.

14. While this task in many situations is undertaken by the public sector from the public budget, it is simply not feasible for governments alone to meet the need for capital when required through increased taxation, higher productivity, official development assistance (ODA), etc. However, only PPP models having less impact on existing or future public budgets compared to other options should be realized.

[6] Examples of risks associated with PPPs for governments include high fiscal commitments, or difficulty in the estimation of the cost of guarantees (e.g. when governments provide guarantees on demand, exchange rates or other costs). See UNCTAD, 2015. *Investment Policy Framework for Sustainable Development*. United Nations: New York and Geneva.

15. Private financing necessarily means public debt as such financing will always have to be repaid. Thus, even benefiting from private financing and expanded capacity, governments may still face the challenge of the "funding gap". Establishing and clarifying the funding sources that will satisfy the required repayments to the private partner financing a PPP is a critical step to ensuring viability of some forms of PPPs. It is also a critical factor in the sustainability of public finance and requires from governments special attention in order to prevent creating unintended and hidden public debt and obligations (e.g. off-balance sheet treatment).

16. In addition, the private sector capacity in designing or operating essential public services such as transport, water, power and urban services should not be ignored. Indeed, experience indicates that this is possible and sustainable. Lessons learnt in the last two decades show that PPPs for the SDGs can be an answer to these dilemmas based on long term equilibrium between public and private interest where "people's interest" must always be the priority.

17. It should also be noted, that PPPs are one possibility amongst others to mobilize private actors for the realization of "people's interest". A successful supply with universal services will require an overall strategy that takes into consideration other possibilities of private sector involvement.[7]

**Limited PPP expertise inside the UN**

18. The notion that PPPs, and more recent generalized PPP knowledge, has come from the financial world is supported by the fact that expertise has been developed within the multilateral development banks, such as the World Bank, the Asian Development Bank (ADB), and the European Investment Bank (EIB). They have led the development of assistance tools for infrastructure project preparation and other resource and knowledge products on PPPs. Aside from the large international financing institutions, the United Nations Commission on International Trade Law (UNCITRAL), UNECE and the United Nations Conference on Trade and Development (UNCTAD) are far and away the main depositories of the remainder of the international PPP best practice.

19. Expertise on PPPs is somewhat scattered within the UN system.[8] There is no one UN global partnership, advancing PPPs in support of the SDGs. Cooperation between the different UN bodies involved in PPPs occurs but each activity lacks resources and the impact is limited. In fact, the UNECE - a regional Commission - possesses the only intergovernmental body devoted to promoting PPPs. It has, too, a network of international experts that extends beyond its own region. The UNECE PPP standards and recommendations moreover are used internationally, including by non UNECE member states while its PPP secretariat provides PPP capacity-building services to UNECE individual countries.

**Need to move PPPs towards a "PPPs for the SDGs" approach**

20. A new set of Guiding Principles is needed to focus on PPPs based on an enhanced and inclusive approach taking account of the international experience from various PPP models where the "value for people" and scaling up of impact are given priority. This will lead to PPPs that minimize and equitably share risks, improve outcomes, and are aligned with financing that is sustainable, equitable, and combines "doing good with doing well".

[7] This might include the cutback or delegation of state monopolies combined with an appropriate regulation including a transparent, non-discriminatory market access for private actors.

[8] UNECE, ESCAP, UNCITRAL, UNCTAD, and others each undertake research, organize dialogue, conduct capacity development work, and produce PPP resource materials.

Adopting such an approach will address the common concerns about PPPs and make them truly “fit for purpose” for the SDGs.

