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Introduction to People-first Public-Private Partnerships in support of the United Nations Sustainable Development Goals

Note by the secretariat

The United Nations Sustainable Development Goals raise a new challenge to Public-Private Partnerships, which have traditionally been designed as a “value for money” tool with very little regard to eradicating poverty and serving the poor. Overall, it can be said that not all Public-Private Partnerships are “fit for purpose” for the Sustainable Development Goals, nor is there a guarantee that the traditional Public-Private Partnerships model will lead to the successful achievement of the Sustainable Development Goals. There has yet to be a model that is on the one hand transformative and on the other hand responds to the challenges of low and middle-income countries where arguably Public-Private Partnerships is needed the most.

The ECE has advocated the need to adapt the traditional Public-Private Partnerships model to the Sustainable Development Goals by placing people at the core and has coined the phrase: “People-first Public-Private Partnerships” in support of the Sustainable Development Goals. While the value for money concept remains important, with the adoption of the 2030 Agenda, the challenge is to implement Public-Private Partnerships according to a broader set of holistic criteria and undertake projects that from inception to termination create “value for people”.

This document elaborates on the People-first Public-Private Partnerships concept and makes an argument for a new set of guiding principles on people-first Public-Private Partnerships, which the ECE is jointly elaborating with United Nations Conference on Trade and Development (UNCTAD).

The secretariat is grateful for the valuable comments of the following experts in the preparation of this document (in alphabetical order): Frédéric Bobay, Bruno de Cazalet, Anand Chiplunkar, Gerry Connelly, Felix Dodds, David Dombkins, Marc Frilet, Kaimeng Li, Raymond Saner, and Prashant Sharma.

I. Introduction

1. Over the years the ECE has maintained that Public-Private Partnerships 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 Public-Private Partnerships. In 2015, the United Nations adopted the UN Sustainable Development Goals as part of the 2030 Agenda for Sustainable Development (2030 Agenda), calling for the use of and improvement to partnerships between the public and private sector. The ECE at its International Public-Private Partnerships Forum in March 2016 further identified that Public-Private Partnerships models putting public interest at their forefront should be well identified and promoted in order to realize this new Agenda and further adopted a new terminology called "People-first" Public-Private Partnerships.

A pause to reflect

2. Over the last 20 years, the Public-Private Partnerships model promoted has been often used as a financing tool, and this tendency has led to the discourse and development of expertise being largely within financial circles. Interestingly, the Public-Private Partnerships model was driven largely by the ability to capture private financing for infrastructure when public financing and 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.

3. It is worth noting, however, that some countries do not see Public-Private Partnerships as a financing tool. For instance, in Germany and France jurisdictions, Public-Private Partnerships are regarded as a pure procurement method and less as a financing method. The German system even prohibits the use of Public-Private Partnerships exclusively for financing reasons. In France the rationale for Public-Private Partnerships is based on global advantages – rather than specifically financing capacity – and is seen as a way to create appropriate risk incentives to the private partners for quality delivery and performance. Nevertheless, many low and middle-income countries still explore the idea of Public-Private Partnerships for its financing capacity and potential for "doing more" under limited budgetary resources.

4. Given the centrality of Public-Private Partnerships in the 2030 Agenda, a large undertaking to promote Public-Private Partnerships in support of the Sustainable Development Goals is required. However, no clear campaign has begun to advance Public-Private Partnerships for the Sustainable Development Goals and few government agencies responsible for Public-Private Partnerships have acknowledged the Sustainable Development Goals as a reference point for their work. Indeed, there appears to be a "wait and see" approach towards the role of Public-Private Partnerships in achieving the Sustainable Development Goals.

Model not "fit for purpose"

5. Why is there a "pause" in the promotion of Public-Private Partnerships for the 2030 Agenda?

6. First of all, there is some doubt over whether the traditional Public-Private Partnerships model is “fit for purpose” for the Sustainable Development Goals. Some argue that even though the Sustainable Development Goals call for the promotion of Public-Private Partnerships, the Public-Private Partnerships model has not been aligned properly with the outcomes contemplated by the Sustainable Development Goals.

