Distr.
RESTRICTED

ECE/CECI/PPP/2016/CRP/1
18 May 2016

ENGLISH ONLY

Economic Commission for Europe
Committee on Innovation, Competitiveness and Public-Private Partnerships
Team of Specialists on Public-Private Partnerships

Tenth session
Geneva, 23-25 May 2016
Item 5b of the provisional agenda

Draft Guiding Principles on Good Governance in People-First Public-Private Partnerships for the UN Sustainable Development Goals

Conference room paper submitted by the Secretariat

Note by the Secretariat:

The Secretariat has prepared the following document after consultation with the Bureau of the Team of Specialists on PPPs (TOS PPP) in light of (i) the considerable interest in the topic of PPPs as a result of the adoption of the UN Sustainable Development Goals (SDGs); and (ii) UNECE's previous work in elaborating the UNECE Guidebook on Promoting Good Governance in PPP in 2008.

Action to be taken: The Committee on Innovation, Competitiveness and Public-Private Partnerships (CICPPP) requests the TOS PPP to continue this work, in the light of the high priority being placed on the topic by the 2030 Agenda.

Table of contents

Draft Guiding Principles

on Good Governance in People First Public-Private Partnerships (PPPs) for the UN Sustainable Development Goals (SDGs)

Part I - Guiding Principles for the Governance of PPPs for the UN SDGs [1]

Avant propos

The interest generated by the role of PPP in the implementation of the Sustainable Development Goals (SDGs) is considerable. SDG 17, for example, calls for the revitalization of the global partnership for sustainable development and expressly for: "Partnerships: public, public-private, civil society partnerships". Indeed, PPPs and SDGs are and should be, aligned - this is the basis of Goal 17 - with each supporting the other. PPPs thus are a good basis to implement the SDGs, while the SDGs are also a good way to make PPPs better.[2] Many UN agencies, reflecting this interest, are now giving "innovative partnerships" the highest priority. [3]

Accordingly, in consultation with the Bureau of the TOS PPP, the secretariat has prepared the draft of a review of the 7 principles that were agreed in 2008 and published in the UNECE Guide book on Promoting Good Governance in PPPs It has furthermore prepared a revision of these, taking account of the new 2030 Agenda. Moreover, reflecting this interest, the Addis Ababa Action Agenda (AAAA) itself has (in paragraph 48) called for the elaboration of "Guidelines" (United Nations, 2015b). Thus, the following draft Guiding Principles are also a contribution to this process.

For many years, Public-Private Partnerships (PPPs) were a rather minor financial tool for transferring project and financial risk to the private sector. It was, for the most part, not viewed as a "development" model, but rather as a value-for-money alternative to traditional public procurement. PPPs now need to be transformed as an instrument of partnership to be "fit for purpose" for the UN SDGs. This being said, it is a flexible model that can be adapted and revised. [4]

One of the chief characteristics of PPP for example, is that relative to traditional procurement and its one-off nature, the PPP locks in the private sector to a long term relationship in delivering an infrastructure asset and therefore it has a strong interest in achieving high valued outcomes during this period and the project life cycle. PPPs though are complex and there are both pros and cons to their use.

---

[1] Goal 17.17 of the 2030 Agenda for sustainable development underlined the importance of effective public-private partnerships as follows, "Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships" (United Nations, 2015a).

[2] Other SDGs are relevant too: Goal 9, 7, 6 but particularly **Goal 8 on inclusive and sustainable economic growth, full and productive employment and decent work for all** (United Nations, 2015).

[3] Chief of the United Nations Development Programme (UNDP) called for new partnerships and innovative joint initiatives as a gateway to development progress (UNDP, 2013).

[4] The PPP process offers a number of advantages over standard public procurement, especially in emerging markets (World Bank, 2011).

The pros

PPPs, harnessing the strengths of both the private sector and the strengths of the public sector are powerful instruments; they have:

- Generally delivered projects on time and to budget, especially in comparison with traditional public procurement;
- Been a source of innovation, technology and of finance for projects that otherwise would not have been done; and
- Brought rigour and improvement to the public procurement function, contributing markedly to improving the ability of public authorities to select projects that are needed, thereby making sure that public resources are not wasted on unnecessary projects.
- Being by nature, complex and "under scrutiny", PPPs generally necessitate more project preparation upstream and more transparent reporting, downstream, thus naturally "promoting" good governance, reinforcing democratic accountability and popular acceptance

It has been a powerful contributor to the improvement of infrastructure and these qualities and experiences and these "levers" can be effective catalysts to eradicate poverty and give the world a more secure future - "leaving no one behind".

The cons

However there have been concerns and problems;[5]

- The debt incurred – as well as the "contingent liabilities" - has been an excessive burden and in some cases a shock for governments entering into such deals; this has led some governments to treat such contingencies as "off balance sheet" (EU, 2016; World Bank, 2010);[6]
- Information on projects has been insufficiently disclosed (even though this has been sometimes obliged by the lender);
- The complexity of projects and the agreements surrounding PPPs, as well as the imbalance in skills between public and private sectors, has left governments at a competitive disadvantage in negotiation of contracts (OECD, 2008);
- The focus of the UN SDGs will be low income countries; but the private sector may have no interest in entering such high risk markets where the implementation of the UN SDGs is precisely needed. A new mind-set amongst the partners is needed if PPP is to go forward in such difficult environments;
- Projects have not been adequately sympathetic to price rises and the affordability issue amongst the poor, and this issue needs to be overcome to make the model viable and feasible in low income countries.
- Nor have projects been adequately designed to account for a fully regulated pricing/user pay tariff structure and for adjustments on affordability issues for the poor; these are the

[5] UN DESA report (2016) on PPP demanded that it is necessary to have a common definition of PPPs and internationally accepted guidelines, including reporting standards and uniform accounting.

[6] In a recent Eurodad report, Romera (2016) conducted a critical assessment of PPPs, especially on the role of donor governments and financial institutions, and their impact on sustainable development.

issues which "People first PPPs" will focus on, ensuring viable and feasible project models to deliver essential assets in low income countries as a priority.

The challenge is then to address these problems and overcome them with Guiding Principles that all parties should follow in their policies, practices and strategies going forward. Overall, a new consensus on the way forward on the use of PPPs – based on the challenge of the 2030 Agenda and the new behaviors it requires, needs to be forged. This is critical because without it, the UN can put in jeopardy the benefits of finance, technology, innovation and management capacity which the private sector can bring and which are so needed for success.

The Guiding Principles will be developed in full consultation with all stakeholders and under the intergovernmental process which is uniquely held by the UNECE PPP programme, in cooperation with the UN family and the multilateral development banks, including the World Bank and with the private sector and civil society.

The Guiding Principles are organized as follows:

- The Introduction describes the partnerships needed for the 2030 Agenda;
- The Principles are described with the aim of ensuring the achievement of such partnerships; and
- The Final part describes the next steps in the process of elaboration of the Principles.

Introduction: People first PPPs

Objective of the Guiding principles

The aims of the Guiding principles are in the short term, several and related:

(i) To incorporate the principles into national strategies for sustainable development
(ii) To involve the private sector, the contractors and operators or the financial community in identifying the best signals and forms of commitment they need from governments, local authorities and Public Sector to consider investing in people first PPPs, especially in low income countries
(iii) To identify and categorise "people first PPP" requirements with a view to label and rate them so that the financial community can be mobilised to support such partnerships
(iv) To describe the appropriate enabling environments for people first PPPs – and even in the most fragile of countries with limited financing capacity and wealth.