21. A "PPPs for the SDGs” project can be defined as one that fosters access to essential public services for all, with sustainable development outcomes as its objective and putting people at the core. With the adoption of the 2030 Agenda, the challenge for governments and the private sector is to implement PPPs according to a set of holistic criteria and undertake projects that from inception to termination create “value for people”. A PPP should therefore be considered a “value for money” transaction – relative to a traditionally procured public alternative – if it generates a net economic benefit for the public in terms of quantity, quality of the service or facility, cost and risk transfer over the project life, and achievement of the various SDGs. Hence, the “value for money” assessment of a PPP should be based on traditional notions of “value for money” in PPPs, but also outcome-based performance that brings the greatest benefit to the people the project aims to serve. The PPPs for the SDGs approach shall ensure that the traditional “value for money” rationale integrates the factor of an effective and efficient achievement of the SDGs in a more extensive way. As a result, value for money – including value for people in terms of achieving the SDGs – should play a fundamental role in the decision on whether a public institution should enter into a PPP agreement.

22. In essence, this means PPPs need to do more and be measured according to a number of impacts that are in line with the SDGs. These would include assessing whether pipelines of projects:

i. Increase access and equity to essential services adapted to people’s needs during the project lifecycle (especially to vulnerable groups);

ii. Have particularly strong economic effectiveness and transformational impact and contribute to fiscal sustainability;

iii. Cut or significantly reduce $CO_2$ emissions, making infrastructure more resilient;

iv. Are replicable; and

v. Engage effectively with all stakeholders.

**Aim of the Guiding Principles**

23. The Guiding Principles[9] have the following main aims:

(a) Identify the new roles and responsibilities that will be required of governments and private sector in order to lift the PPP model onto the level of PPPs for the SDGs;

(b) Outline key elements to a PPPs for the SDGs approach, and particularly those that will need to occur for PPPs to take place in low and middle-income countries;[10]

(c) Provide benchmarks and a framework for governments to take next steps and align their activities with the PPPs for the SDGs model;

(d) Bring together different parts of the UN system, especially regional commissions, multilateral development banks, and other organizations with PPP expert knowledge behind a common set of principles to guide PPP promotion activity going forward; and

[9] The Guiding Principles are contained in document ECE/CECI/WP/PPP/2022/7.

[10] These adjustments refer *inter alia* to necessary legal, policy and institutional adjustments and revisions in international PPP best practices, new approaches to project risk, renewed accountability to citizens, and undertaking important new initiatives such as women’s empowerment and building capacity to undertake PPPs for the SDGs.

(e) Be used as a reference in infrastructure project preparation.

# III. Public-Private Partnerships experiences and key learnings

24. The PPP model needs to be adapted to meet the challenge of the 2030 Agenda. To this end it is worth asking the following questions:

(a) How have PPPs in different sectors evolved and what challenges do they face in order to contribute to a more inclusive and sustainable development?

(b) What are the challenges to effective PPP project delivery based on the experiences to date?

(c) What should be the model for PPPs that should prevail?

## A. How have PPPs in different sectors evolved and what challenges do they face in order to contribute to a more inclusive and sustainable development?

25. PPPs, as they are now commonly referred, are no longer the "new" way of doing things. PPPs saw their most recent resurgence in the 1990s and 2000s in the United Kingdom, Australia, and Canada as "private finance initiative" transactions. Private Finance Initiatives are just one branch of the PPP world however, with concession-based arrangements being a large player in other countries, in particular those with a civil law tradition like France.[11] Still further there is increasing use of other modes of PPPs.

26. The various modes of PPPs certainly bring practical distinctions in, for example, how they are structured and how they are made most viable and how they adapt the service to the public to really meet the PPPs for the SDGs outcomes in a sustainable manner. Because PPPs have become increasingly heterogenous in form, globally many countries make no distinction between Private Finance Initiative, concessions, and other forms, and simply refer to all forms as PPPs.

27. As PPPs continue to evolve, now more than ever, they are developing along sectoral lines and in response to the types of projects that are common in a sector and the needs of the countries employing them.

