Scaling up:
Meeting the challenges of the United Nations 2030 Agenda for Sustainable Development through People–First PPPs

The UN 2030 Agenda for Sustainable Development and the One Belt and One Road (B&R) initiative:

Sustainable development

Investment opportunities, sustainable jobs, global public goods, win-win cooperation

Connectivity across countries and regions in infrastructure, trade finance, policies and among people

UN SDG 17: "REVITALIZING THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

- The goals of B&R initiative are highly consistent with Sustainable Development Goal (SDG) 17, as Countries along the B&R should promote 1/policy coordination, 2/facilities connectivity, 3/unimpeded trade, 4/financial integration and 5/people-to-people bonds, as their five major goals.
- In the above context PPPs, which have been called for explicitly in SDG 17 as a mechanism for achieving success seem to "fit for purpose" for the B&R initiative.
- While the typical basis of PPPs is "*value for money*", both SDGs and B&R initiative goals require a broadening of the PPP model.

COMMON GOALS & INITIATIVES

As mentioned above, the **UN 2030 Agenda for Sustainable Development** and the **B&R** initiative have <u>common goals and objectives</u>. In this respect, PPPs are expected to deliver τo people the outcomes that have been named in the SDGs, and namely:

- ▶Increase access to essential services and lessen social inequality and injustice.
- ▶Enhance resilience and more care with the environment.
- ▶Improve economic effectiveness.
- ▶Promote replicability and the development of further projects.
- ▶Fully involve all stakeholders in the projects.

Broadening the "value for money" approach; including "value for people"

The above outcomes alter the typical basis that justifies a PPP from (**exclusively**) "*value for money*", to (**also**) "*value for people*", setting additional priorities.

Indeed, I would say that "**vfm**" is a key component of the "**vfp**" criterion, since any government project should take into consideration the taxpayers money.

The afore mentioned priorities include:

- **Social targets** -promoting social cohesion, overcoming inequalities, achieving gender equality and empowering women.
- **Environmental targets** -mitigation of negative environmental impacts such as climate change; Co2 emissions etc., take on the practices for the circular economy developing more sustainable production and consumption patterns.
- **Targets for improving the quality of life**, fighting hunger, poverty and promoting human wellbeing by increasing access to essential services.

Creation of multilateral framework -1

In order for the B&R initiative to be a “win-win” for all participating countries a multilateral framework must be created in such way as to ensure high standards in sustainable procurement. Under this scope, **all participating states must adopt the Guiding Principles on PPPs and take the following actions**:

1. For the creation of a sustainable procurement system, Governments must implement PPPs in a stable, predictable tender environment, with clear competitive procedural requirements and expected outcomes that are aligned with the SDGs.
2. In this context, 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.
3. In order to achieve the above actions, public officials must be trained on international best practices and knowledge in PPPs, including where necessary use of top-quality consultants and advisors, and implement a learning-by-doing approach.

Creation of multilateral framework -2

4. Having agreed on the main frame, the PPP program must be designed, including mitigating political risk and avoiding changing key terms and conditions of projects, using proven, standard models and **international best practices**, and maintaining equilibrium in PPP contracts. All these in a holistic way, with full life cycle impact assessments for all projects and making both internal (administrative) and external (project impact) sustainability and resilience a key component for evaluating scoring, awarding, and implementing the PPP project.

5. Nevertheless, financing must prioritize social impact in People-First PPP initiatives, such as in impact investing and other blended financing arrangements.

6. 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.

Creation of multilateral framework -3

Finally, a three pillar strategy has been set out scoping to the creation of the above mentioned multilateral framework as follows:

- **Pillar 1:** The Policy Dialogue. This will be a regular meeting and platform for all B & R participating countries to address the specific challenges for B&R and success in achieving the UN SDGs.
- **Pillar 2:** Consists of a comprehensive PPP National Capacity Building program focusing on building the governments' capacities in selected UNECE member states to deliver the right projects for success.
- **Pillar 3:** Implementing infrastructure projects, through the identification of transformative projects in countries, and providing them with support to undertake the due diligence on the projects and acting as the link with the organizations that will provide the funding for the projects concerned.

Case study: Piraeus Port Authority S.A.