And over the medium and longer term:

(v) To identify what types of infrastructure assets can be practically delivered via PPP (and more specifically People first PPPs)
(vi) To identify then with Civil society and all public and private stakeholders, the proper consultation channels for People first PPPs
(vii) To promote a new "People first PPP culture "within the Public sector focusing on more "Transparency and Integrity "and new "Open Consultation and Reporting "mechanisms

The overarching objective is the following:

To open up the discussion on the concept of partnership and its intrinsic obligation to be "inclusive", that is to say, People and Civil Society are now invited alongside the public and private sectors, **to promote a new generation of "PPPs for SDGs".**

Target of the Guiding Principles

The below mentioned principles specifically are addressed to developing PPPs in low income countries, emerging markets and transition economies, which lack the necessary financial resources and are most in need of "People first PPPs". They also are addressed to all UN member states, civil society[7] and the private sector.

Role of the Multilateral Development Banks

The Multilateral Development Banks (MDBs) have a critical role to play in financing and supporting PPPs and developing such best practice projects. MDBs are indeed essential on creating investable projects and providing the financial support to make projects fly: on top of financing, the MDBs should promote, along with the UN, sustainable solutions to problems in support of the SDGs**.**

Role of civil society

Civil Society also should play a critical role in PPPs and all partnerships. Trade unions, environmentalists, academics and other organizations are strongly involved in many partnerships in developing countries and transition economies. The SDG 17 indeed expressly calls for "civil society partnerships" to implement the UNSDGs. Moreover, in low income countries where there is weak governance and the public sector lacks capacity, civil society can play a unique and major role in the delivery of infrastructure projects and
essential services.

Good governance

The Guiding principles will underline the need to promote peaceful and inclusive societies and to build effective and accountable and inclusive institutions at all levels. Good governance, rule of law, human rights, gender equality, fundamental freedoms, equal access to fair justice systems and measures to combat corruption and curb illicit financial flows will support these Guiding Principles.

---

[7] The Civil society organizations (CSO) Finance for Development Group issued an open letter to UNECE in March 2016 with the following critique (Eurodad, 2016):

1. the UNECE, as a regional commission of the United Nations, should not elaborate international PPP standards; and
2. Challenged the current bias in promoting the PPP model as a modality for implementing the 2030 Agenda for Sustainable Development, including the Addis Ababa Action Agenda (AAAA) on Financing for Development.

People, planet, prosperity

The SDGs call for a new world: the eradication of extreme poverty by 2030, a safe and secure future for the planet, with "no one left behind". The overall goals are to radically change the way we live and the role of infrastructure and services therein. First of all, there is a need to improve access of services in water, energy, health, education and transport to the poor. And in this objective of universal access, there is an explicit reference to providing a high quality of service for all. Secondly, infrastructure has to be made more resilient, especially to climate change and natural disasters. Thirdly the UNSDGs call for full and productive employment and decent work for all. In order to implement these ambitious goals, the UN Member States have chosen Partnerships as the preferred implementation tool to achieve this ambitious agenda.[8]

Making PPPs fit for purpose
Accessibility, equity, efficiency and replicability

To this end, Partnerships now must be evaluated according to a new set of **criteria** which can be perceived and actually are **"quality investments"**. Such criteria are tentatively defined as: "accessibility"; "equity"; "efficiency"; and "replicability". To this end, Partnerships need to:

- Increase **access** of essential services to people especially the socially and economically vulnerable. Engagement with social policy issues has remained on the periphery, rather than an integral part of, infrastructure reform in many countries. The design of PPPs has been weak in addressing poverty concerns, and there has been an absence of consideration of the impact of such investments on different groups of men and women;[9]
- **Promote equity,** leaving no one behind, promote social justice and make essential services accessible and without restriction on any grounds, to all;
- **Increase efficiency** – doing more with less. Improving the productivity of existing assets and making savings, for example, that can be used by governments for projects that eradicate poverty; and
- **Be replicable** so that they can be scaled up and achieve the transformational impact required by the 2030 Agenda.

"People first PPPs"

It is proposed that to embrace the Goals and the new agenda, a new wording of PPP is required. It is suggested that the term used be "People first PPPs". Clearly, infrastructure projects are much more than "bricks and mortar". They are first and foremost about people. And "people first PPPs" need to ensure, out of all stakeholders, that "people" are on the top. People first PPPs must expand in scale, speed and spread with more people having access to better services at affordable prices.[10]

[8] SDG 17.17 makes reference to "public, public-private and civil society partnerships".
[9] This lack of attention to gender issues extends beyond PPPs to wider infrastructure projects.
[10] For example, the Pamir energy project in east Tajikistan radically extended the quality services providing heating for 24 hours. The Swiss Development Agency (SECO) along with a philanthropic donor provided financial protection

“People first PPPs”

PPP Projects which are “people first” can be recognized immediately; the focus is on improving the quality of life of the communities, particularly those that are fighting poverty, by creating local and sustainable jobs, those that fight hunger and promote wellbeing, promote gender equality, access to water, energy, transport and education for all, and that promote social cohesion, justice and disavow all forms of discrimination based on race, ethnicity, creed and culture.

Source: UNECE PPP Compendium (UNECE, 2016a)

Moreover, by stating “people first PPPs” it is being assumed that although there is a sustainable relation between public and private sectors, the focus is now on **People** and that “People first criteria” as an evaluation tool of PPP, will take a predominant position throughout the project lifecycle, that is, during the design, development and exploitation phases.

In the broad category moreover of “people”, prominence in “people first PPPs” should be given to the:

- Rights of the poor,
- Rights of women and,
- Rights of employees [11]

for those who could not pay for the services so that the principle of ‘energy for all’ was supported. Many more projects following this model, where the Government development agencies played such a crucial role, are needed.

[11] Other vulnerable groups that could be mentioned, are children and the elderly while entrepreneurs might also be mentioned as the group important in achieving prosperity.

People

Rights of the poor

The poor especially need to be protected from PPPs that are poorly designed and or implemented. Partnerships for example, should provide subsidies so that those unable to pay for the services still can enjoy them. Often in projects the impact on these on the poor and on women has not been fully taken into account. Poverty indeed, has not been high on the PPP agenda. Accordingly, Governments should, before the PPP is started, undertake a full poverty and social impact assessment study[12] to ensure that different groups are able to access the services – men and women. In addition, Governments should be encouraged during the projects to undertake a PPP "Gateway "assessment to fully explore that the poor and other vulnerable groups are not falling through the cracks.

Rights of women

"People first" PPPs for the UN SDGs should also be **gender sensitive and empower women** as decision takers. This will require partnerships promoting a gender sensitive legal and regulatory framework to ensure that specific laws are clearly enforced so that women are not subjected to customary practice and denied their legal rights. "People first" projects in health care for example, should consult with women and ensure that their special needs in maternal care, for example, are respected.

Rights of employees

Workers in PPPs need to be assured that the PPP does not undermine their livelihoods and the projects should ensure that their overall welfare and conditions of employment are enhanced – not diminished. In many low income countries workers are paid poor wages and run the risk of serious injury or worse especially in large scale construction projects. PPPs should abide by the following principles: (I) PPPs should be protected and have rights to compensation in case of injury, (ii) the conditions under which they work should be no worse than the standards set by the governments or before the time their work became part of a PPP; and (iii) workers should be re trained in the existing jobs where PPP introduces new practices and /or new technologies.

Examples of PPPs that promote these principles [13]

1. **Brazil**

The *Luz para todos* project in Brazil extended electricity to unserved groups in the Amazon region improving livelihoods especially of the poor and in that category the rights of women.[14]

---

[12] The University of Loughborough in the United Kingdom illustrated a successful example of undertaking poverty and social impact assessment in solid waste management projects in developing countries (Ahmed and Ali, 2004).

