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The People-first approach to PPP

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Part I. Partnerships in the 2030 Agenda for Sustainable Development

- Sustainable Development Goals (SDGs)
- Making the PPP model fit for purpose

Part II. Guiding Principles for People-first PPPs

Part III. Checklist of tasks facing infrastructure development

Part I. Sustainable Development Goals (SDGs)



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The Sustainable Development Goals are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. The SDGs are part of Resolution 70/1 of the United Nations General Assembly, the 2030 Agenda.

In order to monitor progress in achieving the UN goals and sub-goals, a set of 232 global indicators to measure the 169 sub-targets was presented in March 2016. A central aspect is that several indicators should be divided into relevant categories such as sex, age, geographical location, etc. The SDGs can be divided into 5 main themes: people, planet, prosperity, peace and partnership.



Part I. Partnerships in the 2030 Agenda for Sustainable Development



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The 2030 Agenda calls for a stronger commitment to partnerships and cooperation to achieve the SDGs: SDG 17 is both a goal and cross-cutting transversal mean of implementation.



“Revitalize the global partnership for sustainable development”

PUBLIC-PRIVATE
PARTNERSHIPS



- **Need to mobilize efforts of governments, the private sector and civil society to achieve the 2030 Agenda for Sustainable Development**

Part I. Facts and figures



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US\$5 trillion

The UN Conference on Trade and Development (UNCTAD) says achieving SDGs will require US\$5 to \$7 trillion in annual investment.

US\$147.2 billion

Total official development assistance reached US\$147.2 billion in 2017.

US\$613 billion

In 2017, international remittances totaled US\$613 billion; 76 percent of it went to developing countries.

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In 2016, 6 countries met the international target to keep official development assistance at or above 0.7 percent of gross national income.

US\$18.2 trillion

Sustainable and responsible investments represent high-potential sources of capital for SDGs. As of 2016, US\$18.2 trillion was invested in this asset class.

US\$155.5 billion

The bond market for sustainable business is growing. In 2018 global green bonds reached US\$155.5 billion, up 78 percent from previous year.

Part I. Need for a new approach to PPP for the SDGs



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Why:

Paragraph 48 of the Addis Ababa Action Agenda (Third International Conference on Financing for Development (July, 2015)) echoes the need to move towards a **new approach** and calls for the promulgation of guidelines for the appropriate structure and use of PPPs.

Objective:

Achieve the SDGs by mobilizing investment in infrastructure and public services **and move away from the existing PPP models** to enlarge the scope to partnership models that will deliver enhanced infrastructure projects.

What is at stake:

Governments to fill the infrastructure gap while complying with the SDGs.

Part I. Need for a new approach to PPP for the SDGs



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Challenges:

The “traditional” PPP model is not suitable for the SDGs:

- Focusses on “value for money”
- Is not used to help eradicate poverty
- Does not support environmental sustainability nor address climate change
- Can cause significant economic damage in low-income countries.

Solution:

- **Adopt a new model of PPP that brings not only “value for money” but also “value for people”:** it is vital today that infrastructure is assessed in terms of its development impact
- Need for PPP and Development: putting sustainable development at the core of projects and people as the main beneficiaries
- Critical too that good practices in PPPs are at the forefront.

People-first PPPs are a new generation of infrastructure, utility and social service projects done through PPP and putting people's interest at their core, generating both 'value for people' and 'value for the planet'.

"People-first PPPs" can be perceived as a type of PPPs designed to implement the SDGs and thereby to be "fit for purpose".

Advantages of the approach:

- Alignment with the SDGs and 2030 Agenda.
- Clear outcomes and benefits.
- Evaluating the benefits (scoring the degree to which project comply with the SDGs): **UNECE Project Impact Assessment Tool.**
- Towards a next generation of PPP.