**Water and Sanitation**

28. There is a gap between what is being provided in water and sanitation services and what is needed to meet the SDGs. As observed by the World Bank, "today at least 663 million people lack access to safe drinking water and 2.4 billion lack access to improved sanitation" and "by 2050, at least one in four people is likely to live in a country affected by chronic or

[11] In fact, in the PPP discourse of today, private finance initiative is most closely associated with the United Kingdom and their effort to renew hospital and healthcare facilities, but both Australia and Canada also have projects of various forms dating from the late 1980s to early 1990s. Despite this resurgence of private finance initiatives in a handful of common law tradition jurisdictions, France has perhaps some of the oldest examples of PPPs, with a famous water concession being granted to a French nobleman Luis de Bernam in 1438 to charge fees for the transport of goods on the Rhine. France's long tradition has contributed to their civil law distinction between PFIs and concessions, with concessions (including affermage essentially for Brownfield projects) being a distinct mode of PPP where the public service is delegated to a private operator, and a private finance initiative in comparison is simply a tool where the public body remains ultimately responsible for the provision of the "public" service associated with the facility.

recurring shortages of fresh water". On the other hand, the total number of people who have access to water or wastewater services from the private sector exceeded a billion for the first time in 2013.

29. Water and sanitation systems still face significant capital costs in order to develop or extend water and sanitation systems to meet demand. It is often considered that the key challenge for virtually all water and sanitation systems is the public's sensitivity to tariff rates. Governments are naturally reluctant to raise tariffs.[12] Yet keeping tariffs low (or non-existent) does not reflect the actual cost of production. Other challenges that need to be considered are the cost of inefficiency in operation and maintenance in the case of sub optimum national public water companies. Progressive improvement of service delivery, may raise the willingness to pay by the end users.

30. Despite these challenges, over the past decade several cases of private sector involvement in water and sanitation have shown promise. Successful experiences occurred in private sector involvement in the reuse of waste water for irrigation, the building of small-scale water and sanitation systems, and urban water and sanitation solutions.[13] Stand-alone PPPs in desalination and wastewater treatment plants have also been successful,[14] as were also the use of performance based, efficiency gaining lease and management contracts for reducing leakage in systems or expanding overall connectivity.[15]

**Energy**

31. The energy sector has undergone significant change over the past decade with renewable energy generation, in particular, hydropower, solar, and wind, becoming more efficient and relatively competitive on a cost comparison basis. However, much of the globe still relies on coal-based generation and there is no end in sight for increases in energy demand. So, while governments often have more choices for energy generation, they struggle to meet demand, grow their generation and distribution capacity (in particular, extending their networks to the underserved and poor areas) and doing so in a green and environmentally friendly way. Unsolicited proposals and the development of unnecessary systems or capacity (or the provision of unnecessary guarantees) also remains an issue in many countries. These challenges are set against the backdrop of ever tighter public budgets and needing to provide energy to customers who often are unable to pay for the true cost of service.

32. The key challenge, then, for governments, is increasing access to energy sources while overcoming the significant upfront costs required to establish or extend power generation and distribution networks.

33. The PPP mechanism may be an important tool for governments in managing this challenge as it can bring private investment, as well as new technology, innovation, and improved efficiency, to their energy capacity and systems. In fact, new technologies; smaller, stand-alone systems; grid connected and off grid distributed generation capabilities;[16] and

[12] In case an upward adjustment of the tariffs is needed, this is preferably undertaken well in advance to launching the PPP tender, to avoid any association with private sector participation and hence any backlash which could hamper billing and collection by the private operator.

[13] For example, the New Cairo Waste Water Treatment Plant successfully uses urban waste water to irrigate regional agricultural areas which reduces both the quantity of pollutants dumped into the Nile River and the overall fresh water use. Manila Water has successfully implemented PPPs to increase their urban water supply coverage from, for example, 26% of the East Zone population in 1997 to 99% of the whole city today.

[14] Examples can be found in Brazil and Saudi Arabia.

[15] Ho Chi Minh City, Vietnam has implemented this model with success.

[16] Examples of grid connected distributed generation projects can be found in rural India and Jamaica

truly renewable sources,[17] show great promise for transforming the sector, further creating jobs and mitigating climate change,[18] and promoting energy security and equity in energy service provision.[19]

34. However, governments need to be cautious not to limit their approach to energy production but to develop a global approach including distribution to the consumers. This is a real challenge to most low-income countries where distribution is often the monopoly of national electricity companies in difficult financial straits.

