



# **Financing SDGs through PPPs: need for standards, institutions, and capacity building**

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28<sup>th</sup> June, 2017**



# Outline

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- ❖ **Developing PPPs**
- ❖ **Health Sector PPP working group**
- ❖ **Aligning PPPs to the SDGs- current developments**
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# THE CONTEXT: SDGS



# The Context: SDGs

## SDGs and Agenda 2030

Transforming our world: the 2030 Agenda for Sustainable Development” on 25 September 2015. The resolution consists of 17 Goals and 169 Targets covering crucial areas of global development agenda that countries have agreed to implement at the General Assembly meeting in New York.

## The crucial role of financial investment

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



# The Context: SDGs

## Funding gap

It is unlikely that government budgets and official development aid will be able to compensate fully for this funding gap. In government, so investments made by the private sector will be crucial in assisting the realization of the SDGs.

## SDG goal 17

### Partnership for the goals

Target 17.17 Encourage and promote effective **public, public-private and civil society partnerships**, building on the experience and resourcing strategies of partnerships.



# The Context: SDGs

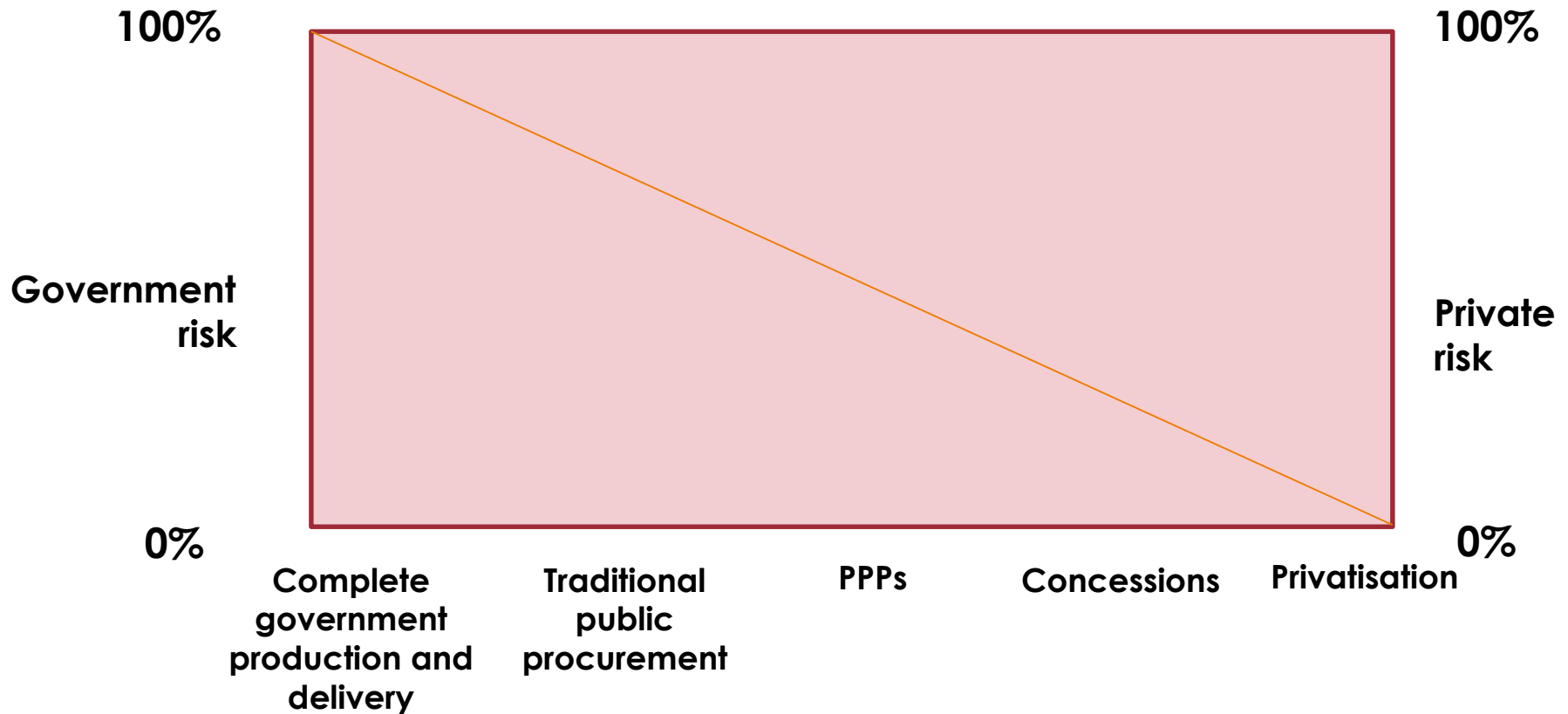


## The risk of indebtedness and ill defined indicators

TARGET	INDICATORS
<p>17.17</p> <p>Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</p> <p>Data, monitoring and accountability</p>	<p>17.17.1</p> <p>Amount of US dollars committed to public-private and civil society partnerships</p>
<p>17.4</p> <p>Assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress</p>	<p>17.4.1</p> <p>Debt service as a proportion of exports of goods and services</p>



# Public and private participation classified according to risk and mode of delivery



Source: OECD (2008), Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money, OECD Publishing, Paris. P.21.

# Advantages and disadvantages of a dedicated PPP unit



Arguments for a dedicated PPP unit	Arguments against a dedicated PPP unit
<ul style="list-style-type: none"> <li>A dedicated PPP unit can separate PPP policy formulation and implementation.</li> </ul>	<ul style="list-style-type: none"> <li>PPP policy can be formulated by the same authority that does so for traditional procurement.</li> <li>A dedicated unit may not separate policy formulation and implementation if it can directly fund PPP projects.</li> </ul>