7. Others argue that Public-Private Partnerships in general delegate a key implementation role of government to non-state actors such as the private sector or civil society which, rather than contributing to the successful delivery of governmental infrastructure and service, it may imply an abrogation of the responsibility of Government. Others think that governments’ use of Public-Private Partnerships introduces a dangerous profit motive in the delivery of public services that should be abandoned or needs to be greatly improved.[1] Some civil society organizations, for example, have argued that private companies making profits taint any good they may bring, and this process will inevitably result in projects being more costly, detrimental to public welfare, or impose a burden on the lives of citizens.[2] In other words, it is argued by some that Public-Private Partnerships models “privatize the rewards and socializes the costs”.[3]

8. However, these concerns may be overlooking that governments regularly procure goods and services from the private sector, and the performance of many public responsibilities for economic public services is provided by or involves private providers in one way or another. Overall, it can be said that not all Public-Private Partnerships are “fit for purpose”, nor is there a guarantee that the Public-Private Partnerships model developed in the last two decades will lead to the successful achievement of the Sustainable Development Goals.

9. According to recent reports released in UK and France, together with IMF recommendations, the budgetary burden for future generations in the Private Finance Initiative Public-Private Partnerships[4] model must be well appraised with utmost care before launching the project on the market. Governments, in paragraph 48 of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda), also requested heightened attention to potential drawbacks, calling in for the elaboration of guidelines on Public-Private Partnerships to improve their use and effectiveness in achieving the Sustainable Development Goals.

10. Experience shows that Public-Private Partnerships can involve international sustainable development programmes and donor funds; and can offer various means for improving the risk-return profile of sustainable development projects through certain tools, including Public-Private Partnerships, investment insurance, blended financing and advance market commitments. However, caution is needed as Public-Private Partnerships can result in relatively expensive methods of financing and may increase the cost to the public sector if up-front investment costs and subsequent revenue streams (investment returns) are not

[1] See comments by Mr. Felix Dodds in his blog available at: http://blog.felixdodds.net/2017/11/presentation-on-unece-principles-for.html#comments.

[2] 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”.

[3] The Private Finance Initiative 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.

[4] PFIs: Private Finance Initiatives are one type of Public-Private Partnerships, which can also be referred as concession-based arrangements.

adequately assessed. This is especially relevant for countries with weaker technical, institutional and negotiation capacities.[5]

11. It is clear that, if there is a positive track record of some Public-Private Partnerships models outside the developed countries, it remains that most of the traditional Public-Private Partnerships have been undertaken in fully developed Western countries with mature economies and relatively low risks, which are also well balanced between the parties. On the other hand, a Public-Private Partnerships model that is on the one hand transformative and on the other responds to the challenges of low and middle-income countries, remains to be much better identified on the basis of many common issues and approached in a realistic manner leading to common principles embedded in empirical evidence. The approach of People-first Public-Private Partnerships shall assure that Public-Private Partnerships projects – if realized, will help such countries contribute to the achievement of the Sustainable Development Goals. For this to occur, the projects should be implemented in a sound and sustainable manner, truly responding to the people's needs.

II. The Sustainable Development Goals and importance of partnerships

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

Financing gap

13. A huge amount of funding will be required to achieve the Sustainable Development Goals. This has been calculated at between 3.3 trillion US Dollars to 4.5 trillion US Dollars 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 infrastructure assets. In addition, in some sectors, such as health, the cost of training of new doctors, nurses, and other staff will be considerable.

14. While this task in many situations is undertaken by the public sector from the public budget, it is simply not feasible for governments alone to meet the need for capital when required through increased expenditures. Public-Private Partnerships models having less impact on existing or future public budgets are thus a high priority alternative.

15. Private financing necessarily means public debt as such financing will always have to be repaid. Thus, even benefiting from private financing and expanded capacity, governments may still face the challenge of the "funding gap". Establishing and clarifying the funding sources that will satisfy the required repayments to the private partner financing a Public-Private Partnerships is a critical step to ensuring viable Public-Private Partnerships. It is also a critical factor in the sustainability of public finance and requires

[5] Examples of risks associated with Public-Private Partnerships for governments include high fiscal commitments, or difficulty in the estimation of the cost of guarantees (e.g. when governments provide guarantees on demand, exchange rates or other costs). See UNCTAD, 2015. *Investment Policy Framework for Sustainable Development*. United Nations: New York and Geneva.

from governments special attention in order to prevent creating unintended and hidden public debt and obligations (e.g. off-balance sheet treatment).

16. In addition, the private sector capacity in designing or operating essential public services such as transport, water, power and urban services should not be ignored. Indeed, experience indicates that this is possible and sustainable. Lessons learnt in the last two decades show that People-first Public-Private Partnerships can be an answer to these dilemmas based on long term equilibrium between public and private interest where "people's interest" must always be the priority.

