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Revised Guiding Principles on People-First Public-Private Partnerships for the United Nations Sustainable Development Goals

Note by the secretariat

Summary

1. The ECE is currently elaborating the Guiding Principles on People-First Public-Private Partnerships (PPPs) for the UN Sustainable Development Goals (SDGs) as mandated by the Committee and the Working Party on Public-Private Partnerships, with the support of experts, Project Team leaders and International Specialist Centres.

2. This is a revised **unedited** version of the draft submitted to the Working Party at its First Session in November 2017 and incorporates comments made since the Working Party session. (See Acknowledgements)

3. The next steps are the following:

(i) Further elaborate Parts II and the Guiding Principles and Part III;

(ii) Invite individual governments to take responsibility to further elaborate individual Principles building on the existing draft and agreed structure;

(iii) Share for comments with the UNCTAD, United Nations Regional Commissions and other United Nations bodies and partners including the World Bank, World Economic Forum and Organisation for Economic Cooperation and Development (OECD);

(iv) Submit for comments to the United Nations Department of Economic and Social Affairs (DESA) and the Inter-agency Task Force on Financing for Development under the auspices of the Addis Ababa Action Agenda;

(v) Submit the final document to the Working Party for approval and eventual publication.

4. The Committee is requested to take note of the attached revised version of the

Guiding Principles, which are circulated for information.

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Acknowledgements

The secretariat wishes to thank the following people and institutions for the excellent comments and contributions to this revised document made since the Working Party session in November 2017: In alphabetical order: Bruno de Cazalet, Felix Dodds, Marc Frilet (International Specialist Centre of Excellence on PPP Policy Law and Institutions), Raymond Saner

Introduction

Over the years the ECE has maintained that Public Private Partnerships (PPPs) can be used as a tool for sustainable development. In ECE's 2008 Guidelines on Good Governance in Public- Private Partnerships, one of its seven principles called for a 'People first 'approach to PPPs. In 2015, the United Nations adopted the UN Sustainable Development Goals (SDGs) and the 2030 Development Agenda (2030 Agenda), calling for the use of and improvement to partnerships between the public and private sector. The ECE at its PPP Forum in March 2016 further identified that a new PPP model needed to be identified in order to realize this new Agenda and further adopted a new terminology called 'People first' PPPs (PfPPPs).

The UN SGDs and importance of partnerships

It is critical for achieving the 2030 Development Agenda to mobilize new investments, especially in low and middle-income countries, in high quality infrastructure projects. Infrastructure investment overall is a key driver of development and social progress, creating jobs, higher productivity and boosting trade. Such investments can directly eradicate poverty by *inter alia* achieving universal access to infrastructure and distributing public services more effectively, such as health and education services, renewable energy and water and sanitation etc. Across central Asia for example inadequate roads and rail transport limit producers' ability to get their products to market and lift communities existing at the margins of societies, out of poverty.

Climate change

A further critical challenge is climate change and the need to promote investments in resilience and to address the enhanced risks to everyone, especially the poor. These include *inter alia*, both to address specific vulnerabilities such as flood controls, levees, floodgates, alert systems, mobility and capacity to assist the affected and rebuild afterwards and general infrastructure, such as transport infrastructure, buildings, cities, housing, etc. These are necessary not optional as they contribute to long term sustainability and ensuring current development gains are safeguarded for future generations.[1]

Financing gap

A huge amount of funding will be required to achieve the SDGs. This has been calculated at between $3.3 USD trillion to $4.5 USD trillion on an annual basis up until 2030 for developing countries (UNCTAD, 2014). Capital investment is just one part of what is needed; however, more investment and operational expenditures will be needed as well, that is, in the operation and maintenance of these assets. In addition, in some sectors, such as health, the cost of training of new doctors, nurses, and other staff will be considerable.

While this task in many situations is undertaken by the public sector, it is simply not feasible for governments alone to make up the shortfall in the huge financing required, through for example, *inter alia*, increased taxation, higher productivity, ODA etc. Of course, the private sector is needed not just for financing; since private

[1] Unlike the previous Millennium development goals, a special role for implementing this agenda in the important SDG number 17 is given to 'Partnerships'. And within the different types of Partnerships mentioned - public- public, public - civil society and multi-stakeholder partnerships, the one where most attention has been addressed are Public Private Partnerships. This is hardly surprising given the quantum of investment in infrastructure that needs to be mobilized for the achievement of the UNSDGs. *See* UN Sustainable Development Goal 17 and specifically 17.17

sector participation under these schemes also provide technology, services or even capacity building frameworks, under performance-based agreements.

A pause to reflect

Given the centrality of PPP in the UN 2030 Development agenda, those expecting a dynamic UN wide programme promoting Public-Private Partnerships in support of the UNSDGs, could be forgiven for feeling rather disappointed. No clear campaign has begun to advance PPPs for the UNSDGs and few government agencies responsible for PPP have acknowledged the SDGs as a reference point for their work. Indeed, there appears to be a 'wait and see' approach towards the role of PPP and the SDGs.

