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**Review of the work since the sixth session of the Working Party on Public-Private Partnerships on 1-2 December 2022**

# Putting the Guiding Principles on Public-Private Partnerships in support of the United Nations Sustainable Development Goals into practice

## Revised note by the secretariat

*Summary*

The following document contains a number of suggested policy recommendations[1] aimed at governments to voluntary follow if they are interested in implementing the ten Guiding Principles on Public-Private Partnerships in support of the United Nations Sustainable Development Goals (contained in document ECE/CECI/WP/PPP/2022/7), in response to paragraph 48 of the Addis Ababa Action Agenda on Financing for Development.[2]

The document was originally published on 22 January 2019 in document ECE/CECI/2019/7, and was approved by the Committee on Innovation, Competitiveness and PPPs (the Committee) at its thirteenth session on 25-27 March 2019. The document is being reissued pursuant to a decision by the Committee at its fifteenth session on 25-27 May 2022.[3]

[1] The UNECE PPP standards, guiding principles, best practices, declarations and recommendations are adopted by acclamation by the UNECE intergovernmental bodies – the Working Party on Public-Private Partnerships and the Committee on Innovation, Competitiveness and Public-Private Partnerships – and do not impose any obligations on member States as their implementation is entirely voluntary.

[2] The Addis Ababa Action Agenda is available at: https://sustainabledevelopment.un.org/frameworks/addisababaactionagenda

[3] Decision 2022 – 4b.2 (ECE/CECI/2022/2): Regarding the continued use of the name "People-first PPPs for the SDGs", the Committee took note of the results of the information consultations

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# I. Introduction

1. It is not sufficient to identify the most urgent challenges (e.g. poor, non-inclusive infrastructure policies, inadequate PPP processes and procedures, inadequate consultation mechanisms etc.) and defining principles and guidance, but there is also a need to take steps to try and fix the problem, that is, put the principles into practice. The following is a list of recommendations to implement each of the principles that are available to governments that wish to make reforms. The list is not exhaustive and could complement ongoing policy initiatives at the national and regional levels in various jurisdictions.[4]

## Principle 1 – Build into infrastructure strategies the PPPs for the SDGs transformative agenda, making sure that peoples' needs are listened to

2. PPPs for the SDGs obviously start with the people, who should be able to protect their rights and interests. People should be better informed of their rights to access good services and consulted on whether they accept, reject, or want to revise a PPP project. Governments should therefore develop new innovative ways of engaging with the people to make them participate in the decision-making process at all stages of the PPP delivery process.

## Principle 2 – Deliver more, better, simpler projects by joining up government and allowing cities and other local levels to develop projects themselves

### A. Projects

3. The following actions could help mainstreaming PPP for the SDGs projects:

- **10 flagship projects** could be developed and implemented. These should have major transformational impacts at different levels and sizes. These projects should demonstrate how embracing innovation and new technologies can have major transformational impacts. The use of mobile phones, for example, increased radically

conducted with interested delegations on the matter since the fifth session of the Working Party on PPPs in November 2021, and decided to:

i. Change the name to "PPPs for the SDGs"; and

ii. Progressively reissue the documents endorsed and adopted by the Committee and the Working Party on PPPs to reflect i. above within the document quota allocated to the ECI subprogramme and without incurring additional costs.

The Committee requested the secretariat to reissue three core documents within twelve months, and the rest of the documents within three years. The Committee requested the Bureau of the Working Party on PPPs to decide on which non-core documents should be prioritised during this period.

[4] The Joint Multilateral Development Bank platform SOURCE for assistance to infrastructure project preparation is a generic software that could be leveraged to disseminate the present UNECE Principles and help governments to implement them on a day to day practical basis. https://public.sif-source.org/

access to services to vulnerable groups, especially women, which helped overcoming their social and geographical isolation and gave them self-development opportunities.

- Governments, the private sector and civil society have already submitted **130 PPP projects into the ECE database**. These concrete case studies inform different stakeholders about the approach that can be replicated elsewhere while the data base itself gives recognition to those submitting projects. The PPP case studies database needs to be expanded and upgraded with adequate resources.

- There needs also to be a **new impact assessment methodology** that identifies and validates the indicators of PPPs for the SDGs.

- An **international prize/award for the best PPP for the SDGs project** could be established to give publicity to the PPPs for the SDGs approach and celebrate the accomplishments of the model towards social and environmental sustainability across different sectors: water and sanitation, transport, etc.

### B. Implement UNCTAD's action package for a new generation of investment promotion and facilitation

4. UNCTAD's action package for investment promotion and facilitation could be customized to the requirements of PPPs for the SDGs by national authorities. Sustainable development projects (i.e., in infrastructure, renewable energy, etc.) usually require intensified efforts for investment promotion and facilitation. The most frequent constraint faced by potential investors in sustainable development projects is the lack of concrete proposals of sizeable, impactful, and bankable projects. PPP units could join efforts with promotion authorities in the marketing of a pipeline of projects with priority support at the highest political level.