**Health**

35. The provision of healthcare infrastructure and services is a massive obligation for both governments and the private sector. Some estimates place the cumulative expenditure on healthcare infrastructure over the last decade to be over 3.6 trillion US Dollars.[20] And when adding services, that estimate reaches 68.1 trillion US Dollars.[21] Meanwhile, many global citizens still lack access to even the most basic healthcare services and so the SDGs call on governments to serve all citizens, help those that are poor and most at risk, and take significant steps toward providing true, universal access to care - all of which would add to the already hefty price tag.

36. The challenge for governments, then, is how to be more efficient, effective, and equitable in the provision of healthcare by increasing their overall capacity to provide care and expand the reach of that care. PPPs in healthcare have helped alleviate some of this pressure and have been particularly successful when used for the creation, expansion, and rehabilitation of healthcare infrastructure, but they continue to face challenges when focused on the provision of services of the people.

37. PPP success stories in healthcare services do exist though, with general wellbeing programmes,[22] programmes to improve facility management and performance,[23] and targeted care, like delivering vaccines to remote regions of Africa,[24] all showing great promise. Models exist then for governments to focus their efforts, build partnerships that increase access to healthcare, improve the distribution of health services, and undertake economically effective and replicable initiatives.

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[17] Cabeolica Wind Farms in Cape Verde. The wind farms with 11 wind turbines have been fully commissioned to supply 25% of the country's electricity demand and approximately 50,000 Cape Verdeans are given access to electricity.

[18] In Morocco, Noor II and III solar power have accounted for reduced $CO_2$ estimated at 521,670 tons per annum thanks to this 350 MW solar power plant, which is a big step towards Morocco's commitment (to reach 2000 MW renewable energy by 2020) to climate change mitigation.

[19] Olkaria III Geothermal Plant in Kenya. This project made the cost of power to the end user become less than that generated from fuel oil or other alternative energy sources. This in effect assists in holding down the cost of electricity to consumers as well as for the industry.

[20] PricewaterhouseCoopers (PwC)

[21] Id.

[22] "Let's Play" programme is a partnership between IKEA and UNHCR and is designed to protect the rights of children to play, thus providing psychological support for refugee children, improving their psychological resilience and overall wellbeing.

[23] The National Kidney Transplant Institute of the Philippines entered into a PPP for total laboratory automation which improved equipment but also provided enhanced management training, resulting in increases to the number of patients capable of being treated at the facility and greatly improved facility efficiency.

[24] GAVI Foundation, the Vaccine Alliance

**Transport**

38. The transport sector continues to be one of the most robust PPP markets, in particular PPPs in roads, railways and urban transport, including for toll highways, toll bridges, toll tunnels, ports, airports and other infrastructure, which benefit from a relatively long track record in many countries with a lot of lessons learnt from failures and successes. Conditions of success have been somewhat "proven" in the marketplace even if not yet well translated in PPP best practices. This fact coupled with the ability of the transport sector to make a significant, positive impact on connectivity, lives and overall economic prosperity, has made some PPP models in the transport sector an attractive option for governments.

39. For instance, the World Bank has noted that "roads have the potential to be a significant asset to any country – both in terms of the physical investment and the social and economic benefits";[25] and they have demonstrated their ability to increase economic activity, in the movement of goods, the interconnectedness of people, and connecting those previously marginalized with economic opportunities.

40. The challenge then for governments in the transport sector is mostly to upgrade planning and prioritizing process for the right project(s) and programme[26] and determining which road projects will bring the most benefit while saving taxpayers money.[27] Also, to determine what aspects of the transport systems can be modernized, made more secure, more resilient, and strengthen economic networks.[28] Other considerations include social and environmental impact assessment of projects to mitigate the potential negative externalities of roads on the environment and society,[29] what are the most flexible, expandable, and responsive to the long term transport objectives of the region and country, and what model will serve the people best through a PPP option acceptable, *inter alia,* in terms of user's fees, fiscal budget sustainability or a mix of the two.

