

Public-Private Partnerships for Sustainable Development



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Position in a nutshell

- PPPs are critically important in meeting the challenge of sustainable development
- However, PPPs are complex and require skills usually found in the private not the public sector
- UN needs and can do better in making partnerships work

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Presentation

- What is a PPP?
- What makes partnerships successful?
- What needs to be done to make them work better ?
- Finally what should we be focusing on to make them better?

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The United Nations Economic Commission for Europe (UNECE)

- One of the five UN regional economic Commissions with 56 member states
- Supports the elaboration of integrated infrastructure for pan European sustainable development
- Newly created UNECE Team of Specialists to promote PPPs (Guidebook, training and advisory missions to governments)

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WHAT IS A PPP?

- **The term PPP is used internationally with a wide variety of meanings, but for this purpose...**
 - PPP = private investment in public infrastructure
 - + long-term service provision
 - + risk transfer to private sector
- **An old concept which has found a new life**
 - Concession model
 - ... the user pays (tolls, fares, *etc.*)
 - Based on legislation + contract
 - N.B Many PPPs outside UK are Concessions
 - **UK Private Finance Initiative (PFI) model**
 - ... the public sector pays
 - Contract-based (may be in legislative framework)
 - N.B In some countries only this model is called a PPP
- **PPPs v. privatisation**
 - No transfer of public ownership
 - Public sector remains accountable
 - Contract-based not regulator based

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WHY PPP?

- **Access to capital**
- **Certainty of Outcome**
- **Off balance sheet borrowing**
- **Innovation**
- **Transfer of risk**

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THE GROWTH OF PPPs IN EMERGING MARKETS

3 Distinct Evolutionary Phases

Stage One

- Define policy framework
- Test legal viability
- Identify project pipeline
- Develop foundation concepts (PSCs etc)
- Apply lessons from earliest deals to other sectors
- Start to build marketplace

Stage Two

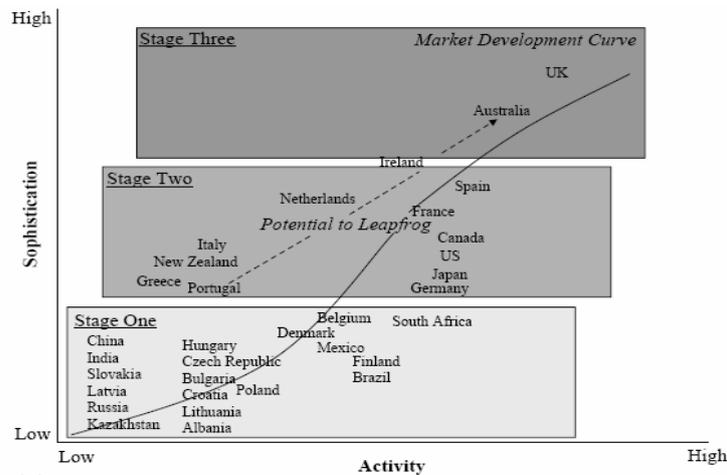
- Introduce legislative reform
- Publish policy and practice guidelines
- Establish dedicated PPP units
- Refine PPP delivery models
- Continue to foster marketplace
- Expand project pipeline
- extend to new sectors
- Leverage new sources of funds

Stage Three

- Fully defined, comprehensive "system"
- Legal impediments removed
- PPP models refined and reproduced
- Sophisticated risk allocation
- Committed, long-term deal flow
- Long-term political consensus
- Use of full-range of funding sources
- Thriving infrastructure investment market involving pension funds and private-equity funds
- Well-trained civil service applying lessons from PPP experience

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PPP MARKET MATURITY CURVE



Source: Deloitte

Key Challenge: Good Governance And Public Acceptability

Vicious circle of:

- Weak institutions
- Lack of transparency in deals, conflicts of interest, corruption etc.
- Popular distrust of the ‘fat cat’ advisors/consultants at the expense of the consumer
- Governments losing political will to promote PPPs

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What makes PPPs successful?

7 PRINCIPLES OF GOOD GOVERNANCE IN PPPS

- ① A coherent PPP policy
- ② Strong enabling institutions
- ③ Legal framework “fewer, better, simpler”
- ④ Cooperative risk sharing and mutual support
- ⑤ Transparency in partner selection
- ⑥ Putting people first
- ⑦ Achieving sustainable development

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Misconceptions...

