27 years development action

Centre for Socio-Eco-Nomic Development (CSEND)

April 2021

CSEND

- ECOSOC Accredited with Special Consultative Status since 2014
- Active member of the High Level Political Forum for the Post 2015 Development Goals (SDGs, adopted on 23/9/2015)
- Accredited to the WTO since 2000; UNFCCC since 2003
- Observer status to WIPO and UNTFSSE

Official launch

WAPPP

WORLD ASSOCIATION OF PPP UNITS AND PPP PROFESSIONALS

PAPER: MAKING PPPs FIT THE 2030 AGENDA

United Nations Economic Commission for Europe, Geneva, 26 April 2021

- WAPPP is a Geneva-based, global, independent, non-governmental organization.
- It aims to establish an international network of PPP units and PPP practitioners (corporate and individual, public and private) involved in the design and implementation of PPP’s.
- Key benefits of WAPPP include global collaboration, mentorship, networking and the promotion of best practices, advocacy for PPPs and the profession, and to help societies achieve the UN SDGs.

AGENDA | MAKING PPPs FIT THE 2030 AGENDA

- Chapter One: THE NEED FOR HIGH-QUALITY SDG 17.17.1 INDICATOR (Raymond Saner)
- Chapter Two: EVOLUTION OF PPP CONCEPTS AND PRACTICE (Marc Frilet)
- Chapter Three: THE EMERGENCE OF PEOPLE-FIRST PUBLIC-PRIVATE PARTNERSHIPS (Jean-Christophe Barth-Coullaré)
- Chapter Four: WHEN PUBLIC-PRIVATE PARTNERSHIPS PUT PEOPLE FIRST (David Baxter)
- Chapter Five: PPPs and ESG (Ziad Alexandre Hayek)
- Chapter Six: INTERGENERATIONAL REDISTRIBUTIVE EFFECT IN VALUE FOR PEOPLE AND VALUE FOR THE FUTURE (Domingo Penyalver & Mateu Turró)
- Chapter Seven: CONCLUSIONS (Mateu Turró)

Chapter One

THE NEED FOR HIGH-QUALITY SDG 17.17.1 INDICATOR

Raymond SANER

Raymond Saner

Titular Professor at Basle University, Department of Economics and Management and Director of the Centre for Socio-Eco-Nomic Development (CSEND), an ECOSOC accredited research organisation. He co-chairs the academic network of the OECD Guidelines on Business and Human Rights, is member of the UN Task Force on Solidarity and Social Enterprises and expert in CSR quality standards. He is vice-chairperson of the Bureau of the UNECE Working Party on Public-Private Partnerships

Post COVID-19 and the urgent need for social and physical infrastructure PPPs

WAPPP

- Global economic output is projected to decline **by -4.9 % in** 2020 (IMF)
- 10.5 % job losses globally equivalent to **305 million full-time in developed countries and 1.6 billion workers in the informal economy** – almost half of the global workforce – at risk of loosing their jobs and their livelihoods (ILO)
- Due to COVID-19 pandemic, annual financing gap to achieve the SDGs to balloon by 70 per cent to **US$4.2 trillion in 2020**. (M. Moheildin, UNDESA)
- Sovereign debt reaching unprecedented levels and fiscal space squeezed of the public sector cannot close financing gap alone. **Threat of sovereign default**
- **FDI levels suffering a 42% drop** in 2020, the COVID-19 crisis risks derailing global efforts to achieve the SDGs altogether.
- Africa, **only 11% infrastructure financed by private sector** (ECA)

⇒ **Absolute need for PPPs aligned with PfPPP**

DCs and LDCs urgently need guidance in PPPs but SDGs provide no help!

WAPPP

1. SDG 17 is about partnerships; Target 17.17. is about PPPs; Indicator 17.17.1 as defined in 2016 states "*Amount of US Dollars committed to public, private and civil society partnerships*", which is a useless indicator called a Tier III indicator.
2. A Tier III Indicator: ***No internationally established methodology or standards are yet available for the indicator, methodology/standards are being (or will be) developed or tested***.
3. Six years have passed, 17.17.1 is still a Tier III indicator!!!!
4. In 2018, the IAEG-SDG warned that indicators remaining a Tier III indicator might be deleted as of 2020. In view of this threat, the World Bank Group (WBG), the custodian of 17.17., suggested in August 2018 that the 17.17. Indicator be split into two sub-indicators namely a) PPPs for physical infrastructure and b) for civil society partnerships.

Need & solutions for a High-Quality SDG 17.17.1 indicator

WAPPP

- The WBG then stated that "*other sectors such as education and health **may** account for a significant part of PPPs but they are not captured by the WBG database. Expanding the data to include PPPs in other sectors beyond physical infrastructure is something that the World Bank Group is considering but it is currently limited by budget constraints*".
- By proposing to split the 17.17.1 indicator into two parts (A and B) and by the fact that the custodian (WBG) claims that it collects only data on the four physical infrastructure PPP domains, the IAEG decided to consider upgrading part A to Tier II status but to leave part B as Tier III indicator.
- However: WBG data are not available to external actors, no evaluations exists of its many years of PPPs, 6 years have passed without progress- solutions:

  A) 17.17.1 WBG data on PPPs be made publically available and monitored;

  B) Custodianship be given to UNECE and other UN RCs;