13 These cases are taken mainly from the UNECE PPP Compendium (UNECE, 2016a).

[14] The Compendium is available at: http://www.unece.org/fileadmin/DAM/ceci/documents/2016/PPP/Forum_PPP-SDGs/PPP_Forum_2016-Compendium_All_Presentations.pdf

2. **Haiti** [15]

The PPP in the agriculture sector was designed with great skill by the government with the private sector. It created jobs, promoted self-esteem, social cohesion and gathered a group of poor farmers around a common goal to make the PPP a commercial trading success.

3. **Armenia**

The water PPP in Armenia increased water supply from 3 to 23 hours

4. **Russian Federation**

The *Clean Don* project in the Russian Federation allowed low-income residents to access water and sanitation through a centralized sewer system at reduced prices, enhancing the value of their properties, their wealth and thereby improved the residents' quality of life.

5. **United Kingdom**

The Alderly Hay Children hospital has improved access to quality health care for children

Planet

There is a need for policies that develop a resilient infrastructure, reducing the eco-footprint and improving the quality of life. Best practice PPP projects are precisely those that have taken full account of the need to combat or better manage climate change. The Guiding Principles are that national policies promote and simultaneously manage growth and jobs, resources and energy efficiency, pollution and climate change, innovation and social inclusion and finally knowledge sharing. Worth noting, "is that new technologies will not substitute for simple efforts by each and every one to reduce waste or to efficiently use natural resources" AAAA. This has transformational power.

Infrastructure assets and service gaps in low income countries should be assessed and envisaged, designed and developed within such an holistic approach. The Guiding Principles will provide a "guideline" to, for example, ensure maximum coherence when assessing the potential impact of People first PPPs against current environmental policies whilst supporting new considerations to avoid harmful activities and to better protect, manage or restore ecosystems. Other Guiding Principles such as Transparency and Integrity, will help develop a culture of "corporate sustainability and responsibility" within the private sector as well as a culture of "accountability" within the public sector. People First PPPs reliance on "well defined and well prepared" projects as a key feature for success, reliance on the importance of upstream cost/benefit analysis, social and environmental impact studies, consultation processes will ensure its share of protecting the Planet's ecosystems for all. Another step in the right direction of meeting the SDGs.

[15] It is important that partners use and develop best practice models, norms and standards in such projects so that they can be applied more widely. Standards lower barriers to entry and transaction costs. Standards and certification schemes are used in many successful PPP projects.

Rights of the poor

The poor are most vulnerable and at risk to the impact of climate change. PPPs should mitigate the risks and offer protections especially to this group.

Rights of women

Women as well need special support to deal with the impact of climate change, given their role in poor households for finding fuel, and water etc.

Rights of employees

Employees should benefit from the new opportunities emerging in the "green" energy industry.

Examples of projects that promote these principles

6. Brazil

The *Luz para todos* project cut greenhouse emission by replacing the use of diesel engines and by effective training programmes to users to encourage the better use of resources and energy efficiency.

7. China

The *Sponge City* project across China created over four thousand training and employment opportunities providing adequate infrastructure to treat water and generate green electricity.

8. China

A PPP "green city" model [16] under the auspices of a private company used the land given to the project by the state, to build homes and factories, promoting investment in infrastructure and public services. Today, Gu'an city has more than 400 manufacturing companies attracted to the enhanced and pleasant surroundings, providing jobs for more than 100,000 people, and homes, with top class public facilities and services, such as schools, hospitals and sport complexes.

9. Wales

The Welsh Development Agency has developed *a regional infrastructure plan* that is designed to secure the wellbeing of future generations. It puts sustainable development and the SDGs into local Welsh legislation.

10. United States

The *Energy Efficiency Appliance Rebate* programme integrated national policies to promote responsible energy consumption in order to combat climate change.

[16] The PPP model is the result of cooperation between The China Fortune Land Development Co., Ltd., (CFLD) and Guan County of Hebei Province (Southern part of Beijing)

11. China

ECRENT a private company has promoted a business model that encourages *rather than consuming, a rent and share scheme*. This scheme substantially reduces waste and creates the conditions for reusing products rather than buying new ones. Consumption patterns will have to change for the future of the planet.

Prosperity

PPPs need to advance inclusive economic growth: they need to create the maximum number of jobs but not at the expense of efficiency and impact. They should support a rounded and deeper development that have strong links with local communities and especially to small and medium sized enterprises. Large complex projects by contrast can attract adverse responses and negative attention and this can take time and effort to overcome. At the same time large infrastructure projects can have significant impacts on transformational development.

Rights of the poor

PPPs going beyond centralized large-scale, megaprojects and can instead focus on social infrastructure that serves the poor and disenfranchised populations, providing access to services, such as housing, education and health and supporting local economies.

Rights of women

Ideally the focus on small and medium sized enterprises should be giving prominence to women and where possible should be women led,

Rights of employees

Employees should be part of the growing prosperity. Their rights to negotiate better conditions and to belong to trade unions must be respected.

Examples of projects that support these principles

12. Portugal

The Cascais Entrepreneurships schools created a new generation of business entrepreneurs and new job creators

13. Tajikistan

The *power project in Pamir,* Tajikistan has increased access to energy services. It encouraged small scale enterprises to grow. It in turn increased jobs and the region's GDP

14. Portugal.

The Cascais Entrepreneurial School in Portugal benefited students from all socio-economic backgrounds and provided training in small-and medium-sized enterprises thus created many job opportunities.

15. Ghana

The Cenpower Generation Company in Ghana significantly boosted power supply by 13%, provided up to 600 jobs, contributing to the local economy and employment opportunities – especially as 90% of the labour personnel were sourced from within 30 miles radius of the company.

16. United Kingdom

The Forth Valley Royal Hospital in the United Kingdom improved quality and efficiency of inpatient and ambulatory care and increased gender equal employment

Types of partnership that matter most

All types of partnerships are critically needed for the success of the UN SDGs. The types of partnerships **that matter most** for the new Agenda are the following:

(i) Public-Private Partnerships

PPPs are long term legal contracts, sometimes up to thirty years and longer, where a public infrastructure asset or service is provided by a private sector partner and often includes aspects of project financing. PPPs can be a diverse range of public private contractual arrangements, however the most common forms include:

- A global contract or series of contracts for the Design, Financing, Construction and Operation of Public Building or Public Infrastructure which is the basis of a public service. This type of partnership can include Privately Financed Infrastructure (PFI) arrangements and PPP availability payment structures and payment is primarily linked to the construction and operation of the infrastructure.

- A global contract or series of contracts where the private sector is delegated public authority and may develop or redevelop infrastructure and/or services, however performance of the private partner is paid primarily by users, and upon satisfactory of delivery of those services to users, over the years. These delegated authority partnerships can include Concession arrangements and Lease or Delegation of Authority agreements in the French tradition.

These two main PPP “families”, also have distinctive features in terms of their fiscal impacts and on the scope of service delivery.

(PFI/PPP availability payment)	**(Concession and delegation of authority PPPs)**
Typified by recovery of the investment and associated operation costs incurred by the private partner from the public budget over the term.	Typified by recovery of the investment and associated operation costs incurred by the private partner from the individual users of the services (including sometimes an element of subsidy)
More or less 2.000 projects ***More or less €200 billion total investment***	***More or less 25.000 projects*** ***More or less €1.000 billion total investment***

Concessions versus PFI for the UNSDGs:

Which PPP models are more appropriate for low income countries and emerging markets ?