## Principle 3 – Increase officials' skills in delivering projects in line with the PPPs for the SDGs' outcomes, particularly ensuring that governments know how to better empower women in projects as well as encouraging the private sector to contribute to the necessary transfer of skills.

5. Developing PPPs for the SDGs will require more effective capacity building for governments – top to bottom - than has heretofore been available:

### A. Smart spending on capacity building

6. Government donors have a tendency to provide funding for one-off projects which impact for the country development is limited. Instead, a smarter way would be to allocate resources to project-oriented capacity building so that the impact is greater, and the money better spent.

7. Capacity building should include technical support throughout the project life cycle. This means not only providing support for the enabling environment but also by creating projects that make an impact on the 2030 Agenda. Capacity building should deliver results for development. Therefore, capacity building should be orientated towards developing the right policies and strategies for PPPs for the SDGs and developing a pipeline of projects that meet the PPPs for the SDGs' outcomes. Digital tools are key to enhance this endeavour.

### B. The private sector

8. The private sector could do more to help the capacity building effort. In the case of women's empowerment,[5] for example, it should work with the public sector to ensure that output specifications of projects address the special challenges women face in their daily lives. It should also include more women in project teams as project officers/leaders and involve them at all stages of project design, delivery and financing. To this effect, private companies could adopt the ECE four-point plan to empower women within and outside companies in PPP projects.[6] Such work can be done with local and national women empowerment organizations working together to set international targets such as an action plan to receive endorsements from companies for such an empowerment scheme.

## Principle 4 – Make more inclusive policy and legal frameworks that allow for active engagement of communities and focus as well on a zero-tolerance approach to corruption

### A. Zero tolerance to corruption

9. Governments could endorse the ECE Declaration[7] to a Zero Tolerance approach to Corruption in PPP Procurement standard,[8] thereby committing to put the recommendations contained in the standard into legislation.

### B. Improve legislation and citizens involvement in PPP decision taking

10. An ECE standard on PPP/Concession Legal Framework in support of the SDGs was developed with PPPs for the SDGs' approaches.[9] In this regard, governments need to establish the consultative machinery for the full involvement of stakeholders starting with involving their citizens in legislative changes. Citizens should play an active role throughout the full life cycle of projects, starting with the design, followed by the procurement and then the operational project phases.

### C. Standardize through national and international standard making

11. Governments could work to standardise their various PPP processes, common contractual clauses, other provisions and internal procedures for preparing and approving PPP projects.

12. The ECE PPP standards have set a benchmark. This can be the foundation for the involvement of civil society and the other UN bodies in setting the roadmap for PPPs for the SDGs.

[5] All stakeholders - governments, civil society, academia, international organizations and private sector - should promote women's empowerment in their respective areas of work, not just the private sector.

[6] The four-point plan developed by ECE includes the following actions: 1. Enhance the role of women inside companies undertaking PPPs and in the PPPs themselves; 2. Help women-led companies in the supply chain compete in tenders for projects; 3. Make a difference in the communities where they do business - help young women and train them to become the business leaders of the future; and 4. Help women deal with the special challenges they face in their daily lives in the design and operational stage of the delivery of projects.

[7] The ECE ZTC Declaration is contained in document ECE/CECI/WP/PPP/2023/.

[8] The ECE ZTC Standard is contained in document ECE/CECI/WP/PPP/2023/3.

[9] The ECE standard is contained in document ECE/CECI/WP/PPP/2022/5.

## Principle 5 – Disclose more information[10] about projects to society especially on the commitments made to various partners in the project

### Develop international transparency and accountability guidelines

13. An immediate next step that could be initiated by the ECE is the review of existing studies and guidelines regarding transparency and accountability.[11] In case of lacunas, ECE might complete the existing works.

14. Guidance from existing initiatives on corporate reporting for the SDGs could be of help in such tasks.

## Principle 6 - De-risk projects by providing more predictability in the enabling environment

15. Governments, the international community and the international finance institutions should work on several fronts to lower the high risks in middle and low-income countries where the institutions and the capacity to undertake PPPs is weak. Governments could:

(a) Provide guarantees to companies that there would be adequate compensation in case of changes in contracts for reason of general interest and support for PPPs throughout the course of their investments;

(b) Undertake national reforms to make their business conditions more attractive through sound macroeconomic policies, an improved enabling environment, among others that can "de-risk" the country;

(c) Introduce incentive mechanisms in the contractual frameworks (such as viability gap funding)[12] and beneficially use legal requirements under Corporate Social Responsibility, where applicable, as means to route the investments and structure projects; and

(d) Use PPP solutions that are based on local practices and competences, where applicable, rather than seeking high end technology driven solutions from developed countries. Local solutions will be much cheaper, support local manufacturers, provide local employment, and have lower maintenance costs.