  C) UNDESA takes role of custodian and "puts house in order"

Chapter Two

EVOLUTION OF PPP CONCEPTS AND PRACTICE

Marc FRILET

Marc Frilet

Aix-en-Provence post graduate degree in comparative law and business laws and graduate in political science (Science Po) in the public service division. McGill University Montreal LLM (focus on common law contracts and commercial transactions)

Managing Partner of Frilet-Société d'Avocats, Paris

General Secretary of the UNECE International Centre of Excellence, Policies, Laws & Institutions

Lecturer on Construction Project Development and PPPs at Steinbeiss University, Stuttgart & Paris Panthéon Assas

Evolution of PPP concepts and practice

WAPPP

- The early times: the Concession and Affermage models
- Early 1990's Margaret Thatcher and the Private Finance initiative (PFI)
- Late 1990's Tony Blair and the advent of PPPs
- The period 2000- 2010
- New concepts of PPPs during the decade from 2010 to 2020 for low- and middle-income countries
- The new and promising trend: delivery of essential public services meeting the SDG's and the advent of People First PPP

Fair and responsible rate of return (30 year perspective) equilibrium

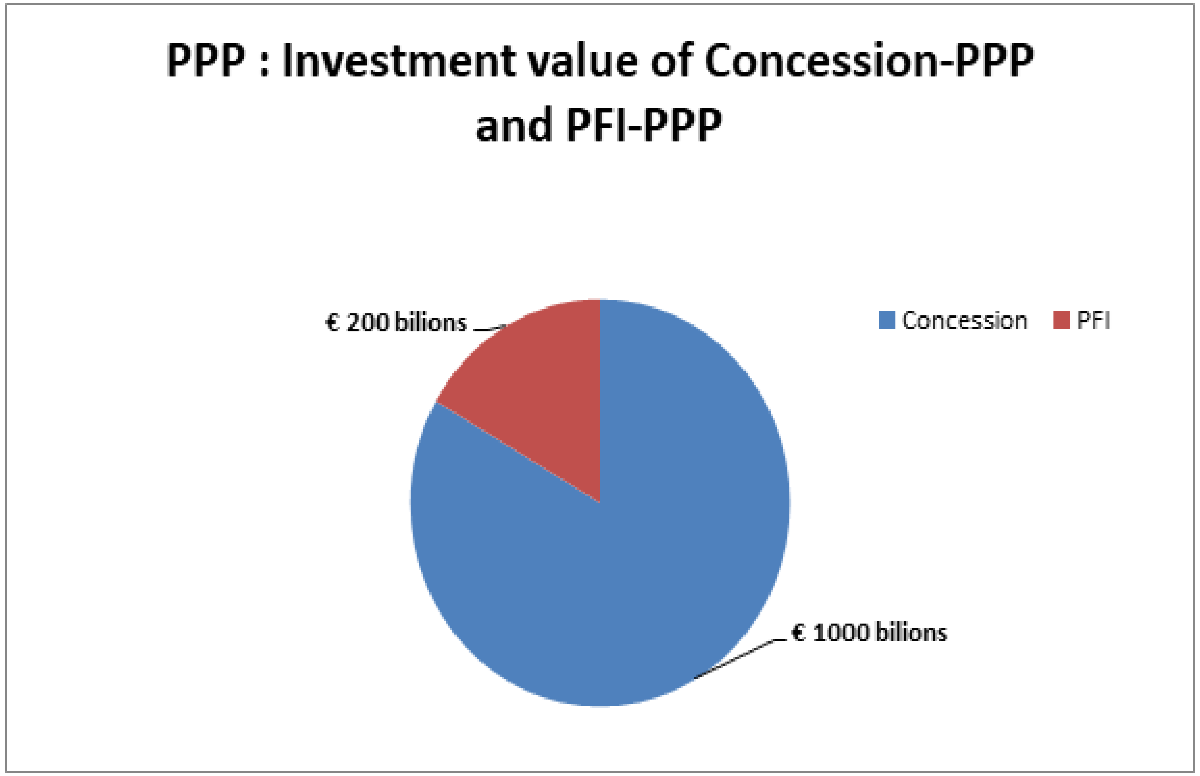
Private sector cannot afford to deliver projects that don't also add social value