17. It should also be noted, that Public-Private Partnerships are one possibility amongst others to mobilize private actors for the realization of these benefits. A successful supply with universal services will require an overall strategy that takes into consideration other possibilities of private sector involvement.

Limited Public-Private Partnerships expertise inside the UN

18. The notion that Public-Private Partnerships, and more recent generalized Public-Private Partnerships knowledge, has come from the financial world is supported by the fact that expertise has been developed within the multilateral development banks, such as the World Bank, the Asian Development Bank (ADB), and the European Investment Bank (EIB). They have led the development of assistance tools for infrastructure project preparation and other resource and knowledge products on Public-Private Partnerships. Aside from the large international financing institutions, the United Nations Commission on International Trade Law (UNCITRAL), ECE and the United Nations Conference on Trade and Development (UNCTAD) are far and away the main depositories of the remainder of the International Public-Private Partnerships best practice.

19. Expertise on Public-Private Partnerships is somewhat scattered within the UN system[6]. There is no one UN global partnership, advancing Public-Private Partnerships in support of the Sustainable Development Goals. Cooperation between the different UN bodies involved in Public-Private Partnerships occurs but each activity lacks resources and the impact is limited. In fact, the ECE - a regional Commission - possesses the only intergovernmental body devoted to promoting Public-Private Partnerships. It has, too, a network of international experts that extends beyond its own region. Its standards and recommendations moreover are used internationally by non ECE member states while its Public-Private Partnerships Business Advisory Board, uniquely within the UN system, provides Public-Private Partnerships capacity-building services to individual countries at the global level.

Need to move Public-Private Partnerships towards a "People First" approach

20. A new set of Guiding Principles is needed to focus on Public-Private Partnerships based on a new and inclusive approach taking account of the international experience from various Public-Private Partnerships models where the "value for people" and scaling up of impact are given priority. This will lead to Public-Private Partnerships that minimize and equitably share risks, improve outcomes, and are aligned with financing that is sustainable, equitable, and combines "doing good with doing well". Adopting such an approach will address the common concerns about Public-Private Partnerships and make them truly "fit for purpose" for the Sustainable Development Goals.

[6] ECE, ESCAP, UNCITRAL, UNCTAD, and others each undertake research, organize dialogue, conduct capacity development work, and produce Public-Private Partnerships resource materials.

21. A "People-first Public-Private Partnerships" project can be defined as one that fosters access to essential public services for all, with sustainable development outcomes as its objective and putting people first at the core. With the adoption of the 2030 Agenda, the challenge for governments and the private sector is to implement Public-Private Partnerships according to a set of holistic criteria and undertake projects that from inception to termination create "value for people". A Public-Private Partnerships should therefore be considered a "value for money" transaction –relative to a traditionally procured public alternative– if it generates a net economic benefit for the public in terms of quantity, quality of the service or facility, cost and risk transfer over the project life, and achievement of the various Sustainable Development Goals. Hence, the "value for money" assessment of a Public-Private Partnerships should be based on traditional notions of "value for money" in Public-Private Partnerships, but also outcome-based performance that brings the greatest benefit to the people the project aims to serve. The People-first Public-Private Partnerships approach shall ensure that the traditional "value for money" rationale integrates the factor of an effective and efficient achievement of the Sustainable Development Goals in a more extensive way. As a result, value for money – including value for people in terms of achieving the Sustainable Development Goals – should play a fundamental role in the decision on whether a public institution should enter into a Public-Private Partnerships agreement.

22. In essence, this means Public-Private Partnerships need to do more and be measured according to a number of impacts that are in line with the Sustainable Development Goals. These would include assessing whether pipelines of projects:

(a) Increase access and equity to essential services adapted to people's needs during the project lifecycle (especially to vulnerable groups);

(b) Have particularly strong economic effectiveness and transformational impact;

(c) Are replicable;

(d) Cut or significantly reduce CO2 emissions, making infrastructure more resilient; and

(e) Engage effectively with all stakeholders.

Aim of the Guiding Principles

23. The Guiding Principles[7] have the following main aims:

(a) Identify the new roles and responsibilities that will be required of governments and private sector in order to lift the traditional Public-Private Partnerships model onto a new level of People-first Public-Private Partnerships;

(b) Outline key elements to a People-first approach, and particularly those that will need to occur for Public-Private Partnerships to take place in low and middle-income countries;[8]

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

(d) Bring together different parts of the UN system, especially regional commissions, multilateral development banks, and other organizations with Public-Private

[7] The Guiding Principles are contained in document ECE/CECI/WP/PPP/2018/3

[8] These adjustments refer *inter alia* to necessary legal, policy and institutional adjustments and revisions in international Public-Private Partnerships 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 Public-Private Partnerships.