Model not 'fit for purpose'

Why is there a 'pause' in the promotion of PPP for the UN 2030 Development Agenda?

First of all there is some doubt over whether the PPP model is 'fit for purpose ' for the UNSDGs. Some argue that even though the SDGs call for the promotion of PPPs the PPP model has not been aligned properly with the outcomes contemplated by the SDGs.

Others argue that PPPs in general delegate a key implementation role of government to non-state actors such as the private sector or civil society, and rather than contributing to the successful delivery of governmental infrastructure and service, the approach is an abrogation of the responsibility of Government. This may be ignoring the fact, however, that many governments regularly procure goods and services from the private sector, and the performance of many public responsibilities is often provided by, or comingled with, private providers.

Others feel governments using PPPs introduces a dangerous profit motive in the delivery of public services, and this simply is not the right model and it should be replaced by something else, or at least needs to be greatly improved.[2] Civil Society Organizations, for example, argue strongly that private companies making profits taint any good the approach may bring, and this process will inevitably result in the project being more costly, detrimental to public welfare, or impose a burden on the lives of citizens.[3] They argue that PPP 'privatizes the rewards and socializes the costs'[4].

Governments too in the Addis Ababa Action Agenda offered less than full, unambiguous support, calling in para 48 of the Declaration, for the elaboration of guidelines on PPPs to improve their use and effectiveness in achieving the SDGs.

[2] Mr. Felix Dodds cited at the November 2017 ECE Working Party on PPPs a Friends of Governance of Sustainable Development article that highlighted many of the concerns: "(o)n the other hand, skeptics of PPPs point to a number of potential risks/challenges for governments: distortion of public agenda, loss of local control over critical infrastructure and services, and co-option of government or civil society partners; commoditization of commons; lack of strong local/regulatory frameworks and the need for institutional capacity-building; lack of transparency and accountability, including hidden or "off-book" accounting treatment of PPP-related debt; the need for improved monitoring and evaluation; inadequate investment in maintenance; and displacement of public employees."

http://friendsofgovernance.org/index.php/papers/background-paper-for-session-3-draft-principles-for-public-private-partnerships-developed-by-the-communitas-coalition/, accessed 20-3-2018

Mr. Felix's comments: http://blog.felixdodds.net/2017/11/presentation-on-unece-principles-for.html#comments, accessed 20-3-2018

[3] As stated in Hall (2015, p.3), "private sector corporations must maximize profits if they are to survive. This is fundamentally incompatible with protecting the environment and ensuring universal access to quality public services."

[4] The Private Finance Initiative (PFI) of the United Kingdom has come under just such an attack and has been criticized by Civil Society organizations for excessive profits and excessive embedded operational and maintenance costs.

Overall, it can be said that not all PPPs are ‘fit for purpose’, nor is there a guarantee that the traditional model of public-private partnerships, left unguided, will lead to the successful achievement of the UNSDGs. It is furthermore clear that most PPPs have been undertaken in fully developed Western countries with mature economies and relatively low risk. There has yet to be a model that is on one hand transformative and on the other responds to the challenges of low and middle income countries, or those with political instability or emerging from conflict; those places where arguably PPP is needed the most.

Limited expertise on PPP inside the UN

Expertise on PPPs within the UN organization is limited and scattered across various UN bodies. ECE, UNESCAP, UNCITRAL, UNCTAD, and others each organize dialogue, conduct capacity development work, provide research, and produce PPP resource materials, but they often lack coordination and rarely engage in on-the-ground PPP activity. The depth of expertise and offerings of each is also dependent on the body, for example, the ECE has developed some expertise and a relatively robust network of global experts, but its mandate in preparing international PPP standards and guidance materials is constrained to its own Commission and member states.

This lacuna and dispersion of knowledge and expertise is hardly surprising as PPPs have been fundamentally a financing tool and the discourse and development of expertise has been constrained to financial circles. In fact, over the past 20 or more years, the PPP model was driven largely by the ability to capture private financing for infrastructure when budgetary funds were not sufficient, and only later did ‘value for money’ analysis come about when budgetary constraints eased but the project still needed to be justified from a financial perspective.

This notion that PPPs, and in particular PPP knowledge has come from the financial world is supported by the fact that much of the expertise has been developed within the Multilateral Development Banks, such as the World Bank, Asian Development Bank (ADB), and European Investment Bank (EIB).. They have lead the development of resources and knowledge products on public-private partnerships and other than UNCITRAL and ECE are far and away the main depositories of much of the International PPP best practice.

Need to move PPPs towards a ‘People First’ approach

A new set of Guiding Principles is needed to focus PPP on a new approach and a new model that, because of its value for people and scaling up of impact. PPPs that reduce risk, improve outcomes, and are aligned with financing that is sustainable, equitable, and combines ‘doing good with doing well’. Principles that foster a new model and new approaches that will address the common concerns about PPPs and make them truly ‘fit for purpose’ for the UN SDGs, addressing entrenched and damaging positions against PPP.