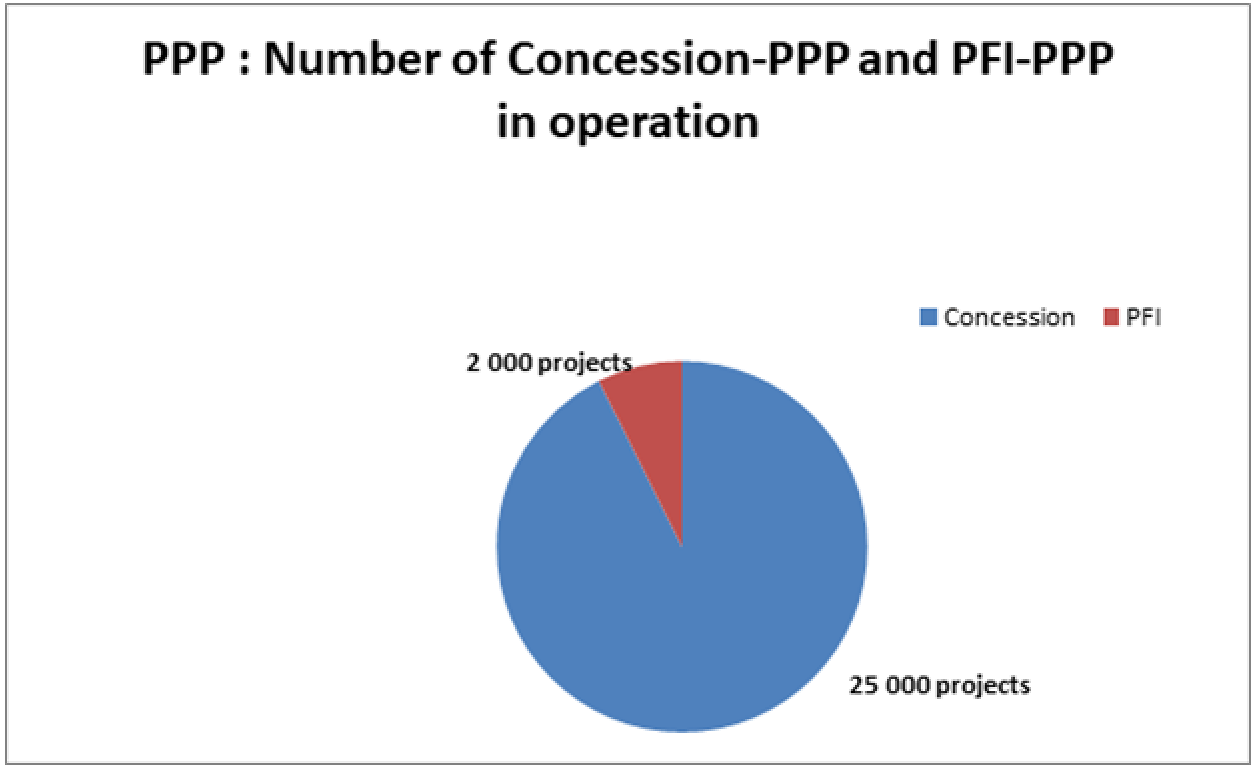
PPP characteristics: two main families

WAPPP

1. PFI / PPP family	2. Concessions / PPP family
✔ Design (based on functional specifications) ✔ Build or rehabilitate ✔ Finance	
✔ Operate the infrastructure or utility without delivering the public service to the end users	✔ Operate infrastructure of utility and in charge of delivering full public service to the end users
✔ Compensated entirely by the public authority when service is rendered	✔ Compensated entirely or mainly by the end users paying for the service
✔ Contract duration limited to the project cycle (amortization of assets, profit margin and financial recovery)	

Estimated number and Investment value of Concession-PPP and Public-Payment PPP





Chapter Three

THE EMERGENCE OF PEOPLE-FIRST PUBLIC-PRIVATE PARTNERSHIPS (PFPPP)

Jean-Christophe BARTH-COULLARÉ

Jean-Christophe Barth-Coullaré

Executive Director of WAPPP
Accredited Mediator (SCCM & SDM-FSM)
Hands-on experience with public-private infrastructure projects
Co-Founder of the European Champions Alliance
Past Co-President of the Swiss Chamber of Commercial Mediation
Regular speaker and lecturer on Board Governance and Dispute Resolution

Emergence of the People-first aspect of PPPs

WAPPP

- Discussions involving multiple stakeholders from International Organizations, CSOs and Private sector in 2015 which led to a reframing of the orientation towards people-centric public-private partnerships
  - Tool for development
  - Intrinsic weaknesses in the execution of the “classical” model
- UNECE coined the People-first approach with its five ingredients
  1. Transformational, in an international, global, game-changing sense
  2. Inclusive, ‘leaving no one behind’
  3. Resilient, adapting and mitigation the multiple challenges presented by climate change
  4. Social, as opposed to just economic infrastructure
  5. Moving from a linear to a circular economy, and fostering more rational and sustainable production and consumption patterns, and to reuse, recycle, and repurpose