One expert argues that the concession model is more appropriate because it :

- **L**imits the fiscal impact on national budgets**.** (Most budgets of low income countries and emerging markets are not able to absorb large, long term financial liabilities).
- Can create large scale **"**transformational" effects by reducing poverty and contributing to economic growth. (leading to an increase in future tax revenues)
- Focuses on essential Infrastructure services (highways, bridges, railways, ports, airports, power plants, renewable energy, water and waste, urban services, etc.)
- Has contract conditions that are "People First PPP" in that they call for:

  - A service that adapts to the needs and the capacity of the people
  - A service which will remain adapted to the needs and capacity of the people over the lifetime of the project
  - A service that encourages equal treatment and continuity of service
  - A service that inherently limits abuse and profiteering
  - A service that ultimately is developed in real partnership with the people without compromising the right of the private partner to make a reasonable return on their investment
  - A service that benefits from a robust set of international best practices and contracting knowledge

Source : M. Frilet, International PPP Centre of Excellence on Policy, Law and Institutions, Paris, France 2016

(ii) Multi-stakeholder partnerships

Multi-stakeholder partnerships are joint projects, alliances, or collective objectives that further shared and individual goals and utilize a combination of resources and capabilities from governments, private sector, civil society, not for profit organizations and other stakeholders, especially the beneficiaries, consumer groups, etc.

(iii) Public- Public Partnerships

The public sector needs to play an enhanced role in partnerships. The state can work also with public utilities, state owned enterprises, and public and quasi-public economic and social development authorities to contribute to sustainable development and poverty eradication, in so called Public-Public Partnerships. One of the leading exponents – at least to date - is China (See Box below).

PPPs in China

PPPs in China are increasing and making the country more sustainable, more prosperous and alleviating poverty. The main driver has been the lack of resources faced by local governments and the need by central government to place hard budget constraints on their expenditures. Most PPPs are partnerships between these public authorities and state owned enterprises (SOEs). At the same time, such PPPs lack competition, can be unclear as to their deliverables, while most importantly, they are not structured to attract non- public sources of financing.

Accordingly, the Chinese have become very interested to reform the SOEs and develop financially sustainable, genuine, public – private partnerships as well. The newly created Tsinghua University PPP centre is investigating good practice PPPs that can guide policy makers in China and in the rest of the world.

China has also developed its "one belt one road" initiative to build routes across large areas of land and sea and because of the vast sums of money required for all types of infrastructure – road, rail, ports and sea ports etc. - PPPs in large numbers will be needed.

Source : City University, Hong Kong 2016

(iv) National-International partnerships

The type of partnerships between states – one large the other much smaller - where the respective enterprises cooperate on social programmes or development agendas, such as China's "one belt one road project" - are becoming increasingly common. These partnerships offer a new route to national economic growth and prosperity. Given their tendency to occur in low income counties, these partnerships directly contribute to eradicating poverty and creating a safer planet.

The Guiding principles for PPPs for the UN SDGs

The following are some Guiding Principles to encourage People first PPPs. There is a commentary on each followed by recommendations and some follow up actions. These Guiding Principles are supplementary to the work being done currently by the UNECE in the preparation of international PPP standards. (See UNECE PPP website)

1. <u>Policy and reporting requirements</u>

Challenge

PPPs impact can be enhanced by integrating them into an overall policy by governments with clear objectives, timelines, models and standards to enable their optimal use. Policy is needed that sets out a common framework, whereby the leaders of the country and the citizens can come together to share the same desires and objectives.

Commentary

It is very important that the focus is on measuring the <u>impacts</u> and <u>outputs</u> rather than the process.

Evidence shows that already governments are making clear statements of support for the UN SDGs; likewise the private sector and civil society.

Recommendations

All stakeholders should clearly commit to promote PPPs to address the SDGs, identifying and ensuring their projects are aligned with the SDGs. They can to this end, also undertake awareness rising within their respective organizations and also in countries where they are undertaking projects.

There is a need to widely disseminate the Guiding principles. These should be further developed to incorporate the widest possible views, different comments and requests of all stakeholders - governments, private sector, civil society, academia, trade unions etc.

Governments should develop PPP reporting mechanisms to make reference to the UN SDGs, showing how they are meeting their commitments in terms of policy, projects, values and outcomes, towards an indication of the percentage of their project pipelines are SDG compliant.

The private sector needs likewise to demonstrate their commitment, by reporting on how they are contributing their commitment to the SDGs and how they are using these as benchmarks for their investment strategies. Specific statements should focus on the poor and how women’s empowerment is enhanced both as decision takers and in terms of the benefits they receive specifically from the projects.

Follow – up actions

Governments, the private sector and civil society organizations should be recognized for their commitments to the UN SDGs and PPPs and made explicit in UN data bases/platforms.

2. **Building "People first skills" for "People first" PPPs**

Challenge

The challenge is to develop the skills to the required scale and quality for people first PPPs – especially in poor counties, where there are huge skill deficits and where the needs for such skills are so pressing.

Commentary

By far the main *lacuna* for PPPs for the SDGs is the absence of skills within public administrations at national and local levels to develop projects that can attract financing (the term bankable is not used purposely because of the SDGs are not to make a profit for the banks but for "the people", especially the poor, marginal groups including women and for the planet).

The skills mentioned could be greatly enhanced by the systematic gathering of PPP case studies particularly at the level of sectors – water and sanitation, health, law and policy and so on.[17] Governments should adapt the international standards into national standards that can progress PPPs inside their countries. Such national standards should be the focus of training. At the same time, it needs to be recognized that such PPP skills will never be learned from text books but ultimately through "learning by doing" on concrete projects.

Recommendations

There needs to be more standards for PPPs for the UN SDGs. The MDBs and the UN need to work closer on PPPs for the SDGs.

3. **Accountability and disclosure of information**

Challenge

PPP are viewed by too many as suffering from a lack of transparency, hidden from society and democratic accountability and viewed with suspicion and concern because of the importance of the activities of PPPs to public welfare and human wellbeing. Without an active consumer voice, for example, the regulatory authority risks being captured by the provider and lack of information weaken the regulatory process and the credibility of reform.

Communities need to be informed about the PPP regulatory process, and in turn, the regulator needs feedback from customers on performance, service and price. However, organizing themselves to articulate a voice is very difficult for poor customers, and especially women. On the

[17] The UNECE has established centers of excellence in several countries to collect best practice models and on this basis help to elaborate international standards.

other hand, the process of PPP contracting can strengthen the voice of the poor, and women, if advocacy groups and public information mechanisms are involved in the process. It will be important for the regulatory authority to identify gender differences in information and communication patterns, and to assess how these relate to capacity-building, stakeholder participation, and information campaigns.

Commentary

Calls for full disclosure of contracts in PPP projects are based on a strong premise. As water, health and energy are critical for human life there is a strong obligation – even as a human right – to be fully notified and informed about the project. This is further premised on the view that the information can empower people to influence and have a "say" over the terms and conditions contained in the contract. Nonetheless, bringing in the private sector requires some sensitivity to their commercial positions not to mention their own intellectual property.

This being said, there is a need to carefully consider this argument for commercial secrecy and to explore in detail (i) the precise nature of information about a project which would undermine the commercial interest of the private sector and (ii) the information that is needed to protect all stakeholders.

Moreover, infrastructure projects by definition impact the public. However, often many governments do not consult the citizens and consumers sufficiently or rather when it is "too late", that is, when the decision has been taken as to what investment is to be made; usually afterwards the public are then "consulted". As a result, there is very little "buy in" by the public and a climate of distrust persists.

