

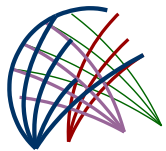
Financing the localisation of the SDGs



About the need to assess advantages & disadvantages financing options for local governments

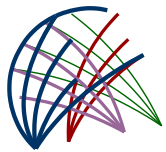
**Prof. Raymond Saner; University of Basel &
Director, CSEND, Geneva
2023**

Guidance for SDG oriented PPP infrastructure development by International Organisations



World Bank Group

1. WBG is sole curator of 17.17.1 since 2015
2. 17.17.1 is currently a Tier III and Tier II indicator (Tier III = no data, no method; PPPs split into physical versus social infrastructure)
3. IFC (part of WBG) designs, arranges and commercially benefits from PPP projects)
4. Still, WBG is not able or willing to define a Tier I indicator for 17.17.1- why?
5. Irresponsible in view of the 40+ highly indebted DCs in need of guidance what is a good or bad (high risk) PPP



UNECE PPP Working Party

1. UNECE as UN Regional Commission took initiative to create a PPP unit. UNESCAP had training seminars on PPPs in the past but then decided to close it. So far, no equivalent initiative by UNECA, UNEWAS, UNLAC, UNESCAP.
2. UNECE website states: (<https://unece.org/ppp>)
3. *The main objective of the Public-Private Partnerships (PPPs) area is to increase the expertise of governments to identify, negotiate, manage and implement successful PPPs projects. This is done through exchange of knowledge and experiences of **PPPs by member States, including experts from public and private sectors,***
4. **No mention made of CSO and multi-stakeholder approach as stipulated by 2030 Agenda**

Other International Organisations

1. UNCITRAL *Guide on Public-Private Partnerships (2019)*
Legal guidance for governments
2. EBRD
Public-Private Partnerships/Concessions (2020)
Regulatory Guidelines for governments
3. Other MDBs
use of planning software developed by SOURCE, an online infrastructure project development software
4. **None of the above include participation and involvement of CSO in PPP Infrastructure**

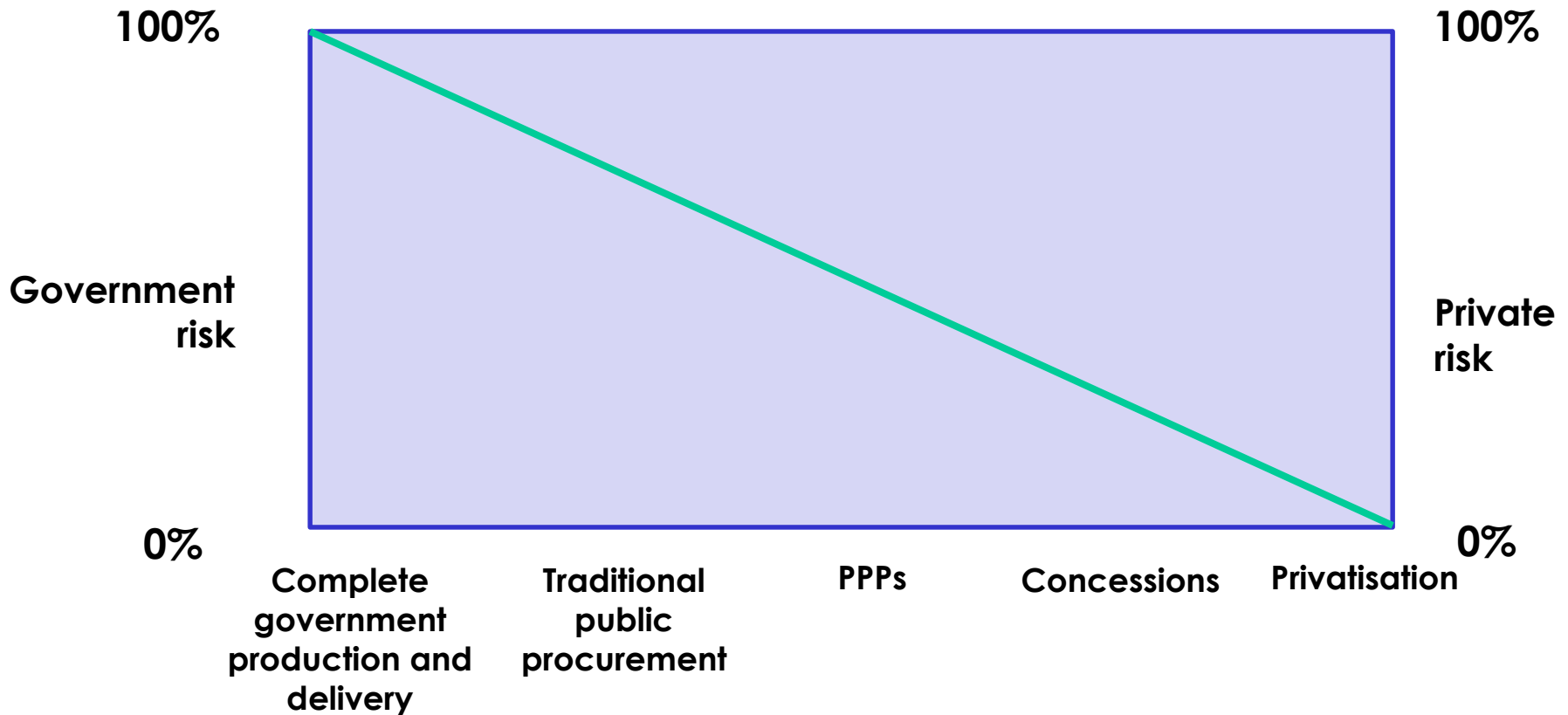
Financing physical and social infrastructure through government paid or PPPartnerships