The Addis Agenda highlights PPPs 5 times

WAPPP

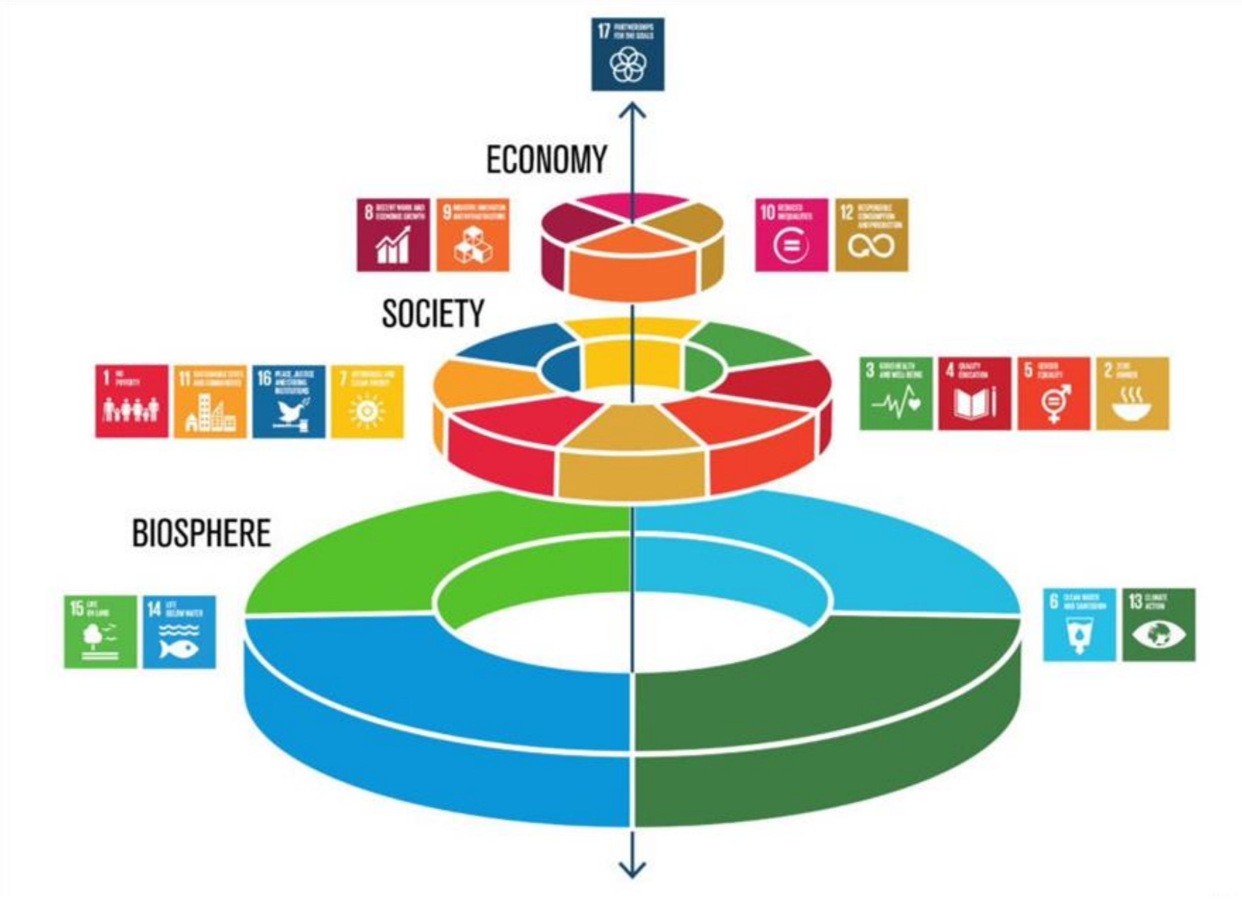
- Paragraph 48 of the Addis Agenda gives a **clear mandate for an improved enabling environment through public-private partnerships**

" We recognize that ***both public and private investment have key roles to play in infrastructure financing, including through*** development banks, development finance institutions and tools and mechanisms such as ***public-private partnerships***, blended finance, which combines concessional public finance with non-concessional private finance and expertise from the public and private sector, special-purpose vehicles, non-recourse project financing, risk mitigation instruments and pooled funding structures. Blended finance instruments including ***public-private partnerships*** serve to lower investment-specific risks and incentivize additional private sector finance across key development sectors led by regional, national and subnational government policies and priorities for sustainable development. For harnessing the potential of blended finance instruments for sustainable development, careful consideration should be given to the appropriate structure and use of blended finance instruments. Projects involving blended finance, including ***public-private partnerships***, should ***share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards***. We will therefore ***build capacity to enter into public-private partnerships, including with regard to planning, contract negotiation, management, accounting and budgeting for contingent liabilities***. We also commit to hold inclusive, open and transparent discussion when developing and adopting guidelines and documentation for the use of ***public-private partnerships*** and to build a knowledge base and share lessons learned through regional and global forums."

The drivers for People-first PPPs

WAPPP

- **First**, NGOs strongly criticized the UN for recommending PPPs instead of privileging public partnerships
- **Second**, a UN DESA Working Paper questioned the fitness for purpose of PPPs to support the 2030 Agenda
- **Third**, the 2030 Agenda itself brings a new ethos of a greener model for sustainable development, as there is rising awareness of the global footprint of built infrastructure and the need for a transition to more sustainable and greener infrastructure



Are we delivering on capacity building?

WAPPP

- Lack of **governmental capacity** in the technical, economic, social, environmental, legal, financial aspects are a challenge to properly channel PfPPPs.
- Capacity building is needed to **deal with the complexities** of these partnerships, which cannot be conveyed only through global fora for knowledge sharing.
- Some specific vehicles have been devised for this endeavor:
  - The African Legal Support Facility
  - The 2030 Agenda Partnership Accelerator
  - The World Association of PPP Units & Professionals (WAPPP)

⇒ Good governance is an even more critical success factor for PfPPPs

Chapter IV

WHEN PUBLIC-PRIVATE PARTNERSHIPS PUT PEOPLE FIRST

David BAXTER

WAPPP

David Baxter
Senior PPP adviser to the International Sustainable Resilience Center for PPPs (ISRC)
Steering Committee Member of WAPPP and Chair of North American Chapter
Consultant to the MCC, World Bank Group, Inter-American Development Bank, African Development Bank, USAID as well as for major development corporations.
He was a former Executive Director of the Institute of Public Private Partnerships (IP3)
Regular Speaker at International PPP Forums