People first PPPs is a model that has sustainable development as its objective and putting people first at the core. This is in contrast, to date, with PPPs that have been mainly done to finance public infrastructure or to seek operational efficiency gains and realize ‘value for money’. While these aspects remain important, with the adoption of the 2030 Agenda, the challenge for governments and the private sector now is to implement PPPs according to a broader set of holistic criteria and undertake projects that from inception to termination create ‘value for people’.

In essence this means PPPs need to do more and be measured according to a number of impacts that are in line with the SDGs, such as a project increasing access to essential services, especially to vulnerable groups, having particularly strong economic effectiveness and transformational impact, being replicable, cutting or significantly reducing Co2 emissions, making infrastructure more resilient, and/or engaging effectively with all stakeholders.

Aim of the Guiding Principles

The principles have three main aims:

(a) Identify the new roles and responsibilities that will be required of governments and private sector in order to lift the PPP model onto a new level of People-First PPPs.

(b) Outline key elements to a People-First approach, and particularly those that will need to occur in order for PPPs to take place in developing and low income countries.[5]

(c) Provide benchmarks and a framework for governments to take next steps and align their activities with the People-First model.

Organization

The document is divided into the following Parts:

- Part I Experiences and Key Learning
- Part II Guiding Principles
- Part III Next Steps

[5] These adjustments refer inter alia to necessary legal, policy and institutional adjustments and revisions in international PPP best practices, new approaches to project risk, renewed accountability to citizens, and undertaking important new initiatives such as women's empowerment and building capacity to undertake People first PPPs.

Part I: PPP Experiences and Key Learnings

The PPP model needs to be changed to meet the challenge of the UN 2030 Development Agenda. To this end it is worth asking the following questions:

- How have PPPs in different sectors evolved and what challenges do they face in order to contribute to a more inclusive and sustainable development?
- How can cooperation between the public and private sectors be improved and made more effective based on the overall experiences to date?
- What should be the model for PPP that should prevail?

A. How have PPPs in different sectors evolved and what challenges do they face in order to contribute to a more inclusive and sustainable development?

PPPs, as they are now commonly referred, are no longer the ‘new’ way of doing things. PPPs saw their most recent resurgence in the 1990s and 2000s in the United Kingdom, Australia, and Canada as ‘PFI’ transactions. PFIs are just one branch of PPP world however, with concession based arrangements being a large player in other jurisdictions, in particular those with a civil law tradition like France.[6] Still further there is increasing use of other modes of PPP.

These various modes of PPP certainly bring practical distinctions in, for example, how they are structured and how they are made most viable, but PPP as a terminology is now more inclusive and globally many jurisdictions make no distinction between PFI, concessions, and other forms, and simply refer to all forms as PPP.

As PPPs continue to evolve, now more than ever, they are developing along sectoral lines and in response to the types of projects that are common in a sector and the needs of the jurisdictions employing them.

Water and Sanitation

As observed by the World Bank, “today at least 663 million people lack access to safe drinking water and 2.4 billion lack access to improved sanitation” and “by 2050, at least one in four people is likely to live in a country affected by chronic or recurring shortages of fresh water”, although the total number of people who have access to water or wastewater services from the private sector exceeded a billion for the first time in 2013. There is a huge gap, therefore, between what is being provided in water and sanitation services and what is needed to meet the UNSDGs.

[6] In fact, in the PPP discourse of today, PFI is most closely associated with the UK and their effort to renew hospital and healthcare facilities, but both Australia and Canada also have projects of various forms dating from the late 1980s to early 1990s. Despite this resurgence of PFI in a handful of common law tradition jurisdictions, France has perhaps some of the oldest examples of PPP, with a famous water concession being granted to a French nobleman Luis de Bernam in 1438 to charge fees for the transport of goods on the Rhine. France’s long tradition has contributed to their civil law distinction between PFIs and concessions, with concessions being a distinct mode of PPP where the public service is delegated to a private operator, and PFI in comparison is simply a financing tool where the public body remains ultimately responsible for the provision of the ‘public’ service associated with the facility.

The key challenge for virtually all water and sanitation systems is the public's sensitivity to tariff rates. Governments are naturally reluctant to raise tariffs[7] yet keeping tariffs low (or non-existent) is a hurdle to private investment and attracting businesses to enter these markets and improve water and sanitation service levels. Nevertheless the global need for improved water and sanitation is enormous and all systems still face significant capital costs in order to implement or extend water and sanitation systems to meet this demand.

Despite these challenges, over the past decade several areas of private sector involvement in water and sanitation have shown promise - in the reuse of waste water for irrigation, small-scale water and sanitation systems, and urban water and sanitation solutions.[8] Stand-alone PPPs in desalination and wastewater treatment plants have also been successful,[9] as well as performance based, efficiency gaining lease and management contracts that can, for example, be successful in reducing leakage in systems or expand overall connectivity.[10]

Energy

The energy sector has undergone significant change over the past decade with renewable energy generation, in particular solar and wind, becoming more efficient and relatively competitive on a cost comparison basis. However, much of the globe still relies on coal based generation and there is no end in sight for increases in energy demand. So while governments often have more choices for energy generation, they struggle to meet demand, grow their generation and distribution capacity, in particular extending their networks to the underserved and poor areas, and doing so in a green and environmentally friendly way. Unsolicited proposals and the development of unnecessary systems or capacity (or the provision of unnecessary guarantees) also remains an issue in many jurisdictions. These challenges are set against the backdrop of ever tighter public budgets and needing to provide energy to customers who often times are unable to pay for the true cost of service.