“PPP-but” (see Annex 1: Addis Ababa Action Agenda)

- Do not strap countries with too much debt
- Do not create “white elephants”, i.e. large projects that lead to nowhere and have no impact
- Do not forget inequalities, poverty, and women empowerment
- Do not tolerate corruption



People-first outcomes:

1. Increase access to essential services and lessen social inequality and injustice
2. Enhance resilience and responsibility towards environmental sustainability
3. Improve economic effectiveness
4. Promote replicability and the development of further projects
5. Fully involve all stakeholders in the projects

Part I. People-first PPP also delivers on infrastructure (ports)



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- 1. Increase access to essential services and lessen social inequality and injustice**
 - Infrastructure (ports) should have economic and social objectives that leads to enhance people's and workers' lives.
- 2. Enhance resilience and responsibility towards environmental sustainability**
 - Make infrastructure sustainable: green energy, shore-power, reducing emissions, etc.
 - Improve fuel efficiency for vessels and airplanes, control ships emissions, etc.
- 3. Improve economic effectiveness and sustainability**
 - Successfully delivering projects that achieve value for money and fiscal sustainability and are transformative, meaning that they have a sustainable measurable impact.
- 4. Promote replicability and the development of further projects**
 - Ports need to develop the staff skills for modern port management (not sufficient to bring in new staff). Encourage the private sector to contribute to the necessary transfer of skills.
- 5. Fully involve all stakeholders in the projects**
 - Workers can be affected but need to be treated humanely and given jobs elsewhere.

Part I. Making the PPP model fit for purpose



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Modern ports should be run as concessions in order to reap the full benefits from international trade.

Appropriate division of labour: The State deals with infrastructure and land and is responsible for the rules; the private sector takes over/finances the operational assets.

Public sector tasks

- Port planning
- Acts as regulatory body
- Owns port-related land and basic infrastructure
- Defining the Port Community Systems and its operation
- Multimodal integration system

Private sector tasks

- Deals with the management of all assets such as refineries, tank terminals, and chemical plants
- Provides and maintains its own superstructure (i.e. terminals) including buildings
- Purchases and installs its own equipment on the terminal grounds and is responsible for the terminal operations
- Cargo processing

➤ **This makes sense so that each sector does what it is best at.**

Part II. UNECE Guiding Principles for People-first PPPs



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UNECE has developed guidelines to support governments in designing and implementing comprehensive People-first PPP policies, programmes and pipelines of projects. These include 10 Guiding Principles for strong and well governate projects:

Principle 1: Make sure that people' needs are listened to and their needs are addressed.

Principle 2: Deliver more, better, simpler People-first projects by joining up government and allowing cities and other local levels to develop projects themselves.

Principle 3: Increase skills in delivering People-first projects, to better empower women in projects, encourage the private sector to contribute to the necessary transfer of skills.

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

Principle 5: Disclose more information about projects to society especially on the commitments

made to various partners in the project.

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

Principle 7: Set out clearly the projects' selection criteria to promote "Value for People" so that the best People-first projects can be selected.

Principle 8: Make environmental sustainability a key component of evaluating, awarding and implementing People-first PPP projects.

Principle 9: Ensure that blended financing catalyses private partners to invest in People-first projects.

Principle 10: Avoid debt traps by ensuring the fiscal sustainability of People-first projects and the transparency of fiscal policies.

Part II. UNECE Guiding Principles for People-first PPPs



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

Principle 7: Set out clearly the projects' selection criteria to promote "Value for People" so that the best People-first projects can be selected.

Principle 8: Make environmental sustainability a key component of evaluating, awarding and implementing People-first PPP projects.

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Part II. Appraising the principles to the port sector (1/3)



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Principle 1:

- Make sure that people's needs are included into the Port project.

Principle 2: for the successful delivery of the Port project:

- Develop adequate policies to improve the business and PPP environment;
- Bring together different ministries so that the project have integrated and sustainable impacts and involve the municipality; and
- Develop a bold infrastructure plan for other People-first PPP projects to be developed.

Principle 3:

- Ensure that skills and PPP capacity of public officials are increased during the Port project;
- Encourage the private sector to contribute to the necessary transfer of skills to the local workforce.

Principle 4:

- Properly engage with local and affected communities at all stages of the project; and
- Implement a zero-tolerance approach to corruption.

Part II. Appraising the principles to the port sector (2/3)



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Principle 5:

- Fully disclose the information with sufficient accountability about the Port project to society and all stakeholders.

Principle 6:

- The Government should expect to bear some degree of risk and cost for the project and achieve some balance in terms of risk and cost sharing in the PPP agreement for the Port project.

Principle 7:

- Set out clearly the People-first selection criteria in organizing the competitive tender;
- Involve as many stakeholders as decision takers in the selection process to ensure “ownership”;
- Establish simple procurement systems to keep down the costs for entering tenders;
- Specifications in the Port project should be focused on achieving “outputs” not “inputs” as in traditional procurement; and
- PPP arrangements need to support changes without having to go through contract re-negotiation.