Partnerships expert knowledge behind a common set of principles to guide Public-Private Partnerships promotion activity going forward; and

(e) Be used as a reference in infrastructure project preparation.

III. Public-Private Partnerships experiences and key learnings

24. The Public-Private Partnerships model needs to be adapted to meet the challenge of the 2030 Agenda. To this end it is worth asking the following questions:

(a) How have Public-Private Partnerships in different sectors evolved and what challenges do they face in order to contribute to a more inclusive and sustainable development?

(b) What are the challenges to effective Public-Private Partnerships project delivery based on the experiences to date?

(c) What should be the model for Public-Private Partnerships that should prevail?

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

25. Public-Private Partnerships, as they are now commonly referred, are no longer the "new" way of doing things. Public-Private Partnerships saw their most recent resurgence in the 1990s and 2000s in the United Kingdom, Australia, and Canada as "private finance initiative" transactions. Private Finance Initiatives are just one branch of Public-Private Partnerships' world however, with concession-based arrangements being a large player in other countries, in particular those with a civil law tradition like France.[9] Still further there is increasing use of other modes of Public-Private Partnerships.

26. The various modes of Public-Private Partnerships certainly bring practical distinctions in, for example, how they are structured and how they are made most viable and how they adapt the service to the public to really meet the criteria of people first in a sustainable manner. Because Public-Private Partnerships have become increasingly heterogenous in form, globally many countries make no distinction between Private Finance Initiative, concessions, and other forms, and simply refer to all forms as Public-Private Partnerships.

27. As Public-Private Partnerships 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 countries employing them.

[9] In fact, in the Public-Private Partnerships discourse of today, private finance initiative is most closely associated with the United Kingdom 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 private finance initiatives in a handful of common law tradition jurisdictions, France has perhaps some of the oldest examples of Public-Private Partnerships, 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 (including affermage essentially for Brownfield projects) being a distinct mode of Public-Private Partnerships where the public service is delegated to a private operator, and a private finance initiative 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.

Water and Sanitation

28. There is a gap between what is being provided in water and sanitation services and what is needed to meet the Sustainable Development Goals. 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”. On the other hand, 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.

29. Water and sanitation systems still face significant capital costs in order to develop or extend water and sanitation systems to meet demand. It is often considered that 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.[10] Yet keeping tariffs low (or non-existent) does not reflect the actual cost of production. Other challenges that need to be considered are the cost of inefficiency in operation and maintenance in the case of sub optimum national public water companies. Progressive improvement of service delivery, may raise the willingness to pay by the end users.

30. Despite these challenges, over the past decade several cases of private sector involvement in water and sanitation have shown promise. Successful experiences occurred in private sector involvement in the reuse of waste water for irrigation, the building of small-scale water and sanitation systems, and urban water and sanitation solutions.[11] Stand-alone Public-Private Partnerships in desalination and wastewater treatment plants have also been successful,[12] as were also the use of performance based, efficiency gaining lease and management contracts for reducing leakage in systems or expanding overall connectivity.[13]

Energy

31. The energy sector has undergone significant change over the past decade with renewable energy generation, in particular, hydropower, 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 countries. These challenges are set against the backdrop of ever tighter public budgets and needing to provide energy to customers who often are unable to pay for the true cost of service.

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[10] In case an upward adjustment of the tariffs is needed, this is preferably undertaken well in advance to launching the Public-Private Partnerships tender, to avoid any association with private sector participation and hence any backlash which could hamper billing and collection by the private operator.

[11] 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 Public-Private Partnerships 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.

[12] Examples can be found in Brazil and Saudi Arabia.

[13] Ho Chi Minh City, Vietnam has implemented this model with success.

32. The key challenge, then, for governments, is increasing access to energy sources while overcoming the significant upfront costs required to establish or extend power generation and distribution networks.

33. The Public-Private Partnerships mechanism may be 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;[14] and truly renewable sources,[15] show great promise for transforming the sector, further creating jobs and mitigating climate change,[16] and promoting energy security and equity in energy service provision.[17]

34. However, governments need to be cautious not to limit their approach to energy production but to develop a global approach including distribution to the consumers. This is a real challenge to most low-income countries where distribution is often the monopoly of national electricity companies in difficult financial straits.