The key challenge then for governments is increasing access to power while overcoming the significant upfront costs required to establish or extend power generation and distribution networks. The PPP mechanism is an important tool for governments in managing this challenge as it can bring private investment, as well as new technology, innovation, and improved efficiency, to their energy capacity and systems. In fact new technologies; smaller, stand-alone systems; grid connected and off grid distributed generation capabilities[11]; and truly renewable sources[12], show great promise for transforming the sector, further creating jobs and

[7] In case an upward adjustment of the tariffs is needed, this is preferably undertaken well in advance to launching the PPP tender, to avoid any association with private sector participation and hence any backlash which could hamper billing and collection by the private operator.
[8] For example, the New Cairo Waste Water Treatment Plant successfully uses urban waste water to irrigate regional agricultural areas which reduces both the quantity of pollutants dumped into the Nile River and the overall fresh water use. Manila Water has successfully implemented PPP to increase their urban water supply coverage from, for example, 26% of the East Zone population in 1997 to 99% of the whole city today.
[9] Examples can be found in Brazil and Saudi Arabia.
[10] Ho Chi Minh City, Vietnam has implemented this model with success.
[11] Examples of grid connected distributed generation projects can be found in rural India and Jamaica
[12] Cabeolica Wind Farms in Cape Verde. The wind farms with 11 wind turbines have been fully commissioned to supply 25% of the country's electricity demand and approximately 50,000 Cape Verdeans are given access to electricity.

mitigating climate change,[13] and promoting energy security and equity in energy service provision.[14]

Health

The provision of healthcare infrastructure and services is a massive obligation for both governments and the private sector. Some estimates place the cumulative expenditure on healthcare infrastructure over the last decade to be over $3.6 trillion.[15] And when adding services, that estimate reaches $68.1 trillion.[16] Meanwhile, many global citizens still lack access to even the most basic healthcare services and the SDGs call on governments to serve even more citizens, help those that are poor and most at risk, and take significant steps toward providing true, universal access to care -- all of which would add to the already hefty price tag.

The challenge for governments, then, is not to spend more, but to be more efficient and effective in the provision of healthcare, and increase their overall capacity to provide care and expand the reach of that care. PPPs in healthcare have helped alleviate some of this pressure and have been particularly successful when used for the creation, expansion, and rehabilitation of healthcare infrastructure, but they continue to face challenges when focused on the provision of services.

PPP success stories in healthcare services certainly exist though, with general wellbeing programs[17], programs to improve facility management and performance[18], and targeted care, like delivering vaccines to remote regions of Africa[19], all showing great promise. Models exist then for Governments to focus their efforts, build partnerships that increase access to healthcare, improve the distribution of health services, and undertake economically effective and replicable initiatives.

Roads

The transport sector continues to be one of the most robust PPP markets, in particular PPPs in roads, because they benefit from a relatively long track record of projects, occurring in many jurisdictions, and they have been somewhat ‘proven’ in the marketplace. This fact coupled with the ability of roads to make a significant, positive impact on connectivity, lives and overall economic prosperity, has made PPPs in roads an attractive option for governments.

As the World Bank noted, “roads have the potential to be a significant asset to any country – both in terms of the physical investment and the social and economic benefits”[20]; and they have demonstrated their ability to increase economic activity, in the movement of goods, the interconnectedness of people, and connecting those previously marginalized with economic opportunities.

[13] Noor II and III solar power plants in Morocco. CO2 emissions avoided are estimated at 521,670 tons per annum thanks to this 350 MW solar power plant, which is a big step towards Morocco’s commitment (to reach 2000 MW renewable energy by 2020) to climate change mitigation.

[14] Olkaria III Geothermal Plant in Kenya. This project made the cost of power to the end user became less than that generated from fuel oil or other alternative energy sources. This in effect assists in holding down the cost of electricity to consumers as well as for the industry.

[15] PwC

[16] Id.

[17] ‘Lets Play’ program is a partnership between IKEA and UNHCR and is designed to protect the rights of children to play, thus providing psychological support for refugee children, improving their psychological resilience and overall wellbeing.

[18] The National Kidney Transplant Institute of the Philippines entered into a PPP for total laboratory automation which improved equipment but also provided enhanced management training, resulting in increases to the number of patients capable of being treated at the facility and greatly improved facility efficiency.

[19] GAVI Foundation example, need citation

[20] World Bank PPP Knowledge Lab

The challenge then for governments in the road sector and in roads PPPs is simply choosing the right project(s) and programme. Should new roads be implemented, or should governments undertake the refurbishment or expansion of existing roads?[21] Which road projects will bring the most benefit while saving taxpayers money?[22] What aspects of the road systems can be modernized, made more secure, more resilient, and strengthen economic networks.[23] Which projects mitigate the potential negative effects of roads on the environment?[24] What will be most flexible, expandable, and responsive to the long term transport objectives of the region and country? What will serve the people best?