## B. What are the challenges to effective PPP project delivery based on the experiences to date?

**Project focused; no concerted policy for PPPs**

41. Overall, PPP efforts have tended to focus on projects rather than transformative infrastructure policies that put the SDGs in a comprehensive programme of activity. This is because in most countries PPPs are simply that: about individual projects, tackling individual problems, and often confined to specific sectors. Rarely has the model been used as part of a comprehensive, holistic, national infrastructure plan. Only when PPPs become part of a transformative infrastructure plan can the necessary scaling up take place that is called for by the SDGs: multiple projects in concert across multiple fronts that significantly contribute to

[25] World Bank PPP Knowledge Lab

[26] See for example the State of Virginia's high occupancy lanes project (Commonwealth's interstate 95 and 395 Capital Beltway High Occupancy Toll Lanes project ("HOT Lanes")).

[27] The Dakar Diamniadio Toll Highway has provided Senegal a new development impetus by helping close the mobility and access gap between communities and jobs, markets, schools, hospitals, and other essential services, making their lives better and creating new opportunities for development.

[28] The Colombian government concession for the construction and expansion of Ruta del Sol highway, which connects the capital, Bogotá, with other large urban areas of the country's interior and Caribbean coast, when completed will help foster the country's competitiveness by improving road and travel conditions for passengers and goods.

[29] The Thiruvananthapuram City Improvement project in India and road concession not only provided a high-quality road but also addressed $CO_2$ emissions and environmental issues with the planting of trees and other measures, such as capturing of water runoff.

the challenges facing the planet, such as poverty eradication and the fight against climate change.

**Insufficient Government capacity**

42. Countries undertaking PPPs, especially the low-income ones, generally lack the skills and capacity to deliver pipelines of projects. In most cases they lack the basic legal framework and institutions such as PPP units that can deliver the scale of projects needed, and they also lack the personnel and technical knowledge to successfully deliver projects and build strategic programmes that leverage the power of PPPs. In fact, many of the problems projects encounter are caused at the outset and by the shortcomings of the respective public authorities (e.g. not undertaking the proper due diligence including accurate demand studies, cost benefit analysis, etc., or being launched absent a cohesive sectoral plan and programme of activity).

43. It is fair to say that such capacity, both at planning and project level up to the launch of a competitive tender able to attract serious bidders, comes with high organizational costs which are currently not affordable to most low and middle-income countries from public budgets, and which are not provided so far at an appropriate level by the development community. There is accordingly often poor decision taking surrounding projects (and when and how to do them). Thus, many aspects of project delivery from basic capacity building to coordination within and amongst the government and the ministries, to alignment between policies, programmes, and projects, should be substantially improved.

**High-risk**

44. The current risks of undertaking sophisticated and complex and expensive projects, where the prevailing institutional conditions are lacking and where the public-sector capability is weak, results in a high-risk environment and seriously jeopardizes project success. Such high risk accentuates the concern (built from lessons learned in some countries) that if the PPP model is applied blindly, the entire economy of a country can pay a heavy price.

**A need to improve the project environment**

45. PPP projects require a number of situational conditions to exist and primarily a robust institutional environment and an enabling investment and business climate. This should often include specific legal and public governance systems that are able to offer transparency and create an effective PPP delivery system, one which will foster a private sector willing and able to accept the commensurate risks, especially the higher risks of investing in low-income countries. Political stability and a strong consensus amongst political leadership and stakeholder groups towards the value of PPPs are also essential for PPPs to positively take shape. As a result, PPPs have often been a tool easier to promote and to use in the developed countries where more predictable conditions exist and where the market economy is long-standing and mature, and where relevant institutions and laws prevail.

46. Since several of these conditions, by contrast, are not fulfilled in low-income countries, it is difficult to apply the PPP model at a large scale without resolving during project development and in a PPP contract several additional issues often common to a number of low and middle-income countries.

