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Issue Brief Series

# Promoting People first Public-Private Partnerships (PPPs) for the UN SDGs

United Nations Economic Commission for Europe (UNECE)

July 2016



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## **Promoting People first Public-Private Partnerships (PPPs) for the UN SDGs United Nations Economic Commission for Europe**

### **1. Introduction**

The UN SDGs have given a high priority to partnerships as a vehicle to achieve the SDGs, alongside other measures such as better domestic resource motivation, increased ODA etc. Of the various partnerships mentioned - public, public-private, and civil society partnerships - more attention is given to public-private partnerships (PPPs). The latter in contrast to the other forms of partnerships, offers the prospect of enhanced resource additionality. Accordingly, many UN bodies have started to take an interest in PPPs, while the AAAA has called for the elaboration of guidelines for PPPs.

Yet, PPP has rarely been used in the way it is contemplated by the SDGs. It has not been associated with major social and economic transformation or poverty alleviation. Rather, the objectives for using PPPs have been rather modest - used for value-for-money reasons as an alternative to traditional public procurement, while many projects have been confined more or less to developed countries. Moreover, where they have been applied in developing countries the track record has been at times disappointing and bad projects have attracted strong criticism. So giving a prominent place to PPP in the UN SDGs needs now some urgent consideration and more actions in order to make PPP, a smart investment, viable, feasible and 'fit for purpose' for the UN SDGs.

### **2. Stocktaking**

#### Recent overall trends

There are a number of factors which make it difficult to use PPPs for the UN SDGs. First, global trends in FDI do not point to any surge of investment in infrastructure and certainly not to the least developed countries. Second, the countries most in need of PPPs are the ones where the legal and regulatory frameworks, which are so critical for PPPs, are unfortunately the least robust. Private companies who do enter these markets will have to accept a less attractive risk/reward ratio. Finally, the sharp criticisms which companies often face when entering into emerging markets make them less inclined to enter these markets in the first place.

This being said, on the other side of the balance, the 'One Belt One Road' initiative of China, which seeks to rebuild the 'old silk road' both by land and sea, reconnecting China with Europe, is a considerable boost to the prospective use of PPPs in emerging markets and can have positive spill overs for UN SDGs. Suffice it to mention that the 'One Belt One Road' initiative is

by 2050 expected to contribute 80 per cent of global GDP growth and advance three billion more people out of low income categories into the middle class.<sup>1</sup>

### 'People First' PPPs

People-first Public-Private Partnerships set out a clear statement that out of all the stakeholders, 'people' should be the priority and main beneficiary. Their focus should be on improving the quality of life of communities, particularly those that are fighting poverty and by creating local and sustainable jobs. Projects should fight hunger and promote wellbeing, promote gender equality, increase access to water, energy, transport, and education for all, and promote social cohesion, justice and disavow all forms of discrimination based on race, ethnicity, creed and culture. People-first PPPs should increase very quickly in scale and spread. They should be treated as 'People first' only once they have met a number of the criteria mentioned below.

#### **Making PPPs fit for purpose**

##### **Accessibility, equity, efficiency, effectiveness, sustainability and replicability**

People-first Public-Private Partnerships must be evaluated according to a new set of criteria which can be perceived and actually are "quality investments". Such criteria are tentatively defined as: "accessibility"; "equity"; "efficiency"; "effectiveness", "sustainability" and "replicability". Partnerships need to:

- Increase access of essential services to people especially the socially and economically vulnerable. Engagement with social policy issues has remained on the periphery, rather than an integral part of, infrastructure reform in many countries. The design of PPPs has been weak in addressing poverty concerns, and there has been an absence of consideration of the impact of such investments on different groups of men and women;
- Promote equity, leaving no one behind, promote social justice and make essential services accessible and without restriction on any grounds, to all;
- Increase efficiency - doing more with less. Improving the productivity of existing assets and making savings, for example, that can be used by governments for projects that eradicate poverty;
- Be effective - the projects work and delivers;
- Are sustainable - cuts Co2 emissions and fosters green growth; and
- Be replicable so that they can be scaled up and achieve the transformational impact required by the 2030 Agenda.