Changing Expectations for PPPs in a Changing World

WAPPP

- There is a growing concern that Public-Private Partnerships (PPPs) are not realizing their full potential as a tool for sustainable and resilient development and achievement of the Sustainable Development Goals
- The recent pandemic and increasing concerns for climate change have changed the socio-economic ecosystems within which PPPs are being implemented
- New project priorities and opportunities for stronger relationships between the public and private sectors are emerging
- The vast infrastructure funding gap can be bridged by PPPs.
- Vulnerable infrastructure in the water and sanitation; energy (power); transportation; telecommunications; health; education, and waste management sectors need people focused PPPs

A New Mindset is Needed…

WAPPP

- A Heinrich Böll Stiftung report titled - ***"History RePPPeated: How Public Private Partnerships are Failing"*** - points out that many PPP projects have been procured simply to circumvent budget constraints and that well-intentioned projects often unfortunately contribute to the increasing divide between rich and poor; result in serious social and environmental impacts; impact the life of vulnerable women; and negatively affected the environment
- There is increasing recognition that the focus on people is still underserved as a valued added attribute and that PPP skepticism needs to be mitigated
- Increasing concerns about a sustainable path forward for PPPs in a post-pandemic and climate- change impacted world calls for more focus on projects that are "Future Proofed"

What Should Be Done?

WAPPP

- Extra due diligence is needed to ensure that PPPs are prioritized and aligned with the peoples needs and the SDGS and future proofed
- Explore ways to leverage the principle of "Value for Money" (VfM) to include a net positive gain to society
- Consider supplementary factors such as "Value for People" (VfP) and "Value for the Future' (VfF)
- Use new People First PPP evaluation and verification tools such as those being developed by UNECE, IREM-Model and GLOPRAM-Model
- Embrace informed decision-making that in turn will lead to the selection PPP projects that truly have the potential to deliver a "people focus"
- Introduce reforms to PPP enabling environments
- Introduce capacity building

Chapter Five

PPPs and ESG

Ziad Alexandre HAYEK

WAPPP

Ziad Alexandre Hayek

President of the World Association of PPP Units & Professionals
Vice Chair of the UNECE Working Party on PPP
Ex-Secretary General of Lebanon's High Council for Privatization and PPP
Has arranged funding for infrastructure development and PPP projects valued at more than US$27 billion. Spent 24 years in investment banking at major global investment banks and16 years in public policy and socio-economic development

ESG investments now exceed $30 trillion

WAPPP

- ESG stands for Environmental, Social and Governance criteria to be considered in by investors.
- Long-term investors, such as mutual funds, pension funds, insurance companies and sovereign wealth funds interested in sustainability
- Millennials are in part driving the growth in ESG investing
  - $30 trillion intergenerational wealth transfer
  - 84% of millennials interested in sustainable investing
- 49 stock exchanges and more than 350 large asset managers have committed to ESG principles
- 97 financial institutions in 37 countries have committed to the Equator Principles

Evaluation Tools and Rating Agencies

WAPPP

- Today there are major market players involved in assessing the ESG dimension of companies and projects.
- There are private for-profit and not-for-profit outfits providing tools to pre-assess the ability of a project to meet ESG criteria and targets. These tools include Envision, CEEQUAL, RepRisk, and others.
- Once the project design is finalized, it can obtain an ESG rating.
- Some are traditional rating agencies like S&P and Fitch.
- Others have joined this field, like Bloomberg, FTSE Russell, Reuters, MSCI, Arabesque, and Covalence, among others.
- In general, much work has been done on Governance and there is now a greater awareness of Environmental issues. It is the Social dimension that still requires more attention.

Yet ESG has not had a noticeable impact on PPP

WAPPP

- Governments have not yet fully internalized PPP as a means to deliver on the SDGs and to enhance the ESG dimensions.
- Projects are still awarded like construction projects.
- Environmental and Social Impact Assessment is usually left to the winning bidder to do.
- Information about the project and the pipeline is not communicated to investors early on.
- Under political pressure, most PPP tenders have very short timelines.
- Stakeholders, investors and rating agencies tend not to be consulted.

⇒ PPP Units need to become more aware of ESG and take steps to implement it. This will require **capacity building** and **sensitizing political decision makers** to the importance of ESG

Chapter Six

INTERGENERATIONAL REDISTRIBUTIVE EFFECT IN VALUE FOR PEOPLE AND VALUE FOR THE FUTURE

MATEU TURRÓ & DOMINGO PENYALVER

WAPPP

Mateu Turró
Ph.D Universitat Politècnica de Catalunya (UPC), MSc U.of Michigan, Ingeniero de Caminos, Canales y Puertos (UPM)
Honorary Associate Director, European Investment Bank
Professor of Transport and Regional Planning of the UPC (retired)
Chairman of Advisory Board of CENIT-CIMNE
Promoter of European PPP Expertise Centre (EPEC)

Domingo Peñalver
Ph.D Universitat Politècnica de Catalunya (UPC)
MSc. Civil Engineering University Alfonso X El Sabio (UAX)
Post-doc Researcher in Infrastructure Financing and PPPs of CIMNE (International Centre for Numerical Methods in Engineering)
Senior PPP Advisor of UNOPS for Latin America and the Caribbean Region

The limitations of cost-benefit analysis in project appraisal

WAPPP

- Socioeconomic cost-benefit analysis (CBA)
  - Monetization problems
  - Determination of resources and society of reference
  - Discounting perspective

- Financial CBA
  - Global and stakeholders analyses
  - Financial sustainability
  - Timing of financial close and project definition

⇒ There is a need for proper CBAs and stakeholders/effects analysis, with a long-term perspective, in particular for PPPs

Money, People, Future?