Health

35. 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 US Dollars.[18] And when adding services, that estimate reaches 68.1 trillion US Dollars.[19] Meanwhile, many global citizens still lack access to even the most basic healthcare services and so the Sustainable Development Goals call on governments to serve all 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.

36. The challenge for governments, then, is how to be more efficient, effective, and equitable in the provision of healthcare by increasing their overall capacity to provide care and expand the reach of that care. Public-Private Partnerships 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 of the people.

37. Public-Private Partnerships success stories in healthcare services do exist though, with general wellbeing programmes,[20] programmes to improve facility management and

[14] Examples of grid connected distributed generation projects can be found in rural India and Jamaica

[15] 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.

[16] Examples of grid connected distributed generation projects can be found in rural India and Jamaica; in Morocco, Noor II and III solar power have accounted for reduced CO_2 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.

[17] Olkaria III Geothermal Plant in Kenya. This project made the cost of power to the end user become 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.

[18] PricewaterhouseCoopers (PwC)

[19] Id.

[20] "Let's 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.

performance,[21] and targeted care, like delivering vaccines to remote regions of Africa,[22] 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.

Transport

38. The transport sector continues to be one of the most robust Public-Private Partnerships markets, in particular Public-Private Partnerships in roads, railways and urban transport, including for toll highways, toll bridges, toll tunnels, ports, airports and other infrastructure, which benefit from a relatively long track record in many countries with a lot of lessons learnt from failures and successes. Conditions of success have been somewhat "proven" in the marketplace even if not yet well translated in Public-Private Partnerships best practices. This fact coupled with the ability of the transport sector to make a significant, positive impact on connectivity, lives and overall economic prosperity, has made some Public-Private Partnerships models in the transport sector an attractive option for governments.

39. For instance, the World Bank has noted that "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"[23]; 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.

40. The challenge then for governments in the transport sector is mostly to upgrade planning and prioritizing process for the right project(s) and programme[24] and determining which road projects will bring the most benefit while saving taxpayers money.[25] Also, to determine what aspects of the transport systems can be modernized, made more secure, more resilient, and strengthen economic networks.[26] Other considerations include social and environmental impact assessment of projects to mitigate the potential negative externalities of roads on the environment and society,[27] what are the most flexible, expandable, and responsive to the long term transport objectives of the region and country, and what model will serve the people best through a Public-Private Partnerships option acceptable, *inter alia,* in terms of user's fees, fiscal budget sustainability or a mix of the two.

[21] The National Kidney Transplant Institute of the Philippines entered into a Public-Private Partnerships 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.

[22] GAVI Foundation, the Vaccine Alliance

[23] World Bank PPP Knowledge Lab

[24] See for example the State of Virginia's high occupancy lanes project (Commonwealth's interstate 95 and 395 Capital Beltway High Occupancy Toll Lanes project ("HOT Lanes")).

[25] 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.

[26] 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.

[27] The Thiruvananthapuram City Improvement project in India and road concession not only provided a high-quality road but also addressed CO_2 emissions and environmental issues with the planting of trees and other measures, such as capturing of water runoff.

B. What are the challenges to effective Public-Private Partnerships project delivery based on the experiences to date?

Project focused; no concerted policy for Public-Private Partnerships

41. Overall, Public-Private Partnerships 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 Public-Private Partnerships 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, holistic, national infrastructure plan. Only when Public-Private Partnerships become part of a transformative infrastructure plan can the necessary scaling up take place that is called for by the Sustainable Development Goals: multiple projects in concert across multiple fronts that significantly contribute to the challenges facing the planet, such as poverty eradication and the fight against climate change.

Insufficient Government capacity

42. Countries undertaking Public-Private Partnerships, especially the low-income ones, generally lack the skills and capacity to deliver pipelines of projects. In most cases they lack the basic legal framework and institutions such as Public-Private Partnerships units that can deliver the scale of projects needed, and they also lack the personnel and technical knowledge to successfully deliver projects and build strategic programmes that leverage the power of Public-Private Partnerships. 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.

43. It is fair to say that such capacity, both at planning and project level up to the launch of a competitive tender able to attract serious bidders, comes with high organizational costs which are currently not affordable to most low and middle-income countries from public budgets, and which are not provided so far at an appropriate level by the development community. There is accordingly often poor decision taking surrounding projects (and when and how to do them). Thus, many aspects of project delivery from basic capacity building to coordination within and amongst the government and the ministries, to alignment between policies, programmes, and projects, should be substantially improved.