B. How can cooperation between the public and private sectors be improved and made more effective based on the experiences to date

Project focused; no concerted policy for PPPs

Overall, PPP efforts have tended to focus on projects rather than transformative infrastructure policies that put people first in a comprehensive programme of activity. This is because in most countries PPP is simply that: about individual projects, tackling individual problems, and often confined to specific sectors. Rarely has the model been used as part of a comprehensive, well visioned, national infrastructure plan. Only when PPPs become part of a transformative infrastructure plan can the necessary scaling up take place that is called for by the SDGs. Multiple projects in concert across multiple fronts that significantly contribute to the challenges facing the planet, eradicate poverty and fight against climate change.

Capacity building

Countries undertaking PPPs, especially the low-income ones, generally lack the skills and capacity to deliver pipelines of projects. In most cases they lack the basic institutions such as PPP units that can deliver the scale of projects needed, but they also lack the personnel and technical capacity to successfully deliver projects and build strategic programmes that leverage the power of PPP. In fact, many of the problems projects encounter are caused at the outset and by the shortcomings of the respective public authorities, e.g. not undertaking the proper due diligence including accurate demand studies, cost benefit analysis, etc., or being launched absent a cohesive sectoral plan and programme of activity. There is accordingly often poor decision taking surrounding projects and when and how to do them. Everything from basic capacity building to better coordination within and amongst the government and the ministries, to better alignment between policies, programmes, and projects, should be improved.

High risk

The risk of undertaking sophisticated and complex and expensive projects, where the prevailing socio-economic conditions are lacking and where the public sector capability is weak, results in a high risk environment and seriously jeopardizes project success. Such high risk accentuates the concern (and lesson in some

[21] See for example the State of Virginia's high occupancy lanes project

[22] The Dakar Diamniadio Toll Highway has provided Senegal a new development impetus by helping close the mobility and access gap between communities and jobs, markets, schools, hospitals, and other essential services, making their lives better and creating new opportunities for development.

[23] The Colombian government concession for the construction and expansion of Ruta del Sol highway, which connects the capital, Bogotá, with other large urban areas of the country's interior and Caribbean coast, when completed will help foster the country's competitiveness by improving road and travel conditions for passengers and goods.

[24] The Thiruvananthapuram City Improvement project in India and road concession not only provided a high-quality road but also addressed CO2 emissions and environmental issues with the planting of trees and other measures, such as capturing of water runoff.

jurisdictions) that if the PPP model is applied blindly, the entire economy of a country can pay a heavy price.

Innovation

PPPs have failed to innovate in a way that overcomes the long term nature of contracts and the tendency to 'lock in 'a technology or technical approach that after a certain number of years simply becomes outdated or redundant. If project technology is furthermore based on demographics which are subject to change, it is a recipe for creating long term obligations on one hand, and solutions that are destined to fail on the other.

Technology, with the proper degree of long term flexibility built in, is not to be feared however. In fact, the rise of technological innovation can bring opportunities. For example, cities around the world are using new Information and Communication Technologies (ICTs) to gather data and insight and supply the necessary services and solutions for urban problems in a more effective and efficient way, leading to the creation of so-called Smart cities. These smart cities are more flexible and often can provide more timely, effective and innovative solutions to the ever-changing challenges that urban areas face. ICT infrastructure and projects, where the payment methods or the risk allocation profile might be different from traditional PPPs, can therefore bring appropriate flexibility rather than contractual rigidity to long term partnerships.

Improve the project environment

PPP projects require a number of situational conditions to exist. From functioning Capital Markets to a legal environment that is robust and enabling; public governance systems that are able to offer transparency and create an effective PPP delivery system; a private sector willing and able to accept the commensurate risks (and in some cases accept the higher risks of investing in low-income country); political stability and a strong consensus amongst political leadership and stakeholder groups towards the value of PPP, are all required for PPPs to positively take shape. As a result, PPPs have often been a tool for developed countries where predictable conditions exist, where clear incentives exist, and where the market economy is long-standing and mature, and where strong institutions and laws prevail. Since many of these conditions, by contrast, are not met in low income countries, it is difficult to apply the PPP model at a large scale in some low income and developing countries.

Cities will play an important role in achieving the SDGs

The world is congregating more and more in urban centres and in cities. PPPs have therefore to adapt to the reality of cities and leverage that fact that cities are, ultimately, an agglomeration of people, firms and institutions and offer the potential to exponentiate their benefit. This spread of positive externalities that a PPP can lead can benefit all within the urban context. Local authorities should investigate how implementing specific projects within the urban context can have deeper and more complex effects on the economy, the livelihood of the citizens, and inform their analyses of the benefits and costs of the project.