PPP pilots will start the process...

No!
You need a policy framework with direction, responsibilities and goals.

PRINCIPLE 1. POLICY



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Principle 1. PPP Policy

- A PPP Policy is needed to fix a “roadmap”
- Strong social objectives, e.g. increasing accessibility for disadvantaged
- Core values and principles (fairness, continuation of services, improved quality)
- Consultation within Government
- Consult investor community
- Identify the right projects to get started

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Misconceptions...

PPPs focus on ring fencing the project...

No!
You need to build the skills within the government and set up the right institutions.

PRINCIPLE 2. CAPACITY BUILDING



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Principle 2. Capacity-Building

INTERNALLY

- Train personnel for the required skills for PPPs
- Establish PPP Unit
- Offer National PPP training programmes, guidelines

EXTERNALLY

- At same time use qualified independent advisors to help on projects

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Misconceptions...

PPPs ...
prescriptive
rules and tight
control...

No!
**Overall framework
should be simpler, fewer
and better.**

PRINCIPLE 3. LEGAL



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Principle 3. Legal 'Fewer, better and simpler'

- Fewer laws - removal of constraints
- Better laws - knowable, secure and predictable
- Simpler laws - bundling projects, 'competitive dialogue'

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Misconceptions...

PPPs provide assets to governments at no risk and no cost

No!
Governments must assume some risk and offer some subsidy.

PRINCIPLE 4. RISK SHARING



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Principle 4. Risk

- Cooperative sharing and mutual support
- Risk sharing key to PPP success
- No science to allocating risks
- Yes to some government subsidy but with care

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Misconceptions...

PPPs ...no
tender
required...

No!
Competition allows for the
best partner and the best
project.

PRINCIPLE 5. PROCUREMENT



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Principle 5. Procurement

- Open and transparent
- Opportunities should be made public
- Non-discrimination
- Zero tolerance to corruption
- Choosing the right partners

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Misconceptions...

Keep people out: they do not understand the technical matters...

No!
People have to be put first.

PRINCIPLE 6. PUTTING PEOPLE FIRST



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Principle 6. Putting People First

- Define the public interest
- Consult with people
- Inform: disclose information in contracts
- Oversee by objective third party
- Involve independent auditors

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Misconceptions...

...you have to choose between profit and social and environment development...

No!
Project can make profit and achieve social and environmental goals.

PRINCIPLE 7. ENVIRONMENT



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Principle 7. Environment

- The 'Green case' works for PPPs
- Provide incentives to the private sector to adopt green criteria
- Avoid politically correct 'add ons' that mean nothing

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Case Studies

Applying the " Good Governance" principles brings success!

Canada	Vancouver Landfill project
France	Centre Hospitalier Sud Francilien
Israel	Cross-Israel highway
Tajikistan	Pamir Power project
USA	Chesapeake Forest project

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What do we need to do to make them operational?

Key challenges:

- Human capital
- Economics of the project
- Attracting the private sector

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Human capital issue

- Elaboration of a Toolkit for PPP training
- Testing out the modules in a PPP training event in Moscow 21-22 October
- Training programmes for South East Europe and CIS

ECONOMICS of Partnerships!

- Some partnerships are simply not feasible from an economics point of view
- Royal Dutch Shell decision to withdraw from London array wind farm because of high costs
- Only solution is to share risk and cost with the private sector
- And increase associational CSR benefits for companies that join partnerships

Marketing Partnerships to Private Sector

- Vast majority of enterprises have no relations with the UN
- The UN system can be a 'maze' to external bodies!
- Tsunami disaster showed weaknesses!
- Need to communicate better with the business sector

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How to attract the private sector to partner with the UN? ... *so sustainable development is served*

- Treat the private sector as a partner (with respect): private sector are the solutions!
- Focus on a concrete deliverable that is in everyone's interest ,a 'win-win'
- e.g. training is a win- win: It improves the Government's project pipe line, and improve the companies' 'bottom line' through a greater flow of projects.
- Offer to showcase the companies best practice in sustainable development e.g. web Portal on best practice PPP case studies

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In Conclusion

- PPPs can be a tool for sustainable development
- Good governance is critical for success
- Training is critical to develop action orientated PPPs, that are economically feasible and can attract the private sector
- Focus of training should be on making PPPs work



Thank you for your attention!

<http://www.unece.org/ceci/ppp.html>

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