High-risk

44. The current risks of undertaking sophisticated and complex and expensive projects, where the prevailing institutional 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 (built from lessons learned in some countries) that if the Public-Private Partnerships model is applied blindly, the entire economy of a country can pay a heavy price.

A need to improve the project environment

45. Public-Private Partnerships projects require a number of situational conditions to exist and primarily a robust institutional environment and an enabling investment and business climate. This should often include specific legal and public governance systems that are able to offer transparency and create an effective Public-Private Partnerships delivery system, one which will foster a private sector willing and able to accept the commensurate risks, especially 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 Public-Private Partnerships are also essential for Public-Private Partnerships to positively take shape. As a result, Public-Private Partnerships have often been a tool easier to promote and to use in the developed countries where more predictable conditions exist and where the market economy is long-standing and mature, and where relevant institutions and laws prevail.

46. Since several of these conditions, by contrast, are not fulfilled in low income countries, it is difficult to apply the Public-Private Partnerships model at a large scale without resolving during project development and in a Public-Private Partnerships contract several additional issues often common to a number of low and middle-income countries.

"Smart and Sustainable Cities" will play an important role in achieving the sustainable development goals

47. The world is congregating more and more in urban centres and in cities. The rise of technological innovation can also bring opportunities. For example, cities around the world are using new Information and Communication Technologies to gather data 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 and sustainable cities". These smart and sustainable cities are more flexible and often can provide more timely, effective and innovative solutions to the ever-changing challenges that urban areas face.

48. Public-Private Partnerships need also 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 Public-Private Partnerships can lead can benefit many within the urban context. Local authorities like governments should investigate how to plan and prioritize specific projects within the urban context, and the livelihood of the citizens.

Transitional Public-Private Partnerships or multi-stakeholder partnerships may be needed as a precursor to Public-Private Partnerships

49. The Public-Private Partnerships 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 Public-Private Partnerships but because of challenging circumstances need additional support. Projects in certain countries that require significant financial "de-risking" or project delivery expertise, for example, may need to engage multilateral development banks' participation or underwriting, or seek development grant support and oversight, or involve NGO operational expertise to implement the project in an effective manner. Implementing such transitional Public-Private Partnerships or multi-stakeholder partnerships that may not fit the traditional Public-Private Partnerships model but may work in challenging environments, with the assumption that governments will have work to do in the transitional stage before reaching the point where "full" Public-Private Partnerships arrangements may be made, could be an option in high-risk countries.

Engage the people

50. The entire purpose of government is to promote the general interest, to take action on behalf of the people, and for the benefit of the people. Governments must therefore engage more systematically and earlier with the affected population 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 their population but too often 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 had mixed results at best. It risks resulting 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.

51. The obvious solution is for governments to improve their listening skills and be more responsive to the needs of the people through appropriate consultation procedures at different levels realistically and efficiently. Those efforts have proven to be successful in several landmark projects. 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 Public-Private Partnerships that should prevail?

52. It is argued that because of the challenges and problems often associated with the Public-Private Partnerships model that the model may be altogether not "fit-for-purpose". However, it is important not to overlook why Public-Private Partnerships came into fashion in the first place.

53. For Public-Private Partnerships which deliver public services to the citizens who are ready to pay a fee for the service, Public-Private Partnerships have allowed governments to:

(a) Benefit from the skill of the private sector in delivering improved services of economic nature;

(b) Have the services paid only or mostly by the end users of the particular service (e.g.: transport, water, power and health);

(c) Limit the drain on the public budget; and

(d) Reduce impact of service delivery on existing or future tax budgets.

54. In addition, Public-Private Partnerships have allowed governments to fix weaknesses of the traditional public procurement system with regards to the building, delivery and maintenance of public infrastructure and services.[28]

55. For these reasons, Public-Private Partnerships have been used to bring in private sector efficiency, deliver projects on time, 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 Public-Private Partnerships awarded through public bidding have actually made the traditional procurement more efficient. In the current context of scarce resources and limited public-sector alternatives, there is a need to more clearly promote such models based on experience in developed and middle and low-income countries where sustainable development and "people" are the cornerstone.

56. What is needed is a "people-first" approach to Public-Private Partnerships inspired by the 2030 Development Agenda, and a set of guiding principles to mainstream such an agenda for Public-Private Partnerships delivery.

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[28] 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.