Transitional PPPs or multi-stakeholder partnerships may be needed as a precursor to PPP

The PPP model may need to be deconstructed to some degree, where governments engage in projects that are knowingly transitional or employ a partnership that has some elements of PPPs but because of challenging circumstances needs support with other elements. Projects (and really, jurisdictions) that require significant financial 'de-risking' or project delivery expertise, for example, may need to engage multi-lateral development bank participation or underwriting, or seek development grant support and oversight, or involve NGO operational expertise in order to implement the project in an effective manner. In essence, implement such transitional PPPs or multi-stakeholder partnerships that may not fit the traditional PPP model but work in challenging environments; with the parties knowing full well that the jurisdiction has work to do, is in in transitional stage, or is moving toward a point where 'full' PPP arrangements may be made.

Engage the people

The entire purpose of government is to take action on behalf of the people and for the benefit the people. Governments must therefore do the unthinkable (!) and talk to the people in order to make their efforts successful and serve them more effectively. In fact, it is axiomatic that a government would purport to implement infrastructure or services for the people but fail to engage with the very people that will use or be impacted by those assets and services. The top down, 'government knows best', approach has been tried time and again and has had mixed results at best. Too often it results in public services that are not targeted to people's needs, assets that are overbuilt or underbuilt, systems that create barriers rather than improve or widen access, services that underserve, etc. Infrastructure and assets that simply do not respond to the people. The obvious solution is for governments to improve their listening skills and be more responsive to the needs of the people. Stakeholder engagement and consultation, therefore, prior to project inception, during project conceptualization and implementation, and after termination is of critical importance if public efforts are to be tailored to the needs of the people.

C. What should be the model for PPP that should prevail?

It is argued that because of the challenges and problems often associated with the PPP model that the best approach would be to abandon the model altogether as not 'fit for purpose'. However it is important not to overlook why PPP came into fashion in the first place. PPPs took hold, at least in part, in an attempt to fix a weakness of the traditional public procurement system and its ability to deliver and maintain public infrastructure and services. It is often noted that traditionally procured and delivered projects often go over budget (almost by up to as much as 60 per cent of the total budget cost), tend to not be delivered on time, and tend to be a 'build it and forget it' approach to public infrastructure.

For these reasons PPP was used to bring in private sector efficiency, deliver projects on time and to budget, make better use of public budgets, and instil better stewardship and long term operational and maintenance approaches in public infrastructure and service delivery. It is interesting to note that over time PPP through competition actually made the traditional procurement more efficient. But arguably because of scarce resources and limited public sector alternatives the option should not be a return to the *status quo ante*; rather it should be to build on the experiences and move the project model onto a higher level where sustainable development and 'people' are the cornerstone.

Accordingly, what is needed is a 'people first' approach to PPP inspired by the UN 2030 development agenda.

Part II: The Guiding Principles for People First PPPs in Support of the United Nations Sustainable Development Goals

Introduction

Multifaceted Economic Development

The SDGs are a once in a lifetime opportunity for humanity to change the world for good requiring an economic development that is in fact multi-faceted, development that is:

- **Transformational**, in an international, global, game-changing sense
- **Inclusive**, 'leaving no one behind'
- **Resilient**, adapting and mitigation the multiple challenges presented by climate change
- **Social**, as opposed to just economic infrastructure
- Moving from a linear to a **circular** economy, and fostering more rational and sustainable production and consumption patterns, and to reuse, recycle, and repurpose

Achieving such broad economic development objectives will require high increases in infrastructure spending. The public sector will not be able to meet the required quantum; hence the need for private finance alternatives. Arguably just as important, the private sector should also be used as a source of innovative technologies, management and organizational skills and enhancing capabilities.

In light of these development objectives, PPPs should in turn be designed to achieve some specific outcomes:

- Increase access to essential services, lessen social inequality and injustice.
- Deliver resilient and sustainable infrastructure
- Be economically effective, bring transformational economic impact
- Be replicable and scalable, to allow the development of further projects
- Bring all stakeholders together in partnership and consult those affected

Defining PfPPP

Yet, traditionally PPP has been a 'value for money' rationale function, the way forward now is to take PPPs from 'value for money' to initiatives that deliver "Value for People".

Accordingly, a new definition of PPP is required:

"A People First Public Private Partnership is a long term contractual relationship between the public and private sector, where delivering value for people is the core objective, there is a commitment to serving and protecting the community, and the project is developed with the real interests of people in mind."

PfPPP Outcomes

PfPPPs that deliver people centred outcomes:

Increase access to essential services and lessen social inequality and injustice;

- **Increasing access and equity**, means that *access* to essential services, such as water and sanitation, energy, etc. should be increased to people, especially to the socially and economically vulnerable.[25];

Enhance resilience and more care with the environment;

- **Developing a resilient infrastructure** and moving to a circular economy improving environmental sustainability, cutting CO2 emissions to move to a green economy and developing 'circular' not linear projects;

Improve economic effectiveness;

- **Demonstrating project economic effectiveness**: projects must be efficient, successful, achieve value for money and be transformative in that they have a measurable impact by removing economic barriers or creating new means for integrating groups into the global market place;

Promote replicability and the development of further projects

- **Be replicable and scalable so the particular projec**t or approach can be repeated and/or scaled up as needed to attract the investment and transformational impact required by the 2030 Agenda for Sustainable Development. This criterion also needs to consider whether the local staff and the governments have the capacity or receive the necessary the training and knowledge to do similar projects going forward; and

Fully involve all stakeholders in the projects.