Recommendations

Governments and private sector partners should disclose more information on their common projects and their agreements. This information should include, *inter alia*:

- Information on the employment impact (how many staff will lose jobs, how many will need retraining etc.);
- Pricing of the service;
- Information on the impact on poverty and on mitigating the effects of climate change; and
- How the project contributes directly to achieving the SDGs.

Disclosure should be encouraged to empower stakeholders' involvement in PPP decision taking. There needs also governance structures for PPP that are democratic, transparent and representative and guarantee that providers and beneficiaries are treated equally and in a non-discriminatory way. Development of the SDGs is not solely the domain of governments though Governments are ultimately accountable for it. The Governments though must provide formal avenues for other constituencies – including but not limited to trade unions, social movements, communities and civil society – to play a role in choosing, designing, implementing and monitoring People first PPPs.

Good and responsible project development and implementation should embody a carefully constructed and conducted consultation programme. In particular, before project decisions are taken, the public should be consulted as to: (a) what the problem is?; (b) governments' ideas as to the options available to solve the problem; and (c) what alternatives might the public suggest instead, followed up with a balanced and genuine dialogue, supported by independent expert advice.

There is a key role for civil society in helping to organize and provide consumers with information on the regulation of services, and on how the private provider is performing relative to the contract and relative to other providers. Involvement of civil society groups can also increase accountability of government in terms of policy decisions and resource allocation e.g. systematically gathering and disseminating feedback from poor women and men; promoting the use of instruments to exact provider accountability and transparency (e.g. instruments such as report cards, consumer panels to determine user opinions on a range of issues from satisfaction with services to perceived levels of corruption); making sure that poor women and men are included when samples are being drawn and ensuring that gender differences and different groups of women and men are disaggregated in analyzing and presenting the feedback.[18]

Ways of giving consumers voice include consumer advisory boards, consumer departments and qualitative and quantitative consumer surveys, involving consumers on decision-making and regulatory bodies and government oversight units. Other mechanisms include special gender advisors, grievance committees and external monitoring agencies. Building capacity for consumer relations, and having qualified staff to deal with heterogeneous social groups, are especially important. Enhanced stakeholder analysis and consultation combined with participation will build on these efforts and identify opportunities for feeding back into the process of implementation

Financial accounting

PPPs shall not be used to promote off balance financing, Goal 17 is very clear about long term sustainable financing.

Follow up actions

A project team with representatives from the World Bank (engaged in research for the G20 in this area) could develop some best practices which can inform this section of the guiding principles.

Civil society organizations might lead a team to develop a genuine <u>"stakeholder consultation"</u> and dialogue process on prospective projects.

[18] It is not enough to have public consultations at the central level, but public consultations should be held in low income areas, using methods and language that is appropriate, and ideally separately with men and women. In Jamaica the regulator reaches out to communities through local churches; special consultative or advisory groups have been formed in Brazil and Peru and regulators have made extensive use of radio.

4. Sustainable and transparent procurement

Challenge

Whenever public money or resources are used for investment in infrastructure and public service assets, an opportunity may arise for such resources to be diverted or manipulated for personal or institutional gain, diluting the value of the intended investment and defrauding the public purse.

Furthermore increasingly such opportunities for corruption arise not only at the time when the decisions are being made in the selection of the partner to an investment, but also when the project is being designed, for which consultants are hired and at the other end during the construction and operation of the project.[19]

Corruption moreover is bad enough but it also is a tax on the poor and totally contrary to the SDGs, while the continuation of such practices will prevent the transfer of funds for PPPs to countries which need them so much.

Commentary

With many major infrastructure and public service projects, some conflicts of interest invariably arise, increasingly through the role of personnel working on the project, or as advisors to the venture. If conflicts of interest do arise, they need to be publicly identified and if necessary, controlling measures taken accordingly.[20]

Recommendations

The yardstick in procurement for public services assets, whether with public or private bidder entities, should be that any possible opportunity for a conflict of interest needs to be declared, no matter how distant it may seem. Open declaration leads to mutual trust and respect which in turns leads to successful partnerships.

Accordingly at the outset of each major investment project:

- There should be made available (via the internet) a Register of all parties (i.e. owners or beneficiaries) including the sponsors and the bidders, plus their advisers (technical, legal and financial, including the auditors) as to the bid date, and updated, as required, thereafter throughout the project; and
- Failure to register conflicts could lead to disqualification of bids or contract annulment

[19] The development in many markets over the last 20-30 years of the use of private capital to invest in such assets, e.g. PPP, ‘PFI ‘etc. has added to the complexity of, and opportunity for, corrupt practices, introducing subsequent demands for probity and raising questions of the morality – with public acceptance or not – of tax avoidance and evasions, multi layered and opaque corporate structures and the use of tax havens by investors and lenders to public service utilities. Many of the tax practices once informed to the public have led to actions by indignant consumers, with some choosing not to buy the services and products of the companies behaving in such a manner. However with public utilities, especially in the water supply industry, which is a natural monopoly public service in most countries, there is usually no choice. Hence the demand for probity by the utility or public service provider is paramount.

[20] Conflicts of interest are becoming a major problem in complex PPPs – even more prevalent that illicit payments.

Follow up action

The UNECE will publish shortly a zero tolerance to corruption recommendation in PPP procurement integrating the issues identified above and presented in a more comprehensive fashion.

Consideration might also be given as to whether the UNECE or another body might play an arbitrating role in cases of dispute over conflict of interest issues.

5. **Sustainable development**

Challenge

Economic growth is still occurring too much at the expense of the environment and is therefore threatening the future of the planet. While PPPs are needed more and more for the transformational impacts that are required, these should not come at the expense of the environment. More financing is needed for green PPPs that stimulate growth and at the same time protect the environment.

Projects compliant with the SDGs and the green agenda need to be linked to the financing and the financial community for PPPs. In this way compliance with the green agenda can be "rewarded" by the availability of financing.[21]

Commentary

Given the reality of climate change and the dire impact it is having and will increasingly have, in the prospects for sustainable development, forging a close link between PPPs and green growth and a low carbon future, is important.

For some years it has been recognized that the capital markets, i.e. bonds, could provide much of the long term debt finance that investment in infrastructure and public service assets needs. However, bonds are less flexible and more costly for funding projects during the construction phase, but may be used in re-financing such projects, once constructed is completed.

Those countries which have been most successful in PPP have been the ones which have developed long term capital markets (so they can raise debt finance, in particular bonds, in local currency, avoiding foreign exchange risks) or those countries who have a commodity (e.g. oil, gas, minerals etc.) which they can export for hard currency. Hence bond finance has potentially an important role in this sector.

In the context of the green agenda, there have been a limited number of over-subscribed Green Bond issues, where the proceeds of the issues have been used for green applications. The impact

[21] The Bank of England has identified three key climate risks facing the financial system – physical, transition and litigation risks – where the CEO Mark Carney proposed to create a new industry-led disclosure task force to enable a better understanding of the above mentioned risks and bring clarity to often opaque financial reporting (Bank of England, 2015).

though has been limited to date, whereas the demand for such investments by financiers is growing.

Arguably, the market needs issuers, e.g. utilities, to be "green rated", just as for credit rating by Standard and Poor's, Moodys and Fitch, so investors have already a market of acceptable borrowers, whom they know follow the 2030 Agenda.

Recommendations

PPPs should promote environmentally sustainable long term solutions and resilience. This means respecting communities' rights to their lands, resources and a clean environment, and breaking away from the model of polluting resource – intensive, predatory extraction which has long been the reality in many countries.