<sup>1</sup> The One Belt One Road refers to the land based 'Silk Road Economic Belt' and the seagoing 21st Century Maritime Silk Road. The routes cover more than 60 countries from Asia to Europe via South East Asia, South Asia, Central Asia, West Asia and the Middle East, currently accounting for some 30 per cent of global GDP and more than 25 per cent of world's merchandise trade. Source: 'Hong Kong: the World's Gateway to the Belt and road' HKTDC, 2015

If PPP is looked at over the years, it is worth recalling that before 2000 the term ‘PPP’ was not really used. The first generation of PPP moreover was largely done as an accounting exercise to put assets ‘off the country’s balance sheet’; and a second generation of PPP was developed as a means of providing better services at an overall lower cost than through traditional public procurement, giving tax payers ‘value-for-money’. Currently, a third generation of PPP is emerging where partners are more widely spread and include ‘not for profit’, philanthropic bodies. Such partnerships should have a more ethical approach to infrastructure investments. Recently, the UNECE challenged governments and the private sector to produce ‘people first PPPs’ that are ‘compliant’ with the UN SDGs, and over 80 projects were submitted with almost all showing that they met a number of the ‘people first’ PPP criteria mentioned above.

#### International PPP standards compliant with the UN SDGs

If People first PPPs is the way forward, doing a single or a small number of projects is not going to have significant impact. The financing shortfall for public infrastructure and public services has been calculated at between 1 to 4 trillion US dollars on an annual basis, and no other form of partnership other than PPP can make up such a magnitude. So there is therefore a need for hundreds, even thousands of ‘People first’ PPPs. How then to scale up to achieve such mobilisation of the funding required? The answer is to develop international standards for ‘People first’ PPPs. These standards are model templates – short, concise documents based on actual cases (at least 20 cases) – good and bad - identifying the best types of model, the financing arrangements, the legal issues and contract clauses related to the sector, as well as the feasibility of applying such projects in middle and low income countries. These standards and best practice models should cover *inter alia*, energy (energy efficiency and alternative energy such as wind and solar), water and sanitation, health and education and so on.

Of course, every jurisdiction is different and no one model can be used for every country. But when countries look to find a PPP model that addresses a specific problem, they often undertake a vast research initiative on what has worked and what has not in a particular country, and this can be a time consuming, data exercise. Standards simply encapsulate the information on best practice models that can be then adapted in middle and low income countries.

Some key lessons in developing standards for ‘People first’ PPPs have been the following:

- It is important to listen to the views of low income countries on the models that suit them rather than use models taken from developed countries: the well documented PPP hospital project in Lesotho, allegedly it consumes over half of the country’s total health budget, was in fact, tailor-made for an African country and, despite some of the negative coverage it has received, the project is actually perceived as a success by neighbouring countries.
- Low income countries tend to be inspired by models which have worked well in countries with their own social and economic profiles. In 2012 at “PPP Days” held at UNECE headquarters in Geneva, for example, the Philippines showcased a lease contract that allowed expensive dialysis equipment to be used in a hospital care centre where

the risk was taken over by the private sector.<sup>2</sup> The head of the PPP Unit in Bangladesh listened to the presentation and was so impressed that they have replicated it in his country, which proved to be a success that has saved lives and is currently being rolled out throughout the country.

- Give priority to developing standardised legal and regulatory practices to accelerate PPP, a factor that improved delivery in those countries which did this. The French Government has supported this aspect of PPP by establishing a Centre on Policy, Law and Institutions that will support UNECE international project teams dealing with different legal aspects of PPP, including on procurement and dispute resolution, throughout the standard development process.
- Ensure that international project teams developing the standards are well balanced with representatives from Governments, the private sector and civil society.

### Financing PPPs

Developing international standards for 'People first' PPPs - upstream - is still only part of the challenge that needs to be addressed. It is also necessary to ensure that downstream there will be financing to make these projects happen. On the one side of the fence there are the numerous funding sources – it is often said that the problem is not the lack of available funding – and on the other side of the fence the projects that require funding. How to bring the financiers together with the projects? Or in the parlance used by the financiers – how to make 'People first' projects 'bankable'?

To develop the linkage upstream and downstream there is a need to:

1. Provide clear criteria for impact social investment for the UN SDGs in line with people first PPPs; and
2. Mobilise the financiers and investment funds for social impact for the UN SDGs that can act as catalysts and cover the need for social protection and so on.