<ul style="list-style-type: none"> <li>A dedicated PPP unit can act as a knowledge center on PPP project preparation, negotiation and execution.</li> <li>Centralisation of knowledge can provide cost savings for government.</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge can be supplied by internal and external project advisors appointed directly by individual ministries/agencies with specific expertise in the relevant sectoral area and/or project issues.</li> </ul>
<ul style="list-style-type: none"> <li>A dedicated PPP unit can help regulate the creation of PPPs by government organisations to ensure that they fulfill all requirements regarding affordability, value for money and risk transfer.</li> </ul>	<ul style="list-style-type: none"> <li>Line ministries/agencies together with the finance/planning ministry have expertise in assessing cost-benefits of projects and political prioritization of projects.</li> </ul>
<ul style="list-style-type: none"> <li>A dedicated PPP unit can ensure that appropriate budgetary considerations are taken for PPP projects and that contingent liabilities are also evaluated.</li> </ul>	<ul style="list-style-type: none"> <li>The closer a dedicated unit is to the relevant political leadership, the more susceptible it is to the political influence in deciding which PPP project should be initiated.</li> </ul>
<ul style="list-style-type: none"> <li>A dedicated PPP unit can give a fillip to a country's PPP programme, soliciting projects, attracting potential partners/investors, building trust and good will with private partners.</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a dedicated unit may imply an implicit approval of PPP as policy tool and weaken the case for other viable procurement methods.</li> </ul>

**CSEND: Surveillance needed through regular policy audits!!**

**CSEND: Regulatory mechanisms needed**

Source: Adapted from OECD (2008), Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money, OECD Publishing, Paris.





# PPP Nomenclature

1. **Build & transfer (BT)**
2. **Build-lease & transfer (BLT)**
3. **Build-operate-& transfer (BOT)**
4. **Build-own-& operate (BOO)**
5. **Build-transfer & operate (BTO)**
6. **Contract-add-&operate (CAO)**
7. **Develop-operate & transfer (DOT)**
8. **Rehabilitate-operate & transfer (ROT)**
9. **Rehabilitate-own-& operate (ROO)**

# Policy Options



IF a country has low income tax, low wealth tax, low VAT, and non-functioning tax collection = financing of SDGs limited to a) PPPs-Concessions-Privatisations or b) foreign aid-ODA c) loans from MDBs or d) loans from capital markets – a,c,d need to be repayed or country counts on debt forgiveness at Paris Club.

