

PROPOSAL FOR A METHODOLOGICAL ASSESSMENT OF 'PEOPLE FIRST' PUBLIC- PRIVATE PARTNERSHIPS

Kickoff meeting



**PPP for
CITIES**

Specialist Centre
on PPP in Smart and
Sustainable Cities

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Introduction (I)

In September 2015 was approved the **2030 Agenda for Sustainable Development by the United Nations** General Assembly. The main component is a set of 17 Sustainable Development Goals (SDGs) and 169 Targets to be accomplished by 2030.

Among other objectives, ***increasing the access to public services to all*** is considered fundamental to improve quality of life and to achieve a sustainable and development.

Nevertheless, estimated ***infrastructure funding gap of 1 trillion dollars per year*** (OECD, Boston Consulting Group, World Bank).

This gap of 1 trillion dollars per year can be fill with the ***help of the private sector***: more than 1470 public-private partnerships started between 2001 and 2014, with a total investment of around 16,305 million dollars in several areas.

Public-private partnerships (PPPs) are a powerful vehicle to achieve the SDGs (UNECE, 2016).

Establishment in 2016 of a set of ***criteria that PPPs must fulfil to meet the SDGs***. These criteria were called 'People First' PPPs.

Introduction (II)

In particular, to be considered as **'People First'**, the projects need to fulfil the following conditions:

- 1. Increase access of essential services** to people, especially the socially and economically vulnerable; furthermore, people-first PPPs should promote social justice and make essential services accessible without restriction on any ground;
- 2. Developing a resilient infrastructure and improving environmental sustainability**, cutting Co2 emissions and fostering green growth;
- 3. Demonstrating project economic effectiveness**, projects must be successful, achieve value for money and have a measurable impact by removing a barrier or creating new means for integrating groups into the global market place;
- 4. Be replicable and scalable** so that they can be scaled up and achieve the transformational impact required by the 2030 Agenda;
- 5. Engaging all the stakeholders** that are either directly involved in the PPP project or directly or indirectly affected in the short and /or long run.

Introduction (III)

Previous literature:

Vast literature analyzing public interest services impact from different angles related to SDGs. Examples:

- Effects of transport infrastructure on growth and development (Démurger, 2001; Boopen, 2006; Lakshmanan, 2011; Farhadi, 2015).
- Wider impacts of rails and roads (Banister and Thurstain-Goodwin, 2011; Knowles and Ferbrache, 2016; Holl, 2004; Jiwattanakulpaisarn et al., 2009; Durantou and Turner, 2012).
- Environmental impacts in the water sector (Lundin et al. 2004; Larsen et al. 2007; Lassaux et al. 2007; Hospido et al. 2012).
- Economic impact of educational institutions (Blackwell et al., 2002; Siegfried et al., 2007).

Cost-Benefit analysis in almost every service of public interest:

- water (Hutton et al., 2007);
- rails (de Rus and Inglada, 1997);
- educational centers (Reynolds et al., 2002)
- power generation (Diakoulaki and Karangelis, 2007).

Contributions of PPPs to sustainability related objectives mainly through the case study analysis approach (Chaurey et al., 2012; Deltas, 2011; Mouraviev and Kakabadse, 2014; and, Szulecki et al., 2011, among others). Lack of a holistic approach to sustainability assessment (Pinz, et al., 2018).

Introduction (IV)

Previous literature:

Among others, some of the methodologies used in the assessment of the effects of a project or product include:

- Cost-Benefit Analysis (CBA)
- Economic Impact Assessment (EIA)
- Environmental Life Cycle Assessment (LCA)
- Computable General Equilibrium models (CGE).

This project:

Create a **methodological tool** to assess in which way a PPP contributes to the integral development of the territory and how particularly to the SDGs.

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Methodological tool to assess if PPPs can be called **'People First'**

2. The Proposal

Graph 1. Public-private partnerships holistic assessment



2.1 Increasing access and social justice (Condition 1)

Contributions of the project under evaluation:

- ✓ Access to public interest services.
- ✓ Access to more socially and economically vulnerable population
- ✓ Women empowerment. Gender equality.

2.1 Resilience and environment (Condition 2)

Contributions to be evaluated:

- ✓ Development of resilient infrastructure.
- ✓ Global environmental impacts: Reduction of CO2 emissions
- ✓ Local environmental impacts: Reduction of the particles PM10 and PM2.5, and Nitrogen Dioxide.

2.1 Economic effectiveness (Condition 3)

1. Contribution to value for money:

i. Procurement methods and bidding process:

The selection of the tender procedure and the award criteria plays a key role in *competition, cost and technical conditions* in which the PPP will be carried out (Yescombe, 2007)

Essential to improve the productivity of existing assets and make savings.

i. Risk allocation:

The optimal distribution of risk in PPPs requires considering both the incentives created by the contractual relationship as the ability to control risks incurred by the different parties (Grimsey and Lewis, 2004).

iii. Finance and payment methods:

The payment mechanism has a fundamental impact on the magnitude of transaction costs associated with monitoring the terms of the contract, in the incentives related to the reduction of costs and the maintenance of the quality of the service, in the effective distribution of risks between the public authority and the operator private (Berrone et al., 2018).