- The rapid development of the port of Piraeus, after the completion of major reconstruction projects in **1924**, rendered necessary the establishment of an autonomous body for the administration of the Port. Indeed, Greece adopted a law in **1930** (L.4748/1930), which established the Piraeus Port Authority (henceforth PPA/ in Greek, OLP) as a public (law) legal entity with the authority to manage the Port.
- PPA was transformed into a private (law) legal entity (namely an S.A.) by law, in **1999** (L.2688/1999), the shares of which belonged, originally, to the Greek State.
- In **2003**, a first attempt to <u>partly</u> privatize PPA was initiated, through public offering of 26% of its shares, whereas in 2011 and 2012, the shares belonging to the Greek State (74%) were transferred to the Hellenic Republic Asset Development Fund.

Case study: Piraeus Port Authority S.A

- In the meantime, in **2002**, the Greek State and PPA proceeded in concluding a concession contract, on the basis of which PPA acquired the exclusive rights to use and exploit the land, the buildings and the infrastructure of the inland port area of the Port of Piraeus, until 2052 (i.e. for 50 years). This concession contract was modified in **2008,** and was eventually ratified by Parliament (L.3654/2008).
- At the same time (in **2008**), PPA concluded a contract of "sub-concession" with «***Piraeus Containers Terminal S.A.***" (a subsidiary of COSCO Pacific Limited) for the exploitation and exclusive use of the new Containers Terminal of the Port (this terminal includes Piers II and III) for 35 years. This contract has been twice modified, in 2011 and 2014, whereas both modifications were ratified by Parliament.

Case study: Piraeus Port Authority S.A

- Since **March 2014**, a process of attracting a strategic investor for PPA was initiated with the aim to sell 67% of the company's shares. In **February 2016**, the Hellenic Republic Asset Development Fund announced that COSCO (Hong Kong) Group Limited, a wholly-owned subsidiary of COSCO Group, was the preferred investor for the purchase -initially- of 51% of the company's shares.
- Finally, after the completion of the purchase mentioned above (on the basis of which COSCO became the main shareholder of PPA), in **2016**, the Hellenic Parliament ratified a new modified version of the initial concession contract of 2002, the content of which is influenced by the new ownership regime of the company (L.4404/2016).

Case study: Piraeus Port Authority S.A

Lessons to be learned -1

The entire process of privatizing PPA emanated from the need to attract strategic investors to take on board the exploitation of the port of Piraeus. This need is obviously linked with the crucial importance of the port of Piraeus for the Greek economy and its overall importance for world trade & activity; indeed, the port is the main gateway for exports and imports and functions as the focal linkage point between Greek islands and mainland Greece, between Asia and Europe. Also, given the fact that Piraeus is located at the crossroads of many international maritime commercial routes, the Port plays a very significant role both in transit trade and in the touristic industry.

Case study: Piraeus Port Authority S.A

Lessons to be learned -1b

The outcome reached by the privatization process described above was the transfer of the majority of the shares (and therefore the transfer of ownership) to COSCO Group, which now operates the port of Piraeus with only minimal controls and input from the Greek State. **In fact, this process can be described as a kind of <u>loose PPP</u>, in the sense that the exploitation of the port, an activity intimately linked with <u>public services and public goods</u>, gradually invites the participation of private economic operators who offer private capitals, experience and know-how, while – at the same time – taking on board the risk of their investment, and being hence free from the intervention of the State.**

Case study: Piraeus Port Authority S.A

Lessons to be learned -2

In legal terms, the involvement of a strategic investor described above represents a mixture of traditional means of **privatization of state owned companies**, combined with the use of a significant number of concession contracts (the totality of which were subsequently ratified by the Hellenic Parliament).

It is, indeed, **a hybrid scheme, the complexity of which highlights the difficulty of creating a specific common framework for the involvement of private capital and investors in projects emanating from the public domain. In that sense, the fulfillment of the need to establish a common approach, based on common rules and a common regime is indeed ambitious; yet, the aims and priorities of the "*value for people*" PPPs presented before should not be ignored. The challenge, nowadays, is to find a way forward, respecting new aims and priorities in a highly complex and volatile global environment.**

Case study: Piraeus Port Authority S.A

Lessons to be learned -3

As a footnote, we should note that the complexity of the issue is further highlighted by the fact that many countries have already signed separate MoUs with China, in order to find the best possible solutions for the attraction of Chinese investors, whereas Greece is about to sign such an MoU in the foreseeable future.