

### Infrastructure Investments and Public-Private Partnerships

#### Background Note

The Addis Ababa Action Agenda emphasizes the importance of infrastructure investment for achieving the SDGs. This will require a comprehensive approach, combining different financing modalities and instruments. It notes “that both public and private investment have key roles to play in infrastructure financing, including... mechanisms such as public-private partnerships.”

Nonetheless, public-private partnerships (PPPs) have become fairly controversial in debates on implementation of the SDGs, with views ranging from the essential need for PPPs to achieve the agenda to fears that PPPs will be used to privatize public services and subsidize the private sector. The Addis Agenda recognizes these challenges, and notes that “careful consideration should be given to the appropriate structure and use of ... blended finance, including PPPs, [and that projects] should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards.”

In Addis, Member States also committed to help developing countries build capacity, including in planning, contract negotiation, management, accounting, and budgeting for contingent liabilities. In addition, Addis calls for inclusive, open and transparent discussions on guidelines and documentation for the use of PPPs, and includes a commitment to build a knowledge base and share lessons learned through regional and global fora.

In follow-up to these commitments, the Financing for Development Office convened an IATF meeting in December 2016, building on a series of earlier UN-DESA meetings on PPPs. Participants included approximately 20 Task Force members, academics, private sector representatives, government practitioners, and civil society. Participants at the meeting agreed that PPPs can play an important role in financing the SDGs, and in particular infrastructure, but warned against feeding the impression that they are the major tool for moving ‘from billions to trillions’. Rather, they should be seen as one instrument in policy-makers’ toolkits.

One goal of the meeting was to examine existing guidelines for PPPs, which have been developed by different agencies, multilateral institutions, and countries. The full breadth of initiatives is quite large, which can make it difficult to navigate. Task Force meeting focused on better understanding the underlying assumptions behind the guidelines, including the extent to which they are aligned with sustainable development and the 2030 Agenda. In this regard, the Addis Agenda’s sections on blended finance provide inter-governmentally agreed parameters for PPPs.

Participants at the meeting extracted a set of 10 underlying principles from the Addis Agenda, which could serve as a baseline for the development of any future guidelines. These include:

- 1) Careful consideration given to the structure and use of blended finance instruments;
- 2) Sharing risks and reward fairly;
- 3) Alignment with sustainable development, to ensure “sustainable, accessible, affordable and resilient quality infrastructure”;
- 4) Meeting social and environmental standards;
- 5) Alignment with national priorities and relevant principles of effective development cooperation;

## FFDO Background Note

- 6) Ensuring transparency in public procurement frameworks and contracts'
- 7) Ensuring clear and effective accountability mechanisms;
- 8) Ensuring participation, particularly of local communities in decisions affecting their communities;
- 9) Ensuring effective management, accounting, and budgeting for contingent liabilities.
- 10) Inclusion of corporate governance mechanisms for private actors.

The meeting found that most of the guidelines discussed are aligned with some, but not all, of the Addis principles listed above. While all public works, by their nature, should support public goals, the guidelines tend to take a narrow view of public governance, focusing on enabling the public to facilitate the activities of commercial stakeholders, and missing out on the imperative for PPPs to generate public value. Most do not take into account the perspectives of non-commercial stakeholders. They also don't tend to explicitly incorporate environmental, social and governance aspects of PPPs alongside economic considerations. It was suggested that a shift in thinking is needed, from doing no harm through safeguards, to measuring the positive impacts of public investment in all three dimensions of sustainable development.

In elaborating on the Addis Principles, it was noted that more analytical work is needed in several areas. Valuing risks and rewards in complex projects is notably difficult, even for countries with capacities, as is setting parameters for appropriate use to avoid undue subsidies to the private sector and undue risk for the public sector. While analysis inevitably needs to be on a case-by-case basis, the IATF could make a contribution by developing a set of analytical parameters that could give general guideposts for the use of instruments, such as when subsidies might or might not be appropriate, and what type of structures would be most effective.

Participants also noted that the construction of a framework for disclosure on PPPs throughout their life cycles could be one of the top agenda items moving forward. This could, for example, include transparent and competitive bidding, which should serve to manage costs and ensure a better quality of service, or having development institutions work towards publishing relevant contracts and establishing mechanisms for public feedback. Speakers reiterated the need for additional support to help countries develop the institutional capacity, as well as the need for greater knowledge-sharing and improved data. The PPP Knowledge Lab provides a joint platform for sharing analytical work in this area, and the Global Infrastructure Forum, the FfD Forum, and regional dialogues can be used for open and inclusive dialogue on these issues.