Counter example of above are Scandinavian countries

# Developing PPPs

## UNECE's PPP ICoE



- The new UNECE International PPP Centre of Excellence (ICoE) is **a project-driven, goal-oriented body** that **produces standards** both relevant and effective in the evolving PPP landscape.
- The ICoE was given the mandate to work in close collaboration with other international organizations including the World Bank and the World Economic Forum to develop standards that will enable the realization of the SDGs

# Developing PPPs



**In 2014, UNECE launched a new programme to develop international PPP standards.**

**The current standards and drafting groups which produce the standards consist of the following domains.**

Sectors	Technical/Legal
Health	Zero Tolerance to Corruption
Education	Certification of PPP units
ICT and Broadband	Commercial Arbitration
Renewable Energy	Procurement
Renovation of Public Buildings	Promotion of Women
Roads	
Smart Cities	
Water and Sanitation	
Banking for Low-Income Income Countries	
Small Island Developing Developing States	

# Developing PPPs

the organization of  
UNECE's PPP Center of Excellence



## UNECE's PPP Center of Excellence

### Bureau (TOS PPP)

#### **Professional Background:**

2 consultants, 3 government representatives, 3 academics-consultants, 2 professional associations

#### **Geographical background**

3 western Europe, 2 Eastern Europe, 2 North America, 1 Japan, 1 Turkey, 1 Morocco

### Advisory Board

#### **28 members**

26 consulting companies and banks from Western Europe and North America, 1 from Turkey and 1 Indonesia.

#### **Chairman**

James Stewart, currently Chairman of KPMG's Global Infrastructure Practices

# Developing PPPs

the organization of  
UNECE's PPP Center of Excellence



The PPP unit of UNECE has continuously made efforts to broaden its membership **but has not yet been able to achieve full stakeholder representation so far**

- The composition of both entities show an **over-representation of the private sector and of developed country** governments and private sector PPP experts.
- Stakeholders from **civil society (including trade unions, consumer groups, NGOs)** are not yet **included** on the board nor on the advisory board and hence are not yet demonstrating inclusiveness, participation and transparency required for SDG implementation.

# Developing PPPs

## The PPP standard setting process and economic cooperation



UNECE **New program**  
Reform Committee on Economic  
in 2005 Cooperation and  
Integration(CECI)

PPP Knowledge  
centres set up

Institutionalization of  
PPP initiative  
**UNECE's PPP  
Centre of Excellence**

PPP standards  
development in  
2014

- to promote a financial and regulatory environment conducive to economic growth
- expands its mandate by focusing on Public Private Partnerships (PPP) by going beyond the traditional UNECE territorial boundaries

- UNECE's PPP Centre of Excellence consisting of International PPP Standards, guides, case studies and readiness assessments
- how to work with the private sector and partnering with other UN organizations.

- an agreement was reached both to develop international PPP standards and on an innovative structure for producing them.



# HEALTH SECTOR PPP WORKING GROUP





# How PPP working group was formed

- The project of PPPs in Health Policy was initiated in 2014.
- The selection of PPP working group members followed very quickly.
- The working group was scheduled to terminate its standard drafting work by reaching approval by end 2015 or early 2016.
- **The speed of selecting, organizing and drafting a PPP Health standard was impressive.**



# The problems of the composition of the drafting group

- The speed of the working group's deliberation
- The closed membership selection (mostly private sector PPP experts from developed countries)

# The reasons of re-thinking the process



- a) The health sector should not be determined by private sector suppliers neither in regard to health infrastructure nor of healthcare services.**
- b) Understanding the needs and wants of healthcare consumers was considered a must.
- c) UNECE being a member of the UN family should take it to heart what SDGs entail.**
- d) The UNECE PPP standard group's working strategy was to split the work to be done into a study phase and a subsequent production of the standard.



# Recommendation for UNECE

- ✓ **To reassess the compatibility it's of its PPP approach with the SDGs principles and ensures that the PPP standard setting process is conform with the SDGs goals and targets**
- ✓ **To democratise the PPP process by inviting consumer based civil society groups as well as other stakeholders such as trade unions and professional associations from developed and developing countries to partake in the elaborations of standards and best case examples.**



# Assessment grid of SDG-PPP

<b>Title of the PPP project:</b>	
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Overall remarks on evaluation of the case:

Criteria	Comment
PPP is in concurrence with SDGs	yes

Assessor's name	Criteria	1	2	3	Total Score
Raymond Saner	(Threshold)				

SDG-PPP assessment grid  
developed by Raymond Saner,  
2016

# Assessment grid of SDG-PPP



Criteria	Score	Remarks
<b>General Criteria</b> (threshold $\geq 12$ )	(0-20)	
Increases <b>access</b> to essential services to low income countries		
Improves <b>efficiency</b> and filling the capability gap in the public sector that exists in such countries		
Promotes <b>equity</b> and a less unequal society both in terms of income and in terms of women's empowerment		
<b>Replicability</b> (a characteristic in a project) which allows for scalability and real impact – something which also requires capacity building by the company inside their project and outside among critical stakeholders including consumers		