- **Engaging all stakeholders** that are either directly involved in t PPP project or directly or indirectly affected in the short and/or long run, including in particular women and minorities.

'Value for People'

This new 'Value for People' means projects should address critical challenges facing humanity, fighting hunger, poverty, and promoting human wellbeing by increasing access to essential services, tackling a social agenda promoting social cohesion, overcoming inequalities, achieving gender equality and empowering women; and disavowing all forms of discrimination based on race, ethnicity, creed and culture. Projects should bring resilience into infrastructure and mitigate risks and adapt it for climate change; cut Co 2 emissions and take on the practices for the circular economy developing more sustainable production and consumption patterns.

It is based on a vision of PPP that is about improving the quality of life of communities, particularly those that are fighting poverty, such as by creating local sustainable jobs.

PPPs that are destined to achieve specific SDG outcomes like eliminating poverty (SDG 1); ending hunger (SDG 2); fostering good health and quality education (SDG 3 and 4); creating gender equality (SDG 5); delivering clean water, sanitation,

[25] A good example of a pro-Poor PPP was the Pamir power project in East Tajikistan that regularly suffered power outages in a very poor region. Thanks to this project, this essential service was provided over a 24 hour period to all citizens, those who could not pay were subsidized. Furthermore, people-first PPPs should aim to promote social justice and making essential services accessible without restriction on any grounds, e.g. race, creed, etc. to all

affordable and clean energy (SDG 6 and 7); providing decent work and economic growth (SDG 8); delivering innovation in industry and infrastructure (SDG 9); reducing inequalities (SDG 10); building sustainable communities and responsible consumption and production patterns (SDGs 11 and 12); bringing climate action and improving life below water and on land (SDGs 13, 14, and 15); fostering peaceful, just, and strong institutions (SDG 16), and facilitating partnerships that deliver these outcomes (SDG 17).

Existing Guidance on PPPs

There is already considerable guidance on PPP available and accordingly it might be argued that there is no need for a new definition or a new way forward or a new set of Guiding Principles. But a cursory review of existing resource information will reveal, however, that much of the international guidance and resource material focuses on governments creating legal and regulatory frameworks, establishing institutions such as PPP Units, and understanding PPPs generally. While these remain important contributions to the collective discourse around PPPs, they do not strike a way forward.

For example, the International Monetary Fund issued some early guidance on PPPs with its 2006 publication Public-Private Partnerships, Government Guarantees and Fiscal Risk (2006); the World Bank has issued their Public-Private Partnership Reference Guide (with rolling revisions reflected in the latest 2017 'Version 3.0'), Report on Recommended PPP Contractual Provisions (2015), and A Framework for Disclosure in Public-Private Partnership Projects (2016); the EIB through its European PPP Expertise Centre (EPEC) issued The Guide to Guidance, How to Prepare, Procure, and Deliver PPP Projects (2011); and the Asian Development Bank (ADB) issued its Public-Private Partnership Handbook (2014).

Prior to the adoption of the SDGs some governance related guidelines were also promulgated, but again the materials focused largely on understanding PPPs, the concept of value for money, and generally uncovering what is necessary to have a 'successful' PPP -- hence there was little guidance on the social and developmental potential of PPPs.

The European Commission's Guidelines for Successful PPPs (2003), UNESCAP's A Guidebook on Public-Private Partnership in Infrastructure (2011), and OECD's Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money (2008) and Principles for Public Governance of Public-Private Partnerships (2012) all take this approach.

This landscape of current guidance was surveyed in 2017 with a Scoping Study on Public-Private Partnerships (2017) for the Inter-agency Task Force on Financing for Development under UN-DESA[26]. It found existing PPP materials were largely:

(i) informative rather than normative;

(ii) divergent rather than convergent, noting for example that multiple definitions of PPPs are used across the various resources;

(iii) lacking in many sustainable development dimensions, instead for example, focusing heavily on commercial viability of PPPs with sporadic insight into how PPPs can generate public benefit and public good;

(iv) too focused on ex ante success factors and unclear whether they have resulted in real outcomes and impact on the ground; and

[26] Scoping Study on Public-Private Partnerships (February 2017), Aizawa, Motoko, Inter-Agency Task Force on Financing for Development, Working Paper Series,

(v) simply not aligned with 2030 Agenda;

Call for new Guidelines

There is therefore a need for a strong, unified UN perspective on PPPs and the SDGs. Unified guidelines will assist policy makers in bringing about PPPs that will put people first and achieve the ambitious outcomes of the SDGs.