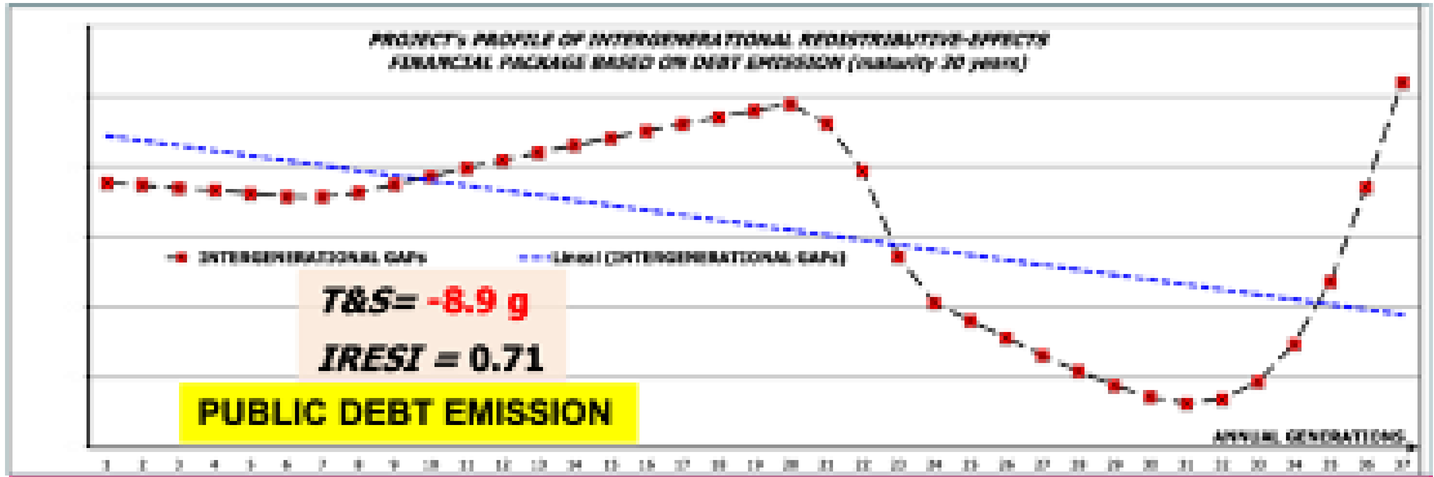
WAPPP

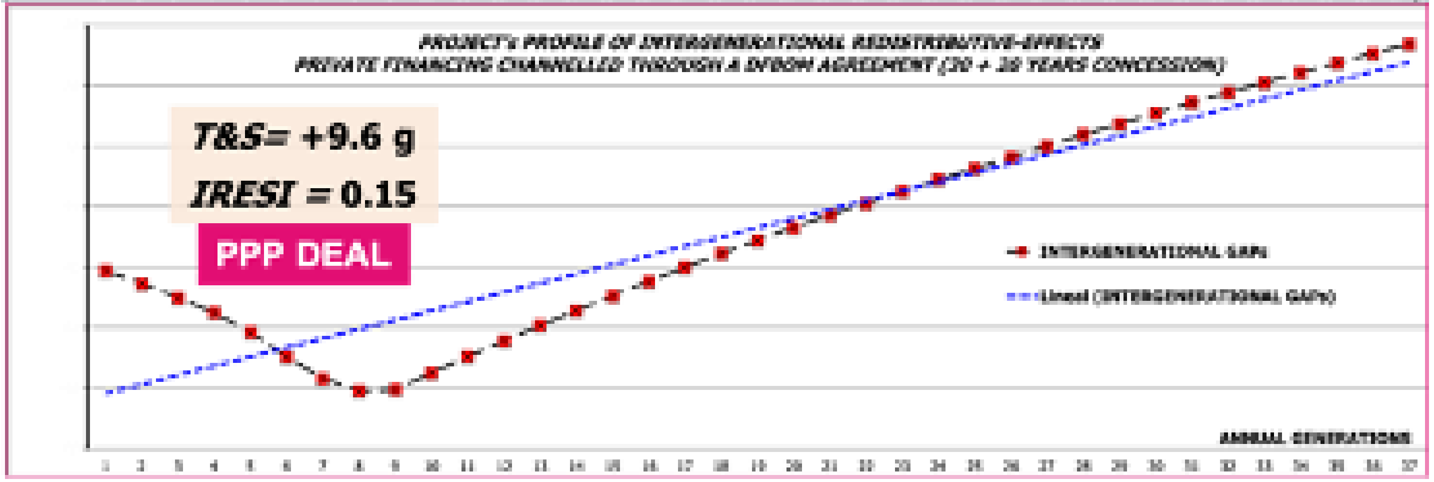
- **Value for Money** focuses on the financial impact for the public promoter (provided the project reaches its objectives). Strong focus on budgetary issues (and macroeconomic constraints)
- **Value for People** is based on S/E Matrix. Fairness in the distribution of costs and benefits. A multi-faceted view, with participation of interested parties, including the different administrations
- **Value for the Future** incorporates the impact of the project on future generations