### **3. Policy Options**

Since the UNECE held its first International PPP Forum on People First PPPs for the UN SDGs in March 2016, its Compendium of people first PPP case studies for the SDGs was the largest mobilisation of People first PPPs ever attempted. It now is going further and challenged governments, private sector and civil society to achieve 500 'People first' PPPs by the end of 2016. This is designed to:

- Raise awareness about the model and be the basis for standards that have heretofore not been used for benchmarking PPPs;

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<sup>2</sup> The project itself proved to be a 'win-win' for the patients, (better quality care and availability of a service without which they would become ill and even die); doctors who now had the most modern tools for treatment; and the poor, with an increase in revenues generated by the improved service could make use of the service even without the financial means to pay for it.

- Provide templates and standards that can be replicated especially in low income countries;
- Assist the financial community to fund these projects;
- Monitor progress in implementing 'People first PPPs' identifying sectors where more work needs to be done; and
- Assist projects aspiring to become 'People first' and finding ways to complete these successfully.

Such a programme complements the UNECE's work on developing international standards for 'People first PPPs'. UNECE is looking to other UN agencies and the multilateral development banks to work together in this programme.

**Annex I**

**International Project teams are currently working on the following international PPP standards:**

- Zero Tolerance to Corruption in PPP Procurement
- Health Policy
- Waste-to-Energy
- Urban-Metro Rail
- Airports
- Rail
- Roads
- Water Supply and Sanitation
- Renewable energy
- Sustainable PPP Procurement

**Annex II****Some preliminary Examples of ‘People first PPPs’ presented to the UNECE PPP Forum in March 2016**

Goal 1 (no poverty):

- **“Luz para Todos”, Brazil**
- **Agriculture project, Haiti**

Goal 2 (zero hunger):

- **Agriculture project, Haiti**
- **Butane regional development, Philippines**

Goal 3 (universal health coverage)

- **Haemodialysis Centre at NIKDU, Bangladesh**
- **Reparative Neurosurgical Operations, Ukraine**
- **Oncology Hospital, Belarus**
- **Oncology Centre, Ukraine**
- **Alder Hey Children Hospital, United Kingdom**
- **Fort Valley Royal Hospital, United Kingdom**
- **Sunshine Coast and Cartagena and Mar Manor Hospital, Australia and Spain**

Goal 4 (quality education):

- **Kindergartens Retrofitting, Mongolia**

Goal 5 (gender equality):

- **Cassias Entrepreneurial Schools, Portugal**

Goal 6 (clean water and sanitation):

- **Public-Private Partnerships in the water sector in Armenia**
- **Andrey Region Water Network, Madagascar**
- **Clean Don, Russian Federation**
- **Jinan and Sponge City, China**
- **Marfa Water and Waste Water Concession, Portugal**

Goal 7 (affordable and clean energy):

- **Central Java Power Plant, Indonesia**
- **“Luz para Todos”, Brazil**
- **Cen power Generation Company, Indonesia**
- **Pamir Private Power Project, Tajikistan**
- **Energy Efficiency Appliance Rebate Program, United States**



Goal 8 (decent work and economic growth):

- **Invest in Africa, Ghana and Africa**
- **Cassias Entrepreneurial Schools, Portugal**

Goal 9 (industry, innovation and infrastructure):

- **E18 Road Program, Finland**
- **DND Flyway, India**
- **Thiruvananthapuram City Improvement, India**
- **R1 highway, Slovakia**

Goal 10 (reduced inequalities):

- **Sirona Frontier Markets Fund 2, 14 emerging markets**

Goal 11 (sustainable cities and communities):

- **Well-being of future generation, Wales, United Kingdom**
- **Sustainability Indicators in Colombia, Colombia**

Goal 12 (responsible consumption and production):

- **Rent and Share for a Greener World, China**
- **Energy Efficiency Appliance Rebate Program, United States**

Goal 13 (climate action):

Goal 14 (life below water):

Goal 15 (life on land):

- **Agriculture project, Haiti**
- **Butane regional development, Philippines**

Goal 16 (peace, justice and strong institutions):

- **Well-being of future generation, Wales, United Kingdom**

Goal 17 (partnerships for the goals):

These projects are selected by consultation with a large group of stakeholders and practitioners, namely the Bureau of the UNECE Team of Specialists on PPPs - the only intergovernmental body within the UN system entirely devoted to PPPs - and a Technical Steering Committee consisting of experts from public, private sectors, and representatives from the civil society, academia and consumer bodies.