2.1 Economic effectiveness (Condition 3)

1. Contribution to value for money:

iv. Governance and institutions:

Institutional quality is a key factor of overall economic success and good performance of PPP projects in particular. The Governance structure must guarantee zero tolerance to corruption.

v. Performance:

Affect directly the **effectiveness of the project** and depends on the proper design of the contract and selection of stakeholders. If dimensions 1 to 4 of the contract are well designed, we can expect the project to be delivered on time to fulfill its objective.

Identification: Effectiveness in the use of resources.

2.1 Economic effectiveness (Condition 3)

2. Economic impact

Extended assessment proposed:

- **Economic impact of the infrastructure**
 - Input-output framework (direct, indirect and induced effects of the infrastructure)
- **Job creation during the length of the project.**
- **Percentage of women employed**

Identification: Stimulus to the regional and state economy and the level and location of employment change of infrastructure and project. Women empowerment.

2.1 Replicability (Condition 4)

Dimensions under evaluation:

- ✓ Training of local personnel associated to both the design of the contract and the project itself.
- ✓ Transmission of knowledge and know-how to different actors of the society

Identification: the punctuation will express in which degree the contract and project are replicable without employing additional resources.

2.1 Engagement of stakeholders (Condition 5)

The engagement will be identify through:

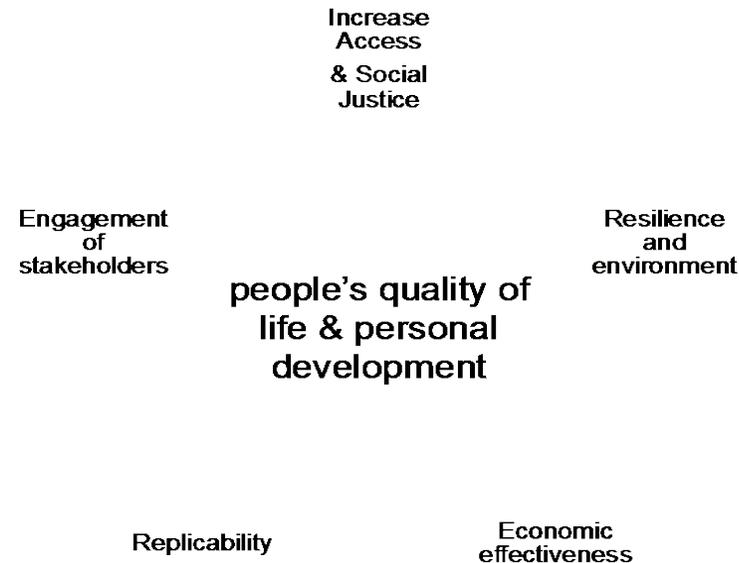
- ✓ Involvement of civil society and NGOS in the project
- ✓ Media exposure
- ✓ Level of citizen's awareness about the project

it will be also assessed if the project contributes to women empowerment.

Identification: the punctuation will express the degree engagement of stakeholders and the contribution to women empowerment.

2.1 The dimensions of the score:

This quintuple assessment will allow to observe from different angles if PPPs can be considered **‘People-First’**.



2.2 Score calculation

- Every item described will be scored from 0 to 5.
- Weights will be assigned to each item
- Final score by dimension: number between 0 and 5.
 - The extreme cases of 0 and 5 will represent zero alignment with SDGs of the PPP under evaluation and full alignment with SDGs, respectively.
- Final score will sum up a maximum of 25 points.

Result:

- ✓ These Global and individual scores will be a perfect tool to learn how to improve PPPs, as a tool to reach SDGs.
- ✓ Public officers will be able to learn from an overall PPP project, or observe specific criteria that might be a priority for their government and society.

2.3 Sensitivity analysis

- The methodology will be tested with projects of different areas.
- Both the nature and the number of cases tested will depend of data availability.
- Potential cases:
 - Set of PPP Case Studies of the IESE Specialist Center on PPP in Smart & Sustainable Cities
 - Set of almost 100 cases collected since 2016 by UNECE.
 - Data bases from other stakeholders, such as the World Bank, CAF-Development Bank, Inter American Development Bank or the European Investment Bank can be used in a second-round testing the methodology.

3. Team

Specialist Center on PPP in Smart & Sustainable Cities of IESE Business School

- Joan Enric Ricart- Academic Director
- Valeria Bernardo- Post Doctoral Researcher
- Jordi Salvador - Researcher
- Juan Piedra – Research Assistant
- Carlota Monner- Technical Support
- Pascual Berrone- Research Fellow
- Xavier Fageda- Research Fellow
- Francesc Trillas- Research Fellow
- Miquel Rodríguez Planas- Manager

Expert Team

Group of specialists from the Public Sector, Private Sector, Multilateral Institutions (United Nations, World Bank, CAF, among others) and Social Society.

4. Timing

	Month 1				Month 2				Month 3				Month 4				Month 5				Month 6				Month 7			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Kick off	X																											
Meetings with Experts Team					X						X						X				X							
First draft Methodology proposal									X																			
Second draft Methodology proposal													X															
1st results tested methodology																			X									
2n results tested methodology																							X					
Approval Methodology UN																												X