Investments to achieve the SDGs are needed in education, health, roads, electricity, water and sanitation. For emerging market economies the average additional spending required represents about 4 % of GDP. Raising this amount is a considerable task, but in most cases these countries can rely on their own resources to finance the SDG targets.

However, the challenge is much greater for low-income developing countries, where the average additional spending represents

15 % of their GDP !!!!!!!!!!!!!

Investment in Infrastructure: 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.

Policy Choices

1. Government finances and implements (provided tax income is sufficient, regular and equitable)
2. Traditional Procurement- transparent, corruption free, professional
3. Is the local government competent in negotiating and managing private sector partners?
4. Privatisation- possibility as long as not creating privately owned monopolies coupled with corrupt pay-back arrangements- would be illicit and non-productive
5. If PPP- should move from “Value for Money” to **“Value for Money AND society”** and to **“Value for the next generation “!**

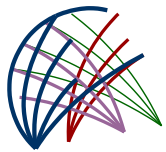
Financing – option PPPs.. ??



What kind of PPP? For what objective?

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)

Source: CSEND (2014), Monitoring of SDG Implementation Infrastructure and Methodology: Proposal for Action,
http://www.csend.org/images/articles/files/Monitoring_SDG_Infrastructure_Methodology.pdf



Risks of PPPs for SDG financing



1. Who knows about PPPs in national and local governments?
2. Competence only with a few civil servants in Ministry of Finance? If so, risk of hoarding of information
3. How about line ministries which have to implement PPPs- any PPP experts present?
4. Make-or-Buy: hire expensive external PPP experts? What about after they have finished their job? Who picks up from them?
5. If locally made- capacity building needed + training + exposure to commercial sector often leading to job hopping- ROI or loss of investment



Diplomacy
Dialogue

Multi-stakeholder Financing and co-creation of PPPs in context of Agenda 2030



SDGs - The creativity, knowhow, technology and financial resources from *all of society* is necessary to achieve the **SDGs in every context.** (<https://www.undp.org/sustainable-development-goals>)

MAKING PPPs FIT THE 2030 AGENDA,

CSEND-WAPPP publication, 2021

Co-authors: Raymond Saner • Marc Frilet • Jean-Christophe Barth-Coullaré • David Baxter • Ziad Alexandre Hayek • Domingo Penyalver • Mateu Turró

Essential message: PPPs means: 1. Value for Money + 2. Value for Society + 3. Value for the future Generation which means no experts solutions only but rather solutions based on participation of governments + Civil Society- they will benefit AND pay for the PPPs financially (tax) and personally (environment, landscape, etc)

Multi-stakeholder Financing and co-creation of PPPs.

