Successful financing of the SDGs through PPPs requires building capacities for a PCSD approach

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To achieve the 17 goals of the 2030 Agenda, very substantial financial investment will be required. According to the 2014 World Investment Report by the United Nations Conference on Trade and Development (UNCTAD), approximately USD 4 trillion will be needed every year in developing countries alone for the SDGs to be achieved by 2030. Given current levels of investment in all SDG-related sectors by both public and private bodies, developing countries face a funding gap of USD 2.5 trillion per year.

It is unlikely that government budgets and official development aid will be able to fully compensate for this funding gap. Many developing countries face fiscal constraints due to high levels of debt or inability to collect taxes, and most donor aid is channelled towards current traditional spending needs. Therefore, private sector investment will be crucial in assisting the realisation of the SDGs.

However, the UNCTAD report also states that private sector involvement is not without its difficulties. First, the lack of an adequate risk-return profile in many developing countries makes it difficult to garner additional private sector investment. This can arise from factors that increase investment risk: at country level, the presence of weak institutions and, at market level, the degree of demand uncertainty.

Second is the nature of the SDGs themselves. As many of the SDGs involve the provision of quality services that are both accessible and affordable to others, the risk-return ratio is further eroded. In addition, dilemmas still exist about the acceptable level of private ownership of public assets, as governments have the ultimate responsibility for providing basic services.

SDG 17.17- Partnerships

It is important to acknowledge the need to ensure availability of sufficient financial resources to implement the SDGs – be this through better tax collection or other forms of project financing such as public procurement, privatisations, concessions or public-private partnerships (PPP).

SDG Goal and Target 17.17, “Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships”, expands the traditional notion of PPP from public and private actors to include civil service organisations (for the sake of abbreviation, PPP+). The related weak indicator 17.17.1 suggests measuring PPP+s by the “the amount of US dollars committed to public-private and civil society partnerships”. In reality, achieving successful PPP+s is very much linked to co-ordination among government entities and on governments’ ability to consult private sector and CSO stakeholders, hence the importance of capacity building among key stakeholders for achieving policy coherence.

Many developing country governments are not aware of the legal implications of PPP+s, the potential risk in regard to financial liabilities nor of the potential alternative financing instruments available to finance SDG-related physical and social infrastructure projects.

A case in point is the diversity of PPP+ instruments at their disposal, such as Build & transfer (BT), Build-lease & transfer (BLT), Build-operate & transfer (BOT), Build-own & operate (BOO), Build-transfer & operate (BTO), Contract-add & operate (CAO), Develop-operate & transfer (DOT), Rehabilitate-operate & transfer (ROT) and Rehabilitate-own & operate (ROO), to name the most common PPP+ financing options.

Without mastery of institutional knowledge of the various financing instruments and modalities, governments remain vulnerable to potential further debt and possible collusion of interest by public and private parties.

PPP+ and the importance of PCSD

To give an example in the field of social infrastructure, PPP+s in the health field normally consist of close policy co-ordination between the ministry of health and other governmental stakeholders such as the state planning authority (macroeconomic planning), ministry of finance (budgetary issues), public procurement agency (supervising tenders), privatisation agency (implementation, TOR, concessions), administration, line ministries (BTO, BOO, BLT etc.) and municipalities (implementation).

The MoH often lacks the necessary PPP+ unit to implement project cycles, approve feasibility studies and contracts. Thus, the bidding process for the first PPPH contract can lead to misunderstandings about the PPP+ project, unpredictability, allegations of bias concerning pre-requirements and lack of transparency. It is unclear who will implement the monitoring and evaluation and which performance indicators will be assessed to keep a PPP+ in the health sector on course financially, equitably, and professionally. Equally important is the government's ability to consult concerned stakeholders such as the medical profession, health sector labour unions, patient organisations and pharmaceutical companies.

Multi-actor partnerships further deepen PCSD challenges

To continue with the health sector, SDGs and multi-party partnerships, PPP+s exist that include local partnerships (government, local NGOs) + international aid agencies involved in the health sector (USAID, DFID, SDC etc.) + academic research institutions developing new vaccines or diagnostics (to combat malaria, polio, aids etc.) + philanthropic organisations (Bill Gates Foundation, Aga Khan Foundation, Hewlett Packard Foundation) + international organisations (WHO, UNICEF, World Bank) + intermediary PPPs (GAVI, Global Fund, MMV) + multinational or local companies.

The challenge of co-ordinating in order to avoid duplication of efforts, contradictory policy initiatives, high transaction costs, favouritism in patient treatment based on economic, social or ethnic background and cherry picking by the various donors and partner organisations is very high and requires competent policy making and PPP+ policy management and evaluation.

Developing countries without government staff that understand the complexities of PPP+ often become dependent on what is being offered by partner organisations. An option is to create sufficient indigenous know-how and sound legal institutions or, in the absence of this, to agree at an international level to create a PPP+ observatory which could provide information about modalities and serve as a centre of training and advice. Such an observatory could go far to identify coherence gaps, strengthen capacities for co-ordination and consultations, monitor progress and achieve more coherent outcomes, all with a view to leaving no one behind.