16. The international finance institutions could offer more effective international risk mitigation instruments (e.g. financial guarantees and insurance) as the private sector is often confused about these instruments and how to apply them;

17. In this transition period, governments could work with other partners in innovative PPP arrangements such as public-NGO partnerships to help meet demands for essential services and to provide experiential local PPP capability and capacity development.

18. For larger and landmark programmes, governments could consider using PPP models such as the Inverted Bid Model[13] to attract finance and to reduce risk.

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[10] Excluding proprietary information.

[11] Various studies and guidelines can be found on the "PPP Knowledge Lab" website: https://ppp.worldbank.org/

[12] Viability gap funding was introduced by the Government of India to use funds appropriated from the national budget to provide upfront capital subsidies for PPP projects. Source: https://pppknowledgelab.org/guide/sections/19-the-role-of-public-finance-in-ppps

[13] The Inverted Bid Model consists of an unsolicited market-led proposal where governments encourage significant private sector innovation and investment. This model might not be advisable for countries with very little or no PPP experience.

## Principle 7 – Set out clearly the projects' selection criteria to promote "Value for People" so that the best projects can be selected

19. Governments need to translate the PPPs for the SDGs' outcomes into tenders for projects. PPPs for the SDGs require higher level key performance indicators. Governments used to allow tenders to be won on price and have begun to accept other criteria for selecting such as the "most economically advantageous tender", which includes other characteristics besides price.[14] The indicators of PPPs for the SDGs criteria will vary according to the sector in which the tender is launched and should support the goals of value for people. Guidelines are needed for governments utilising the PPPs for the SDGs approach for the selection of tenders and for the output specifications as set down in the PPP contracts.

## Principle 8 – Make environmental sustainability a key component of evaluating, awarding and implementing PPPs for the SDGs

20. Governments could develop a strategy for finding partnerships that can mitigate the risks and adapt their infrastructure to climate change. This should include the metrics associated with the impacts needed to increase resilience (e.g., for buildings, construction etc.) and/or to survive extreme weather events (e.g., flooding, earthquakes).

21. UNCTAD's action package for the reorientation of investment incentives could be implemented when relevant to PPP projects. Accordingly, investment incentive schemes implicit in contracts could be restructured specifically to facilitate sustainable development projects as part of risk-sharing solutions. The general goal should remain to move incentives from purely "location-based" (i.e., leveraging the competitiveness of a location) towards "SDG-based", (i.e., leveraging sustainability traits).[15]

22. The ECE PIERS methodology[16] would make a contribution to identifying those projects that are environmentally sustainable.

## Principle 9 – Ensure that blended financing catalyses private partners to invest in PPPs for the SDGs

23. Impact Investing is growing in importance and is critical for the success of the SDGs. Further steps are however needed to increase its impact, and that includes the development of metrics to guide the impact investing industry. Such metrics can allow financial advisories and the lenders of PPPs for the SDGs to assess the impact and encourage them to implement projects in support of the SDGs. But the banks and other financial institutions' buy-in is very important. The following could be done:

- Further implement the ECE PIERS methodology; and
- Hold high level consultations with financial institutions on the appropriateness of the PPPs for the SDGs five desirable outcomes and the likelihood of them using these in their lending strategies.

[14] The Most Economically Advantageous Tender model has been implemented by the EU. This model does not only disclose the evaluation methodology but also the scoring matrix. The weighting criteria are not only based on costs, but also on quality outcomes. Source: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/guidance_public_proc_en.pdf

[15] UNCTAD (2015), Investment Policy Framework for Sustainable Development, p. 149

[16] The ECE PIERS methodology is available at: https://unece.org/ppp/em.

24. These tools should take account of the Equator Principles adopted by financial institutions.[17]

## Principle 10 – Avoid dept traps by ensuring the fiscal sustainability of projects and the transparency of fiscal policies

25. Sustainable funding is the life blood of every PPP project and programme. After all, PPPs invite private sector participation in the delivery of public services, but the government is ultimately responsible for the delivery (and payment) for those services, either directly through availability type structures or indirectly through user pay structures where the government may appear to have less risk but ultimately is responsible if the funding or performance fails. Thus, funding sustainability is critical to long term viability of projects.

26. The following could be done by governments:

- Early assessment of budgetary and fiscal impacts of PPP projects throughout the whole life-cycle;
- Transparency in funding options, risks, short and long-term guarantees and obligations, and contingent liabilities for PPP projects; promotion of "on-balance" treatment in order to prevent hidden public debt; and
- Ensure long-term fiscal sustainability in all PPP projects and programmes.

[17] See: http://equator-principles.com/