Part II. Appraising the principles to the port sector (3/3)



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Principle 8:

- Integrate the principles of environmental sustainability into the Port project;
- Set up adequate environmental authorities to facilitate the implementation of environmental impact assessments for the project.

Principle 9:

- Integrating the five People-first outcomes into the metrics for the project to attract the blended finance industry and impact investors.

Principle 10:

- The PPP agreement must be structured in a way making sure that guarantees, subsidies, profits, contingent liabilities or payment obligations do not overwhelm the national budgets and that they do not overburden public resources with excessive repayments over the life of the project.

Part II. Standard, Guiding Principles and Recommendations



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UNECE member States have already adopted several standards, guiding principles and recommendations aimed at enhancing the capacity of governments to deliver People-first PPPs:

- ✓ UNECE Standard on a Zero Tolerance Approach to Corruption in PPP Procurement
- ✓ UNECE Standards on Railways, Roads, and Renewable Energy
- ✓ Guiding Principles on People-first PPPs for the SDGs
- UNECE Model law for PPP/Concessions
- Project Impact Assessment Tool: an **evaluation methodology** to score projects against the People-first criteria and measure the impact of selected projects on the achievement of the SDGs
- UNECE Urban Rail Transit, Water and Sanitation, and Health.

Part III. Checklist of tasks facing infrastructure projects



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Economic

- Stable economic situation
- Forecast of future long-term demand

Financial

- Available financial market
- Acceptable tariff levels
- Reasonable debt-equity ratio

Legal

- Favourable PPP legislation regulation
- Standardization of contracts
- Precise concession agreement

Political

- Stable political situation
- Special guarantees and support by the government
- Suitable project agencies

Social

- Proper stakeholder engagement
- Need for the project
- Public safety
- Knowledge transfer

Risk allocation

- Appropriate risk allocation and assessment
- Strong private consortium
- Clear responsibilities

Environmental

- Full life cycle environmental impact assessments
- Set up adequate environmental authorities

Projects

- Transparent selection process
- Project technical feasibility

- ✓ Step I: Meeting of government stakeholders

- ☐ Step II: Meeting informing stakeholders of PPP plans (including representatives of private sector)



For more information, you may visit:

www.unece.org/ppp

<http://www.uneceppp-icoe.org/>

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Thank you!

Based on an analysis of the existing PPP model, Paragraph 48 of the Addis Ababa Action Agenda echoes the need to move towards a new approach and calls for the promulgation of guidelines for the appropriate structure and use of PPPs, which should:

- Share risks and rewards fairly;
- Meet social and environmental standards;
- Align with sustainable development, to ensure “sustainable, accessible, affordable and resilient quality infrastructure”;
- Ensure clear accountability mechanisms;
- Ensure transparency, including in public procurement frameworks and contracts;
- Ensure participation, particularly of local communities in decisions affecting their lives;
- Ensure effective management, accounting, and budgeting for contingent liabilities, and debt sustainability;
- Align with national priorities and relevant principles of effective development cooperation; and
- Use blended finance instruments.

Annex II. Characteristics of main types of PPPs

Types of PPPs	Mode of Entry	Operation and Maintenance	Investment	Ultimate Ownership	Duration (years)
Management Contract	Contract	Private	Public	Public	3-5
Leasing	Contract	Private	Public	Public	8-15
Rehabilitate, Operate and Transfer (ROT)	Concession	Private	Private	Public	20-30
Rehabilitate, Lease/Rent and Transfer (RLRT)	Concession	Private	Private	Public	20-30
Merchant	Greenfield	Private	Private	Public	20-30
Build, Rehabilitate, Operate and Transfer	Concession	Private	Private	Public	20-30
Build, Operate and Transfer (BOT)	Greenfield	Private	Private	Semi-private	20-30
Build, Own, Operate and Transfer (BOOT)	Greenfield	Private	Private	Semi-private	30+
Build, Lease and Own (BLO)	Greenfield	Private	Private	Private	30+
Build, Own and Operate (BOO)	Greenfield	Private	Private	Private	30+
Partial Privatization	Divesture	Private	Private	Private	30+
Privatization	Divesture	Private	Private	Private	Indefinite