Follow up actions

UNECE should take the initiative with UNEP etc. to develop the criteria and mechanism for a green rating of SDG compliant with PPPs

6. Legal and regulatory requirements

Challenge

Undoubtedly, over the past 15 years, a considerable number of countries improved their PPP legal and regulatory frameworks, acknowledging the principle set out in the Guidebook of 2008, that a strong enabling environment is fundamental to attract private capital, skills and innovative thinking into infrastructure and the delivery of public services. With the adoption of the 2030 Agenda and the identification of partnerships as the preferred mechanism for implementation, UN Member States are committed more than ever to ensure that different forms of partnerships, including people first PPPs, are pursued. This could only be achieved if countries have solid legal and regulatory frameworks conducive to attracting different partners, including the private sector, to deliver resilient infrastructure and access to key public services.

Moreover the challenge is to ensure that the legal and regulatory frameworks become the transmitter belts of effective projects. The former Guide's recommendation that laws should be simpler fewer and better rules stills stands true today.

Commentary

One approach to achieving better implementation is to establish fair, balanced, standardized PPP processes. For example, market leaders in certain sectors have already developed standard approaches and contractual provisions that have been successfully used time and again. These approaches should be further encouraged and made available to countries.
People first PPPs will require that the public sector receives a "fair deal" and standardized approaches will serve this principle of fairness. Countries, especially those engaging in PPP for the first time, lack the necessary experience when negotiating the terms and conditions of a PPP contract. Countries getting started in PPPs can therefore benefit greatly from more PPP mature

markets, from actual projects, and from standardized contractual elements and forms. This more standardized approach will ensure a better “value for people” and ensure that that PPP contracts are not overly favorable to the private sector.[22]

Fair and equitable redress should be provided within the contract and the legal and regulatory framework, for example where a project harms an individual, a community etc. These rights are acknowledged by the United Nations Guiding Principles on Business and Human rights[23] and are based on the public sector duty to protect human rights and to provide access to remedy. If a public project fails to deliver, stakeholders can hold the government or parties to account, using local remedies.

The empowerment of women and girls is at the very heart of the SDGs and gender equality legislation should be at the core of the legal and regulatory framework. In this regard and relative to PPPs, the World Bank has prepared some useful principles that can be used to ensure that PPP legislation is responsive to gender. It identified in the case of one jurisdiction, a gender responsiveness checklist that is designed to integrate a gender perspective in the PPP legal framework assessment and to adjust laws, regulations and regulatory processes accordingly.[24]

Recommendations

Simplify and standardize PPP contracts and processes. Use existing models and contractual elements that can lower transaction costs, accelerate delivery, and assist the public sector in its negotiation with private partners in PPP contracts.

A people first PPP model law should be elaborated taking account of international legal best practices. Such a model law should be responsive to gender. It should also allow for redress where citizens’ rights are negatively affected by PPP projects.

7. Risk

Challenge

(i) The Great Financial Crisis (GFC) in 2008 has had profound impacts on developed countries first and as a corollary on developing countries and transition economies. Inequalities have increased dramatically. The business communities have had to adjust in major ways to a new world order and economic context. The 2008 crisis also fully exposed financial and economic risks and vulnerabilities unknown until then. Properly allocating risks is no longer a Risk Matrix spreadsheet exercise but a joint effort in factoring “resilience” in the face of these threats and designing flexible yet formal institutional and legal schemes which will allow for adjustments over the life cycle of projects. The focus on just “Value for Money” is no longer appropriate, pertinent nor relevant.

[22] This is one of the key criticisms to PPPs.
[23] The right of redress is also built into the UNECE Aarhus convention (UNECE, 1998)
[24] A gender-responsive PPP legal and contractual framework is proposed by the World Bank (2016).

(ii) In addition, the prevailing behaviour of the private sector when entering high risk economics is to seek a high return commensurate with such risks. The challenge now in the new 2030 Development Agenda is to encourage the private sector to change its expectations and to accept a different risk reward ratio, one that lowers considerably, even to negative, returns on its investments in emerging markets (or what has been termed "frontier" markets).

Commentary

(i) There is a growing number of businesses that embrace a core business model that takes into account the impact of their activities and openly promote sustainable corporate practices. New ESG reporting obligations give further momentum.[25] LDCs adopting the 7 Guiding Principles and later UNECE SDGs Standards will generate interest from this pro-active business community as well as from a new class of financiers. Impact Finance is slowly demonstrating with growing volumes every year, that investors, private and long term institutional, national wealth funds are keen to make a difference, accept "very high country risks" profiles whilst still earning returns that are enviable in the current very low, if not negative rate, environment.

(ii) There is a case that the private sector may now be ready to enter such markets in the same way as a few years ago when they took on the challenge of entering China. Only a few years ago, it should be recalled, China was seen as a "frontier market" with all the associated risks and companies invested for the long term in the hope that eventually they would receive adequate returns on their investment. However, today, companies are investing in the country and making quite considerable returns. In the same way, companies can be attracted into today's low income countries where doing business is challenging, in particular countries in Africa, least developed countries (LDCs), landlocked developing countries (LLDCs) and small island developing states (SIDS), as well as the specific challenges facing middle-income countries (MICs).

Recommendations

(i) Capacity building and knowledge sharing are at the core of the matter when it comes to Risks identification/mitigation/ allocation. This process is very much a "two-way street" as cross-fertilization between the public and private practitioners will improve "partnership schemes" and shift the focus from a negotiated allocation of risks between the parties versus a shared analysis of the intrinsic resilience of a project to deliver and meet its "goals". Further work done by the international community on building a "shared" empirical data base on past and current project references is likely to become a key tool and lever to deliver "best practice". The UN Guiding Principles and work on SDGs Standards will contributed to this cross- border statistical effort.

(ii) It is critical that the Multilateral Development Banks play a major role in mitigating the risks of entering such markets and act as catalysts for the private sector. In addition, companies will

[25] Environmental, Social and Governance

themselves have to recalibrate their expectations, take a longer term view toward investing in vulnerable societies, and accept different risk-reward returns and make commitments to building economics and markets in these countries. The public sector too has an important role to play improving its own governance and transparency.

Follow –up action

The UNECE PPP ICoE will develop *inter alia* Standards that will apply to Funding and Finance schemes for "People first PPPs". ESG corporate reporting obligations in the Private Equity industry for example, currently recommend abiding by the Universal Declaration of Human Rights, the ILO core labor Standards as well as the UN Global Compact Principles of Responsible Investments. The objective here is to ensure that the SDGs and the UN 2030 Agenda are explained and promoted and become the new reference point. [26]

[26] Combining this financial "SDG ready and compliant" reference to a well prepared project label as currently envisaged under the SIFF-IISS Data Base project supported by the UN and MBDs and IFIs is likely to give a "premium" advantage to any People First PPP scheme promoted by any government embracing the UN Guiding 7 Principles. Standards and Guiding Principles as a new tool for "fast tracking" projects to achieve the SDGs.

Part 2 – Overall framework – 2008 UNECE Guidebook on Good Governance in PPPs, 2030 Agenda, the UNECE PPP programmer on standards for the SDGs

A. The UNECE Guidebook on Good Governance in PPPs for Infrastructure Development

In 2008, the UNECE published guidelines to address a series of problems in the area of PPPs for Infrastructure development. These were set out in 7 principles (see box below). The main problems addressed in the guidelines included:

- Failure to place PPP in an overall policy framework with clear sustainable development goals;
- Insufficient emphasis on capacity building especially for government officials to develop successful projects; when so many projects are capital intensive, very little if any funding is allocated for the training of government officials;
- Need to overcome the considerable legal barriers to the private sector involvement in the delivery of public services and in the development of infrastructure;
- The shifting of all risk to either the public or the private partner, based on unrealistic expectations of PPPs by both sides;
- The use of non-transparent procurement procedures to select partners;
- The tendency of ordinary people to be brushed aside in the consideration of projects, owing to a widespread view that PPPs were too complicated for laypersons to understand; and
- The exclusive focus of PPPs on economic growth at the expense of the environment.