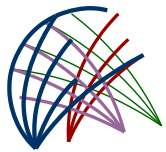


SDG Target 17.17 Encourage and promote effective **public, public-private and civil society partnerships**, building on the experience and resourcing strategies of partnerships

CSEND: nothing prevents us from creating partnerships including private and public sector with cooperatives and civil society!!!

ESG (Environmental, Social, & Governance Standard)

A management and analysis framework to understand and measure how sustainably an organization is operating



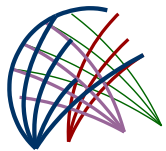
Social Impact Investment

(James Chen, 2021.

<https://www.investopedia.com/terms/i/impact-investing.asp>



- **Impact investing is a general investment strategy that seeks to generate financial returns while also creating a positive social or environmental impact.**
- **Investors who follow impact investing consider a company's commitment to corporate social responsibility or the duty to positively serve society as a whole.**
- **Socially responsible (SRI) and environmental, social, & governance (ESG) investing are two approaches to impact investing.**

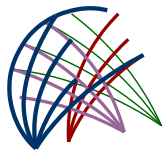


History of ESG

Georg Kell, Jul 11, 2018, Forbes Magazine



The story of ESG investing began in January 2004 when former UN Secretary General Kofi Annan wrote to over 50 CEOs of major financial institutions, inviting them to participate in a joint initiative under the auspices of the UN Global Compact and with the support of the International Finance Corporation (IFC) and the Swiss Government. The goal of the initiative was to find ***ways to integrate ESG into capital markets***. The report made the case that embedding environmental, social and governance factors in capital markets makes good business sense and leads to more sustainable markets and better outcomes for societies.



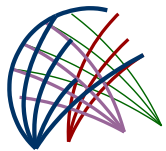
ESG defined

Witold Henisz, Tim Koller, & Robin Nuttall, McKinsey 2019



The *E* in ESG, *environmental criteria*, includes the energy your company takes in and the waste it discharges, the resources it needs, and the consequences for living beings as a result. Not least, *E* encompasses carbon emissions and climate change. Every company uses energy and resources; every company affects, and is affected by, the environment.

- *S, social criteria*, addresses the relationships your company has and the reputation it fosters with people and institutions in the communities where you do business. *S* includes labor relations and diversity and inclusion. Every company operates within a broader, diverse society.



ESG defined (2)

Witold Henisz, Tim Koller, & Robin Nuttall, McKinsey 2019



- ***G, governance***, is the internal system of practices, controls, and procedures your company adopts in order to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders. Every company, which is itself a legal creation, requires governance.
- ESG investing is estimated at over \$20 trillion in AUM (asset under management) or around a quarter of all professionally managed assets around the world (G.Kell, 2018)

ESG Investments now exceed 30 Trillion US\$ (A. Hayek, 2021)



- 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 principle

FINDINGS (survey, 1100+ financial experts)

- There is no “one best way” to do ESG integration and no “silver bullet” to ESG integration.
- Governance is the ESG factor most investors are integrating into their process.
- Environmental and social factors are gaining acceptance, but from a low base.
- ESG integration is farther along in the equity world than in fixed income.
- Portfolio managers and analysts are more frequently integrating ESG into the investment process, **but rarely adjusting their models based on ESG data.**

Recommendations

Policy Coordination and Consultation is crucial for SDG implementation:

1. Clarify role of Ministries (who leads-supports)???
2. improve credibility and competence of national and local government in holding dialogues with domestic and international stakeholders
3. design and manage consistent inter-ministerial SDG policy coordination based on policy coordination and consultation mechanisms
4. ensure effective SDG implementation of SDGs at national level with adequate monitoring for constant SDG policy updating and fine-tuning

Need for a robust and transparent monitoring system (1)



1. Higher order intent of monitoring supports and catalyses an **institutional learning process** in all countries, whether developed or developing.
2. Monitoring is not an extension of fiduciary control but rather an **essential management tool for organizing and managing** the SDG implementation process.
3. For monitoring to contribute to sustainability, it should involve civil society!!