Para 48 of the Addis Ababa Action Agenda (AAAA) moreover echoes this need and calls for the promulgation of Guidelines for the appropriate structure and use of PPPs, in particular:

- Careful consideration given to the structure and use of blended finance instruments;
- Sharing risks and rewards fairly;
- Meeting social and environmental standards;
- Alignment with sustainable development, to ensure "sustainable, accessible, affordable and resilient quality infrastructure";
- Ensuring clear accountability mechanisms;
- Ensuring transparency, including in public procurement frameworks and contracts;
- Ensuring participation, particularly of local communities in decisions affecting their communities;
- Ensuring effective management, accounting, and budgeting for contingent liabilities, and debt sustainability;
- Alignment with national priorities and relevant principles of effective development cooperation.

The following Guiding Principles in support of People First PPPs are described:

- Policy standardization
- Capacity
- Transparency and Accountability
- Risk
- Procurement
- Sustainability
- Innovative Financing

The following are the Guiding Principles which are presented in tabular form and in a preliminary fashion:

Summary Overview of the Guiding Principles

Guiding Principle	Challenge	Solution	SDG Impacts
1. People-first Policy	The Sustainable Development Goals (SDGs) do not figure large in most countries infrastructure policies and plans.	Establish a coherent overall policy identifying priorities and projects from the SDGs, and supporting local delivery of infrastructure, especially by cities	**SDG 1.** Poverty **SDG 2.** Zero hunger **SDG 3.** Good health and well-being **SDG 4.** Quality education **SDG 6.** Clean water and sanitation **SDG 7.** Affordable and clean energy **SDG 11.** Sustainable cities and communities **SDG 12.** Responsible consumption and production **SDG 14.** Life below water **SDG 17.** Partnerships for the goals
2. Standardization	Many countries, especially low and middle-income countries lack an appropriate policy law and institutional framework to be able to deliver People-first PPPs.	Standardized contracts and model laws can be used by Governments to adapt their laws and commercial practices for People-first SDGs, both lowering transaction costs for projects and accelerating the People-first process	**SDG 16.** Peace, justice and strong institutions **SDG 9.** Industry, innovation and infrastructure **SDG 10.** Reduced inequalities
3. Capacity building	In order to deliver qualitative higher value projects and quantitatively higher number of projects, governments must achieve a step-change in public capacity across all levels of PPP administration.	Gather and train public officials on international best practices and knowledge in PPPs, including where necessary use of top-quality consultants and advisors, and implement a learn-by-doing approach.	**SDG 16.** Peace, justice and strong institutions **SDG 17.** Partnerships for the goals
4. Transparency and Accountability	The SDGs set clear targets which in turn require PfPPPs to achieve a number of critical outcomes: However, PPP is often undertaken under a veil of commercial secrecy, This often prevents people both from accessing information on project impacts and from performing tasks in design, procurement and operation of projects.	Governments must undertake full disclosure on projects and provide more information (costs, benefits, contingent liabilities, etc.) on PPP projects garnered from inter alia effective project impact assessments, internal and external (public) auditing, monitoring and evaluation, and public participation in projects.	**SDG 16.** Peace, justice and strong institutions **SDG 17.** Partnerships for the goals
5. Risk	Governments, in particular in unstable jurisdictions and less developed economies, have difficulty attracting high quality partners and implementing long-lasting projects due to poor situational conditions and project risk allocation.	Commit to a stable and predictable PPP programme, including mitigating political risk and avoidance of changing key terms and conditions of projects, using proven, standard models and international best practices, and maintaining equilibrium in PPP contracts.	**SDG 16.** Peace, justice and strong institutions **SDG 17.** Partnerships for the goals

Guiding Principle	Challenge	Solution	SDG Impacts
6. Procurement	PPPs are too often alleged to be not fully competitive, lack transparency, or even corrupt, and are often deemed ineffective in achieving their stated goals and the SDGs.	Governments must implement PPPs in a stable, predictable tender environment with clear competitive procedural requirements and expected outcomes that are aligned with the SDGs	**SDG 16.** Peace, justice and strong institutions **SDG 17.** Partnerships for the goals
7. Sustainability and Resilience	PfPPPs require sustainability and resilience to be imprinted in the design and outcomes: no longer is it sufficient to pay lip service to these issues by simply using green building materials or renewable energy to power a PPP facility.	Governments need to produce PfPPPs in a holistic way, with full life cycle impact assessments for all projects and make both internal (administrative) and external (project impact) sustainability and resilience a key component of evaluating scoring, awarding, and implementing a PPP project.	**SDG 6.** Clean water and sanitation **SDG 7.** Affordable and clean energy **SDG 10.** Reduced inequalities **SDG 11.** Sustainable cities and communities **SDG 12.** Responsible consumption and production **SDG 13.** Climate action **SDG 14.** Life below water **SDG 15.** Life on land **SDG 17.** Partnerships for the goals
8. Financing	Governments struggle to meet their budgetary and financial needs and mobilize the necessary funding to achieve the transformational change that is called for in the SDGs.	Governments must source and utilize financing that prioritizes social impact with their People-first PPP initiatives, such as in Impact investing and other blended financing arrangements.	**SDG 16.** Peace, justice and strong institutions **SDG 17.** Partnerships for the goals

Part III. Benchmarking Progress with respect to (i) Projects and (ii) Principles

(to be continued)