THE PRINCIPLES OF GOOD GOVERNANCE IN PPPs

Principle 1 – Policy
The PPP process requires coherent policies that lay down clear objectives and principles, identifies projects, sets realistic targets and the means of achieving them, with the overall aim of winning the support of the population for the PPP approach.

Principle 2 – Capacity building
Governments can build the necessary capacities in a combined approach which establishes new institutions and trains public officials while at the same time using external expertise.

Principle 3 – Legal framework
Investors in PPPs need predictability and security in legal frameworks, which means fewer, simpler and better rules. In addition, the legal framework needs to take account of the beneficiaries and empower them to participate in legal processes, protecting their rights and guaranteeing them access in decision-making.

Principle 4 – Risk-sharing
PPPs allow risk which is most able to be managed by the private sector, to be transferred to them. However, governments also need to accept their share and help to mitigate those allocated to the private sector in mutual support.

Principle 5 – Procurement
The selection of the bidder should be undertaken following a transparent, neutral and non-discriminatory selection process that promotes competition and strikes a balance between the need to reduce the length of time and cost of the bid process and, acquiring the best proposal. Along these lines, corruption should be penalized as well.

Principle 6 – Putting people first
The PPP process should put people first by increasing accountability and transparency in projects and through these improving people's livelihoods, especially the socially and economically disadvantaged.

Principle 7 – The environment
The PPP process should integrate the principles of sustainable development into PPP projects, by reflecting environmental considerations in the objectives of the project, setting specifications and awarding projects to those bidders who fully match the green criteria.

Source: UNECE, 2008

None of the principles called explicitly for poverty alleviation but together these principles constituted something of a breakthrough towards a more social and moral model consistent with its use for the delivery of public services. At the same time, it has to be recognized that the PPP model at this stage was never established as a transformational instrument. Its proponents then had more modest ambitions and the context for the use was quite narrow, namely:

- PPP was first and foremost a model used by developed countries;
- It was a way to obtain "value for money" in projects in comparison to public procurement; and
- One of the debatable pluses of PPPs was that it removed financial expenditures off the national Governments' balance sheets.

The guidelines were used by countries as general framework principles and putting people first had the impact of altering public perceptions of PPPs and raised the bar for their evaluation. In 2012, the PFI approach was abandoned and replaced by a new approach. Many civil society groups were heavily critical of PPPs, with many seeing PPPs as the privatization of public services.

B. *UN SDGs, the Addis Ababa Action Agenda, and the COP 21*

A new chapter in the development of PPP has been reached by the adoption of the UNSDGs in September 2015, by the AAAA in July 2015 and by the COP 21 in December 2015. Partnerships are clearly the preferred model for the implementation of the agenda, with the following partners identified: public sector, private sector and civil society. However, the partnership envisaged have to have certain characteristics namely, they should be *inter alia* transparent, accountable to a wider group of stakeholders with an onus on achieving "quality infrastructure investments".

(i) Annual Infrastructure Forum

Mandate

The AAAA provides for the holding of an annual global infrastructure forum led by the multilateral development banks, aiming to:

- Improve alignment and cooperation among infrastructure initiatives; and
- Encourage a greater range of voices to be heard, particularly from developing countries.

Actions

The first Infrastructure Forum was held under the auspices of the World Bank on 18 April 2016, where a number of developing countries made presentations, and the next one will take place in Washington DC 2017.

(ii) Domestic action and international cooperation for infrastructure financing

Mandate

The AAAA calls on Governments:

- To include resilient and quality infrastructure investment plans in national sustainable development strategies and to improve their domestic enabling environments; and commits itself
- To provide enhanced financial and technical support to facilitate the development of sustainable, accessible and resilient quality infrastructure in developing countries, including translating plans into concrete project pipelines, as well as for individual implementable projects, including for feasibility studies, negotiation of complex contracts, and project management.

Actions

The report of the inter agency task force called for ***inter alia*** the following in pursuit of this mandate:

- More case studies that help to better understand development in infrastructure plans;
- Better assessment of enabling environments especially for PPPs as well as capacity building in transforming plans into concrete project pipelines ;
- The benchmarking of PPP procurement strategies (study currently being done by the World Bank and the IMFs Public Investment Management assessment (PIMA) framework were mentioned); and
- Identifying what constitutes “quality” infrastructure investments.[27]

(iii) Public and private blended financing for infrastructure financing

[27] Such criteria, the report suggested, could comprise the condition and attributes of the final infrastructure, nature of financing, terms of the contract and on the impact on sustainable development, including issues of labour and the environment as well as of resilience.

Mandate

Overall, the AAAA notes that both public and private investments have key roles to play in infrastructure financing, including through PPPs and blended finance that share risks and rewards fairly.

Actions

Concretely, the AAAA:

- Calls for projects involving blended finance, including PPPs, to share risk and rewards fairly, include clear accountability mechanisms and meet social and endowment standards;
- Calls for careful consideration on this structure and use of blended finance instruments;
- Commits to capacity building for PPPs and to build a knowledge base and share lessons learned through regional and global forums; and
- Commits to hold inclusive and transparent discussion when developing and adopting **Guidelines and documentation** for the use of PPPs.

(iv) UNECE PPP proposals as contributions to the AAAA and the SDGs

In response to these above mentioned requests, the UNECE proposes the following:

- *International PPP Standards for the UN SDGs, e.g. ZTC, Procurement etc.*[28]
- *Compendium of PPP case studies for the SDGs, showcasing them on a digital platform to encourage the exchange of experiences and lessons learned*[29]

[28] In addition, there will be available numerous sectorial standards (water and sanitation, tar sport, renewable energy and health).

[29] The AAAA calls for more PPP case studies and to this end the UNECE called governments and private sector to a challenge and to showcase some case studies that met the SDGs (United Nations, 2015). 30 case studies were presented and these covered the water, energy and health sectors and were located in predominantly developing countries. – the project presented were rich and varied and in many cases inspirational, providing much more than traditional PPP models and in challenging environments such as Haiti, Tajikistan and so on. Overall these projects conclusively had the following impacts:

- They were 'win-win' arrangement for all stakeholders: fundamentally contributing to poverty eradication through increasing access in health services, water and energy, to essential services to unserved and poor communities all over the world
- Offered gender equal employment opportunities, promoting social inclusion and equity;
- Increased efficiency in resource utilization, lowering the cost through the innovative mechanisms introduced by the private sector.

The pride in the outcomes of the projects was closely linked to good governance practices which had been carried out with projects committing to transparency, accountability, the empowerment of local leaders, fair procurement processes, active public engagement, and a fair allocation of rewards and risk. They need and deserve to be replicated in emerging markets especially.

None of the case studies, of course, have been independently audited. (Many of the counties do not have such procedures). But this was a first step where enough was achieved for the UNECE PPPP programmer of case studies to continue. And in the next stage the UNECE plans to inter alia:

- *Guiding Principles on People first PPPs for the UNSDGs*

(v) Other issues

The UNECE PPP programme is attracting widespread attention and this is leading it also to be considered for a role within the inter agency task force as a contributor to the discussion on PPPs. Relevant here are the following issues:

Fostering a close dialogue with civil society groups

A group of CSOs issued an open letter on the UNECE's role in developing standards for two reasons:

(i) UNECE is a Regional Commission and cannot aspire to develop global standards; and
(ii) PPP is not a model to archives the SDGs.

