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
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?

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)
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 = partnership
- 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

WHY PPP?

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

[Diagram showing the maturity curve with stages labeled]
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

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 section
6. Putting people first
7. Achieving sustainable development
Misconceptions…

PPP pilots will start the process…

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

PRINCIPLE 1. POLICY

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
Misconceptions...

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

PRINCIPLE 2. CAPACITY BUILDING

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
Misconceptions…

PPPs … prescriptive rules and tight control…

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

PRINCIPLE 3. LEGAL

Principle 3. Legal
‘Fewer, better and simpler’

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

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
Misconceptions…

PPP…no tender required…

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

PRINCIPLE 5. PROCUREMENT

Principle 5. Procurement

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

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

No!
People have to be put first.

PRINCIPLE 6. PUTTING PEOPLE FIRST

Principe 6. Putting People First

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

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
## Case Studies

*Applying the “Good Governance” principles brings success!*

<table>
<thead>
<tr>
<th>Country</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>Vancouver Landfill project</td>
</tr>
<tr>
<td>France</td>
<td>Centre Hospitalier Sud Francilien</td>
</tr>
<tr>
<td>Israel</td>
<td>Cross-Israel highway</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>Pamir Power project</td>
</tr>
<tr>
<td>USA</td>
<td>Chesapeake Forest project</td>
</tr>
</tbody>
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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
**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

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 pipeline, 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
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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