A proper analysis must incorporate the fairness of the PPP arrangement both for the different present stakeholders and for future users/payers

Integrating future impacts through VfF

- The **Intergenerational Redistributive Effects Model** (**IREM**) compares the benefits for future generations with their actual financial costs (as users and taxpayers)
- It depends on the financial model adopted and could support the use of PPPs that distribute more fairly the financial burden over time





Chapter Seven

CONCLUSIONS

Conclusions (I)

WAPPP

- The reasons for the mixed success of PPPs
- Potential development
  - 1.5 trillion/year for essential services in LDCs (budget constraints)
  - Increasing interest by private investors (ESG)
  - Leading companies concern for SDGs and Corporate Social Responsibility
  - MDBs and other donors supporting PfPPPs
- Pre-conditions for initiating a PfPPP process
  - Adequate legal and administrative systems and local context
  - Respect of basic human rights, transparency and corruption-free environment
  - Viable and bankable (i.e. high quality) project

Conclusions (II)

- A revised concept of project quality for PfPPPs
  - Beyond the purely efficiency-oriented and public money concerns of PFI
  - People-first PPPs incorporate social and environmental objectives:
    - Territorial, environmental and social redistribution effects
    - Achievement of detailed SDGs.
  - Understanding of the long-term financial consequences
    - Value for the Future (VfF), for fair intergenerational effects.
- PPP project preparation
  - Ensure proper governance context (including dispute resolution mechanisms)
  - Follow guidelines by institutions/experts
  - Specific capacity building
  - Project appraisal (CBA, but focus on people-linked goals with long-term vision and SDGs)
  - Adapted financing and follow MDBs requirements on transparency

Conclusions (III)

WAPPP

- WAPPP can help LDCs with specific expertise in PPPs
  - Data collection
  - Accumulated experience for knowledge-sharing
  - Modern view of PPPs and focus on SDGs
  - Capacity to engage with societies and local communities to ensure sustainability of projects
  - Mobilize private investors

The main objective of this paper was to assist both the World Bank, in its role as custodian of SDG 17.17, and UNECE, as a major policy advisor on PPPs, on the development of PPP concepts better aligned with SDGs, to show strengths and potential weaknesses of this procurement method for infrastructure projects;
⇒ a PPP Observatoire is needed to give guidance to DCs and LDCs!