The UNECE Executive Secretary accepting the feedback offered to meet the CSOs in person to discuss their complaints. He also wrote a letter identifying four ways that engagement with the CSOs could be improved. In addition, at the margins of the 2016 ECOSOC Financing for Development Forum in New York, the UNECE held a special side event to look at the role of PPPs at which a number of CSOs made presentations.

Increasing visibility and transparency

The processes by which the standards are presided are themselves elaborated according to the highest standards of transparency, fully compliant with a seven stage process, which was used by UNCEFACT in the elaboration of standards in trade facilitation and electronic commerce.

Action point

The UNECE is further improving the process by creating an *ad hoc* steering committee which will meet together with the TOS PPP Bureau to ensure that clear and careful consideration is given to all the stakeholders during the standard-making process and that this is carried out in the most transparent way.

Compendium of PPP case studies, showcasing and offering a platform for exchanges and lessons learned

---

- Work with UN partners to extend the platform and invite governments and the private sector to submit further projects especially amongst francophone countries and projects from new emerging markets such as China and Africa.
- In addition, there is need for policy, legislation and other tools – especially to focus projects directly on poverty eradication and women's empowerment - to be taken by governments to mainstream such projects (These instruments will be further discussed in the section under policy for PPPs for the SDGs).

Action point

A new website to showcase the extensive range of work being done in PPPs was started with the support of ADEC, a Philippines based it company. To date the website has not been launched. The UNECE will explore all options to improve the website and to provide a platform for projects to the attention of all stakeholders.

(vi) Revitalization of the Partnership for Sustainable Development

UNECE, recognizing the importance of the SDGs and the increased interest in PPP has taken initiative to create a Global partnership for PPP for sustainable development under the auspices of UN Member States to develop best practices[30], to elaborate international PPP standards and to help governments with successful implementation. Six countries are now hosting international PPP Centres of Excellence and are *inter alia* supporting the work being carried out by international project teams in the elaboration of standards / recommendations. (See UNECE PPP website).

References

Ahmed, S.A. and Ali, M. (2004). Partnerships for solid waste management in developing countries: linking theories to realities. *Habitat International*, vol. 28, no. 3, pp. 467-479. Available from http://www.sciencedirect.com/science/article/pii/S0197397503000444

Bank of England (2015). The impact of climate change in UK insurance sector: A climate change adaptation report by the Prudential regulation authority. September 2015. Available from http://www.bankofengland.co.uk/pra/documents/supervision/activities/pradefra0915.pdf

City University (2016). One Belt One Road – the role of Hong Kong. *In City Business Magazine, College of Business*. Spring 2016.

Eurodad (2016). A regional commission should not set international PPP standards, March 29 2016. Available from http://www.eurodad.org/cso-ffd-group-letter-on-unece-standard-setting-on-ppps

European Union (2016). Government finance statistics: What is the extent of contingent liabilities and performing loans in the EU member states? 20/2016, Jan 27 2016. Available from http://ec.europa.eu/eurostat/documents/2995521/7143457/2-27012016-AP-EN.pdf/60f17285-93bb-4813-9bd8-bb5263703408

Frilet, M (2016). Compendium of six summary notes prepared by the International Centre of Excellence Concessions PPP ‘Policies, Laws, and Institutions’ in France as a contribution to the delivery of UNECE outcome. Paris, May.

Jomo, K.S., Chowdhury, A., Sharma, K., and Plats, D. (2016). Public-private partnerships and the 2030 Agenda for Sustainable Development: fit for purpose? UNDESA working paper, no. 148.

[30] The PPP standard development process undergoes a transparent process with 7 stages. Moreover, PPP standards are developed in a transparent process as illustrated on the UNECE website (UNECE, 2016b).

New York: United Nations. Available from https://sustainabledevelopment.un.org/index.php?page=view&type=400&nr=2288

OECD (2008). The economics of public-private partnerships: Is the PPP route the best alternative? In *Public-private partnerships in pursuit of risk sharing and value for money*. Paris: OECD.

Romera, M. (2016). What lies beneath? A critical assessment of PPPs and their impact on sustainable development. Brussels: European Network on Debt and Development. Available from http://www.eurodad.org/whatliesbeneath

UNDP (2013). UNDP chief calls for broad research, innovative partnerships to achieve health, development goals, Jan 31. Available from http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2013/01/31/undp-chief-calls-for-broad-research-innovative-partnerships-to-achieve-health-development-goals.html

UNECE (1998). Convention on access to information, public participation in decision-making and access to justice in environmental matters, done at Aarhus, Denmark on 25 June 1998. Available from http://www.unece.org/fileadmin/DAM/env/pp/documents/cep43e.pdf

UNECE (2008). Guidebook on prompting good governance in public private partnerships. Geneva: UNECE. Available from http://www.unece.org/ceci-welcome/cecipublications/ceci/2008/guidebook-on-promoting-good-governance-in-public-private-partnerships/guidebook-on-promoting-good-governance-in-public-private-partnerships.html

UNECE (2016a). Compendium of case study material. Contributions to the International PPP forum: "Implementing the United Nations 2030 Agenda for Sustainable Development through effective, people-first public-private partnerships". Geneva: UNECE. Available from http://www.unece.org/fileadmin/DAM/ceci/documents/2016/PPP/Forum_PPP-SDGs/PPP_Forum_2016-Compendium_All_Presentations.pdf

UNECE (2016b). PPP Standards development process: Projects overview. Geneva: UNECE. Available from https://www2.unece.org/wiki/display/pppp/PPP+Standards+development+process

United Nations (2015a). Transforming our world: The 2030 agenda for sustainable development (A/RES/70/1). Geneva: United Nations. Available from https://sustainabledevelopment.un.org/post2015/transformingourworld/publication

United Nations (2015b). Addis Ababa Action Agenda of the third international conference on financing for development. New York: United Nations. Available from http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

United Nations (2016). Inaugural 2016 Report of the Inter-agency Task Force on Financing for Development – Addis Ababa Action Agenda: Monitoring commitments and actions. New York: United Nations. Available from http://www.un.org/esa/ffd/publications/inaugural-2016-iatf-report.html

World Bank (2004). Public private partnerships, infrastructure, gender and poverty. Washington, D.C.: World Bank Institute Finance and Private Sector Development. Available from http://wedc.lboro.ac.uk/docs/research/WEJR7/Guest_-_PPPI_Gender_and_Poverty_-_abridged_paper.pdf

World Bank (2010). Managing contingent liabilities in public-private partnerships: Practice in Australia, Chile, and South Africa. Washington, D.C.: World Bank. Available from https://www.ppiaf.org/sites/ppiaf.org/files/publication/WB-ManagingContingentLiabilitiesAustraliaChileSoAfrica.pdf

World Bank (2011). How to engage with the private sector in public-private partnerships in emerging markets. Washington, D.C.: World Bank. Available from https://www.ppiaf.org/sites/ppiaf.org/files/publication/How-to-engage-with-private-sector-Clemencia-Farquharso-Yecome-Encinas.pdf

World Bank (2016). Gender-responsive PPP legal and contractual framework. Washington, DC.: PPPIRC. Available from http://ppp.worldbank.org/public-private-partnership/ppp-sector/gender-impacts-ppps/gender-responsive-ppp-legal-contractual-framework/gender-responsive-p