Reasons for a robust and transparent monitoring system (2)

3. Government, private sector, and CSO actors need to have the authority, competence and ability to gather **reliable information** be able to constructively participate in the state-non state actor negotiations needed to make SDG investment sustainable .
4. Monitoring means **constant and consistent data collection** based on participation of state and non-state actors allows for the realistic assessment of progress and for reorganization of SDG implementation whenever necessary.

Source: CSEND (2014), Monitoring of SDG Implementation Infrastructure and Methodology: Proposal for Action, http://www.csend.org/images/articles/files/Monitoring_SDG_Infrastructure_Methodology.pdf

Assessment grid of SDG related investments- example PPPs (R.Saner, 2017)

Title of the PPP project:	
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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 (R. Saner, 2017)

Criteria	Score	Remarks
General Criteria (threshold ≥ 12)	(0-20)	
Increases access to essential services to low income countries		
Improves efficiency and filling the capability gap in the public sector that exists in such countries		
Promotes equity and a less unequal society both in terms of income and in terms of women's empowerment		
Replicability (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
General Criteria (cont'ed) (threshold ≥ 12)	(0-20)	
Makes services affordable to the poor while at the same generating a reasonable ROI to private sector investor		
Provides capacity building by the company inside their project and outside among critical stakeholders including consumers		
Makes the planet sustainable , mitigating the risks and creating a resilient infrastructure		

Assessment grid of SDG-PPP

(R. Saner, 2017)

Criteria	Score	Remarks
1. People (threshold ≥ 12)	(0-20)	
Increases access to essential services to low income countries		
Improves efficiency and filling the capability gap in the public sector that exists in such countries		
Promotes equity and a less unequal society both in terms of income and in terms of women's empowerment		
Replicability (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		
Makes the planet sustainable , mitigating the risks and creating a resilient infrastructure		

Criteria	Score	Remarks
2. Planet (threshold ≥ 12)	(0-20)	
Increases access to essential services to low income countries		
Improves efficiency and filling the capability gap in the public sector that exists in such countries		
Promotes equity and a less unequal society both in terms of income and in terms of women's empowerment		
Replicability (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		
Makes the planet sustainable , mitigating the risks and creating a resilient infrastructure		

Assessment grid of SDG-PPP (R. Saner, 2017)

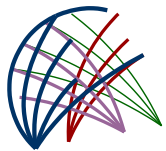
Criteria	Score	Remarks
People (threshold ≥ 10)	(0-15)	
Provides capacity building (training) by the company inside their project and outside among critical stakeholders including consumers		
Ensures consumer protection at the project site as well as externally		
Prosperity (threshold ≥ 10)	(0-15)	
Focuses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

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

Conclusions

Connecting SDG 11, 16 & 17

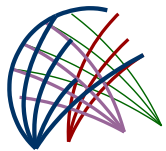
- 1. Investment in physical and social infrastructure projects are needed to implement the SDGs (2015 AAAA agreement on financing development).**
- 2. SDG 11 (urban development) requires sustainable financing, sustainable governance and competent project management e.g. ISO 19081 (see presentation by Dr Lichia Yiu)**
- 3. Implementing SDG 11 requires SDG target 16.6 (Develop effective, accountable and transparent institutions at all levels) and SDG target 16.7 (Ensure responsive, inclusive, participatory and representative decision-making at all levels).**



Connecting SDG 11, 16 & 17 (2)



- **4. Financing infrastructure can be done through governments' own means; public procurement; PPPs (SDG target 17.17); concessions or privatization of services.**
- **5. The choice of financing depends on a government's ability to collect taxes (individual and corporate taxes), VAT, PPPs or by borrowing from development banks and partner countries**
- **6. If financed through borrowing, the borrowed money has to be paid back. If by means of PPP- the next generation has to pay back the loan hence inter-generational justice has to be secured.**



Final Conclusion

- **Investments often 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, –national and local government are supposed to set its triple bottom line goals (three dimensions), 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.
- **An Observatory is needed. It could add information on investments that are often missing or not fully reliable, could support the municipality, its government, companies and civil society and help the SDG implementation process stay on course**

Thank You!