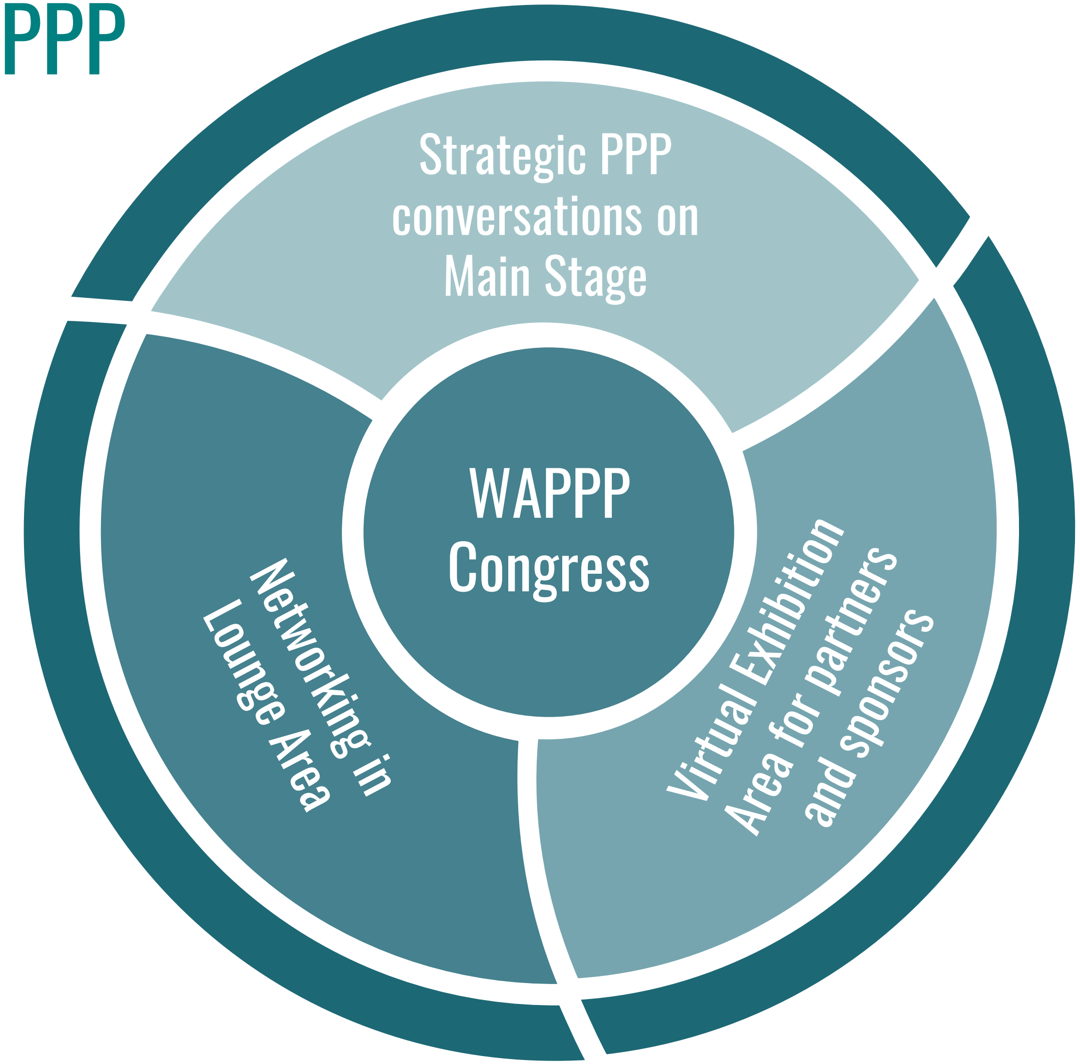
WAPPP

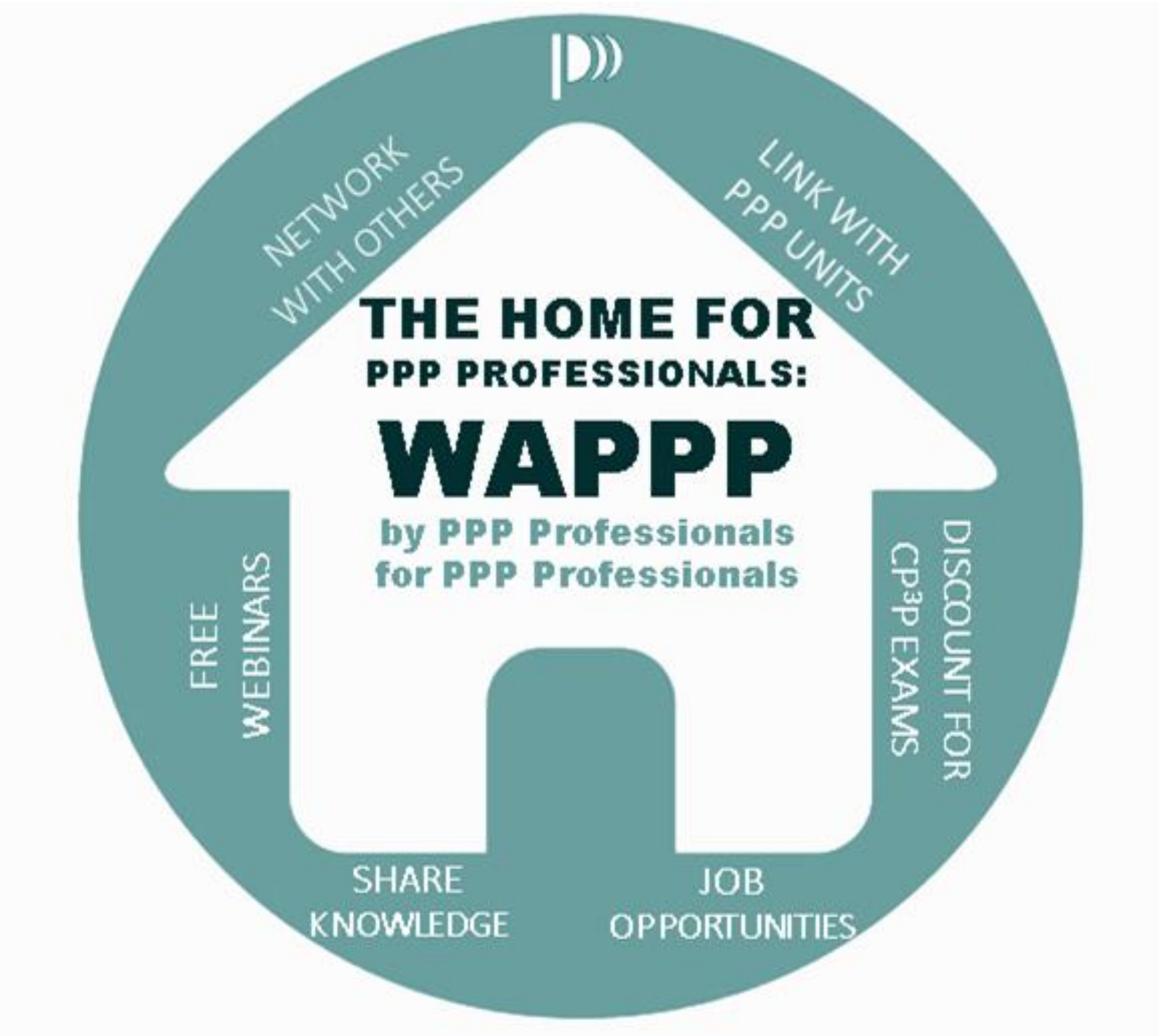
Save the date 14, 15 and 16 June 2021

WAPPP

WAPPP Annual Congress: Next Level PPP

- Where: Airmeet **virtual event** platform for the global PPP community
- Registration: **Free** complimentary **reservation** and attendance (within system capability/availability)
- **Networking** opportunities for PPP Units, PPP practitioners, Investors
- **Sponsoring** opportunities upon request
- Questions: contact@wappp.org





If you wish to get involved or simply contribute to WAPPP, please reach out to contact@wappp.org