Criteria	Score	Remarks
<b>General Criteria (cont'ed)</b> (threshold $\geq 12$ )	(0-20)	
Makes services <b>affordable</b> to the poor while at the same generating a reasonable ROI to private sector investor		
Provides <b>capacity building</b> by the company inside their project and outside among critical stakeholders including consumers		
<b>Makes the planet sustainable</b> , mitigating the risks and creating a resilient infrastructure		

# Assessment grid of SDG-PPP



Criteria	Score	Remarks
<b>People</b> (threshold ≥ 10)	(0-15)	
<b>Provides capacity building</b> (training) by the company inside their project and outside among critical stakeholders including consumers		
Ensures <b>consumer protection</b> at the project site as well as externally		
<b>Prosperity</b> (threshold ≥ 10)	(0-15)	
Focuses on small projects that provide opportunities for <b>local SMEs</b> to provide goods and services		
Offers <b>benefits</b> to local government in terms of taxes and levies in a transparent manner to limit possible corruption		

Criteria	Score	Remarks
<b>Planet</b> (threshold ≥ 10)	(0-15)	
Project is of <b>low carbon emissions</b> and low agriculture GHS		
Include <b>alternative energy technology</b> as much as possible and feasible		
<b>Peace</b> (threshold ≥ 10)	(0-15)	
Project promotes <b>understanding and respect</b> among all (peace)		
Project promotes a <b>safe and faire environment</b> that will lead to stability needed to attract private investors (long term peace)		

# Assessment grid of SDG-PPP



Criteria	Score	Remarks
<b>1. People</b> (threshold $\geq 12$ )	(0-20)	
Increases <b>access</b> to essential services to low income countries		
Improves <b>efficiency</b> and filling the capability gap in the public sector that exists in such countries		
Promotes <b>equity</b> and a less unequal society both in terms of income and in terms of women's empowerment		
<b>Replicability</b> (a characteristic in a project) which allows for scalability and real impact – something which also requires capacity building by the company inside their project and outside among critical stakeholders including consumers		
<b>Makes the planet sustainable</b> , mitigating the risks and creating a resilient infrastructure		

Criteria	Score	Remarks
<b>2. Planet</b> (threshold $\geq 12$ )	(0-20)	
Increases <b>access</b> to essential services to low income countries		
Improves <b>efficiency</b> and filling the capability gap in the public sector that exists in such countries		
Promotes <b>equity</b> and a less unequal society both in terms of income and in terms of women's empowerment		
<b>Replicability</b> (a characteristic in a project) which allows for scalability and real impact – something which also requires capacity building by the company inside their project and outside among critical stakeholders including consumers		
<b>Makes the planet sustainable</b> , mitigating the risks and creating a resilient infrastructure		





# ALIGNING PPPS TO THE SDGS CURRENT DEVELOPMENTS



# Current developments

- **The Addis Ababa Action Agenda (Financing for Development) held in 13-16 June 2015 emphasized the importance of infrastructure investment for achieving the SDGs.**
- **An Inter-Agency Task Force meeting on Public Private Partnerships (PPPs) was convened on 16<sup>th</sup> December 2016 in New York.**
- **A Scoping Study was written on Public-Private Partnerships by Motoko Aizawa in February 2017**



# Problem and suggestion

- While more information is becoming available on success and failures of PPPs, a lot of key data remains either dispersed or not publically available.
- This author has suggested at the last three PPP conferences of the UNECE that an observatory should be created that would focus on PPPs.



# CONCLUSION

# Conclusion



- PPPs means getting money today to be paid back in the future by the next generation, so it is not right to backload the due payments **without giving the citizens and the young generation the ability to take part in the decision making process.**
- To implement the SDGs, each government is supposed to set its triple bottom line goals, communicate them to their citizens, make the goal setting inclusive and participatory and provide for means to review and monitor the implementation of the SDGs from 2015 to 2030.
- **A PPP Observatory is needed.** It could add information on PPPs that are often missing or not fully reliable, could support UNECE and other International Organisations but also governments and civil society stakeholders involved in PPPs, help the PPP-SDG process stay on course and ensure that implementation of PPPs align themselves with SDG principles.



**THANK YOU!**