**"Smart and Sustainable Cities" will play an important role in achieving the Sustainable Development Goals**

47. The world is congregating more and more in urban centres and in cities. The rise of technological innovation can also bring opportunities. For example, cities around the world

are using new Information and Communication Technologies to gather data and supply the necessary services and solutions for urban problems in a more effective and efficient way, leading to the creation of so-called “smart and sustainable cities”. These smart and sustainable cities are more flexible and often can provide more timely, effective and innovative solutions to the ever-changing challenges that urban areas face.

48. PPPs need also to adapt to the reality of cities and leverage that fact that cities are, ultimately, an agglomeration of people, firms and institutions and offer the potential to exponentiate their benefit. This spread of positive externalities that a PPP can lead can benefit many within the urban context. Local authorities like governments should investigate how to plan and prioritize specific projects within the urban context, and the livelihood of the citizens.

**Transitional PPPs or multi-stakeholder partnerships may be needed as a precursor to PPPs**

49. The PPP model may need to be deconstructed to some degree, where governments engage in projects that are knowingly transitional or employ a partnership that has some elements of PPPs but because of challenging circumstances need additional support. Projects in certain countries that require significant financial “de-risking” or project delivery expertise, for example, may need to engage multilateral development banks’ participation or underwriting, or seek development grant support and oversight, or involve NGO operational expertise to implement the project in an effective manner. Implementing such transitional PPPs or multi-stakeholder partnerships that may not fit the traditional PPP model but may work in challenging environments, with the assumption that governments will have work to do in the transitional stage before reaching the point where “full” PPP arrangements may be made, could be an option in high-risk countries.

**Engage the people**

50. The entire purpose of government is to promote the general interest, to take action on behalf of the people, and for the benefit of the people. Governments must therefore engage more systematically and earlier with the affected population in order to make their efforts successful and serve them more effectively. In fact, it is axiomatic that a government would purport to implement infrastructure or services for their population but too often fail to engage with the very people that will use or be impacted by those assets and services. The top down, “government knows best”, approach has had mixed results at best. It risks resulting in public services that are not targeted to people’s needs, assets that are overbuilt or underbuilt, systems that create barriers rather than improve or widen access, services that underserve, etc.

51. The obvious solution is for governments to improve their listening skills and be more responsive to the needs of the people through appropriate consultation procedures at different levels realistically and efficiently. Those efforts have proven to be successful in several landmark projects. Stakeholder engagement and consultation, therefore, prior to project inception, during project conceptualization and implementation, and after termination, is of critical importance if public efforts are to be tailored to the needs of the people.

## C. What should be the model for PPPs that should prevail?

52. It is argued that because of the challenges and problems often associated with the PPP model that the model may be altogether not “fit-for-purpose”. However, it is important not to overlook why PPPs came into fashion in the first place.

53. For PPPs which deliver public services to the citizens who are ready to pay a fee for the service, PPPs have allowed governments to:

(a) Benefit from the skill of the private sector in delivering improved services of economic nature;

(b) Have the services paid only or mostly by the end users of the particular service (e.g.: transport, water, power and health);

(c) Limit the drain on the public budget; and

(d) Reduce impact of service delivery on existing or future tax budgets.

54. In addition, PPPs have allowed governments to fix weaknesses of the traditional public procurement system with regards to the building, delivery and maintenance of public infrastructure and services.[30]

55. For these reasons, PPPs have been used to bring in private sector efficiency, deliver projects on time, make better use of public budgets, and instil better stewardship and long term operational and maintenance approaches in public infrastructure and service delivery. It is interesting to note that over time PPPs awarded through public bidding have actually made the traditional procurement more efficient. In the current context of scarce resources and limited public-sector alternatives, there is a need to more clearly promote such models based on experience in developed and middle and low-income countries where sustainable development and people are the cornerstone.

56. What is needed is an approach to PPPs inspired by the 2030 Agenda – PPPs for the SDGs - and a set of guiding principles to mainstream such an agenda for PPP delivery.

[30] It is often noted that traditionally procured and delivered projects often go over budget, tend to not be delivered on time, and tend to be a "build it and forget it" approach to public infrastructure.