

The Asia Pacific Conference Localising the Sustainable Development Goals (SDGs): Leaving No One Behind

25-26 October 2017
Pulau Pinang

Public Private Partnerships (PPP) in Implementing SDGs

**PUBLIC-PRIVATE
PARTNERSHIPS**



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Presentation Outline

- ❑ **Sustainable Development Goals 2015-2030 (SDGs)**
 - SDG 17 – Partnership for the Goals
 - Role of UN Global Compact in SDGs

- ❑ **Private-Public Partnerships (PPP) in pre-SDGs era**
 - Many Definitions, Many Variants
 - Need for PPP
 - Some Examples of Success and Horror Stories

- ❑ **Private-Public Partnerships (PPP) in Attaining SDGs**
 - Strategic Role for Corporate Social Responsibility (CSR)/Corporate Sustainability (CS) function
 - More Inclusive PPP Model
 - Checklist for Sustaining Effective Partnerships



SUSTAINABLE DEVELOPMENT GOALS



SDG 17 – Partnership for the Goals

- ❑ Addressing sustainability issues effectively cannot be carried out in **isolation**.
- ❑ SDG17 – Partnerships for the Goals – appreciates the **value of collaboration**
- ❑ Need for **multi-sectoral partnerships** joining forces to tackle the complex challenges of the SDGs.





UN Global Compact

www.unglobalcompact.org

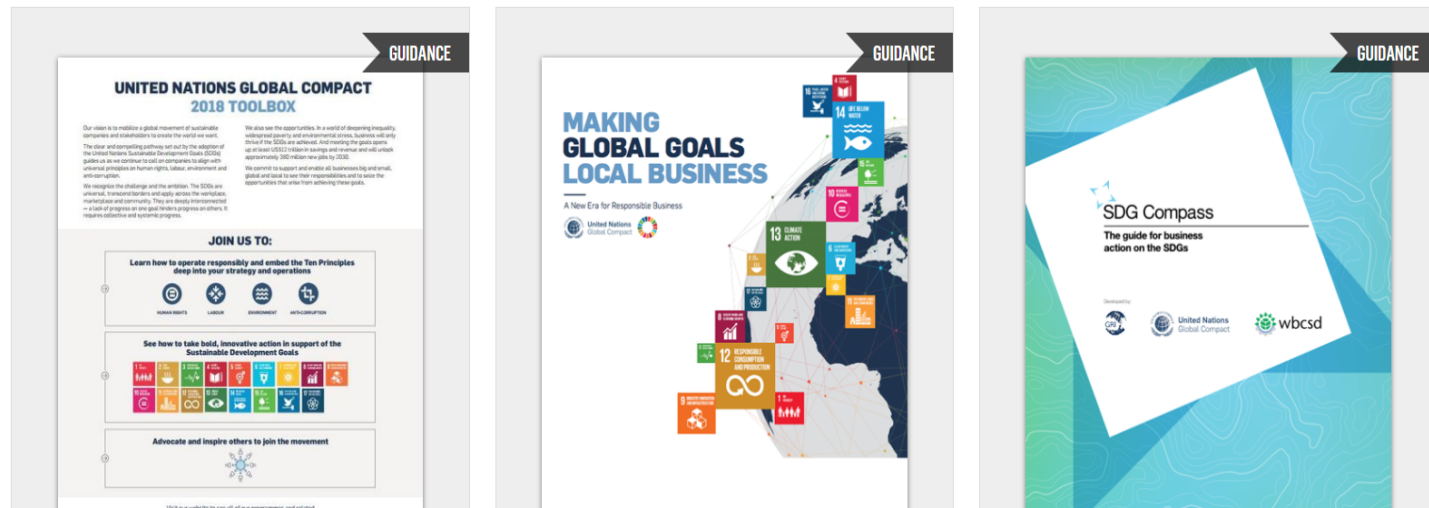
VISION - At the UN Global Compact, we aim to mobilize a global movement of sustainable companies and stakeholders to create the world we want.

As a strategic UN initiative, we supports companies which are committed:

- ☐ To responsible business practices with strategies and operations aligning with the Ten Principles on human rights, labour, the environment, and anti-corruption; and
- ☐ To take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

Moving from **AWARENESS** to **ACTION**

AWARENESS through “Making Global Goals Local Business” campaign, we are spreading the word that companies that do business responsibly and find opportunities to innovate around sustainability will be the business leaders of tomorrow.



ACTION: We offer participants an extensive **toolbox** including next-generation solutions platforms, an online UN Business Action Hub and resources that will help your business take action to achieve the SDGs.

Private-Public Partnerships (PPP) in pre-SDGs era

PUBLIC-PRIVATE
PARTNERSHIPS



What is a Public Private Partnership (PPP)?

OECD (2012) : “there is no widely recognised definition of PPPs and related accounting framework. Eurostat, IASB, IMF, IFRS and others work with different definitions.”

IMF (2004) : “There is no clear agreement on what does and what does not constitute a PPP ...The term PPP is sometimes used to describe a wider range of arrangements.”

Jomo KS, Anis Chowdhury, Krishnan Sharma, Daniel Platz (February 2016):

“...different institutions promoting PPPs differ in their definition of PPPs, but also countries are using their own definitions in national laws and policies.

Source: Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for purpose?, DESA Working Paper No. 148, February 2016, UN Department of Economic & Social Affairs, Jomo KS, Anis Chowdhury, Krishnan Sharma, Daniel Platz

Some PPP Definitions

Standard and Poor's (2005): A PPP is any medium to long-term relationship between the public and private sectors, involving the sharing of risks and rewards of multisector skills, expertise and finance to deliver desired policy outcomes.

Government of Malaysia: "PPP is a public procurement model in which the value for money is optimised through efficient allocation of risks, whole life service approach, private sector innovation and management skills as well as synergies from inter-linking the design, finance, construction and operations."

Source: PPP Guidelines, Public-Private Partnership Unit, Prime Minister Department , 2009

World Bank Institute (2012, p. 11): A PPP is "a long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility".

India: "An arrangement between a government or statutory entity or government owned entity on one side and a private sector entity on the other, for the provision of public assets and/ or related services for public benefit, through investments being made by and/ or management undertaken by the private sector entity for a specified time period, where there is a substantial risk sharing with the private sector and the private sector receives performance linked payments that conform (or are benchmarked) to specified, pre-determined and measurable performance standards

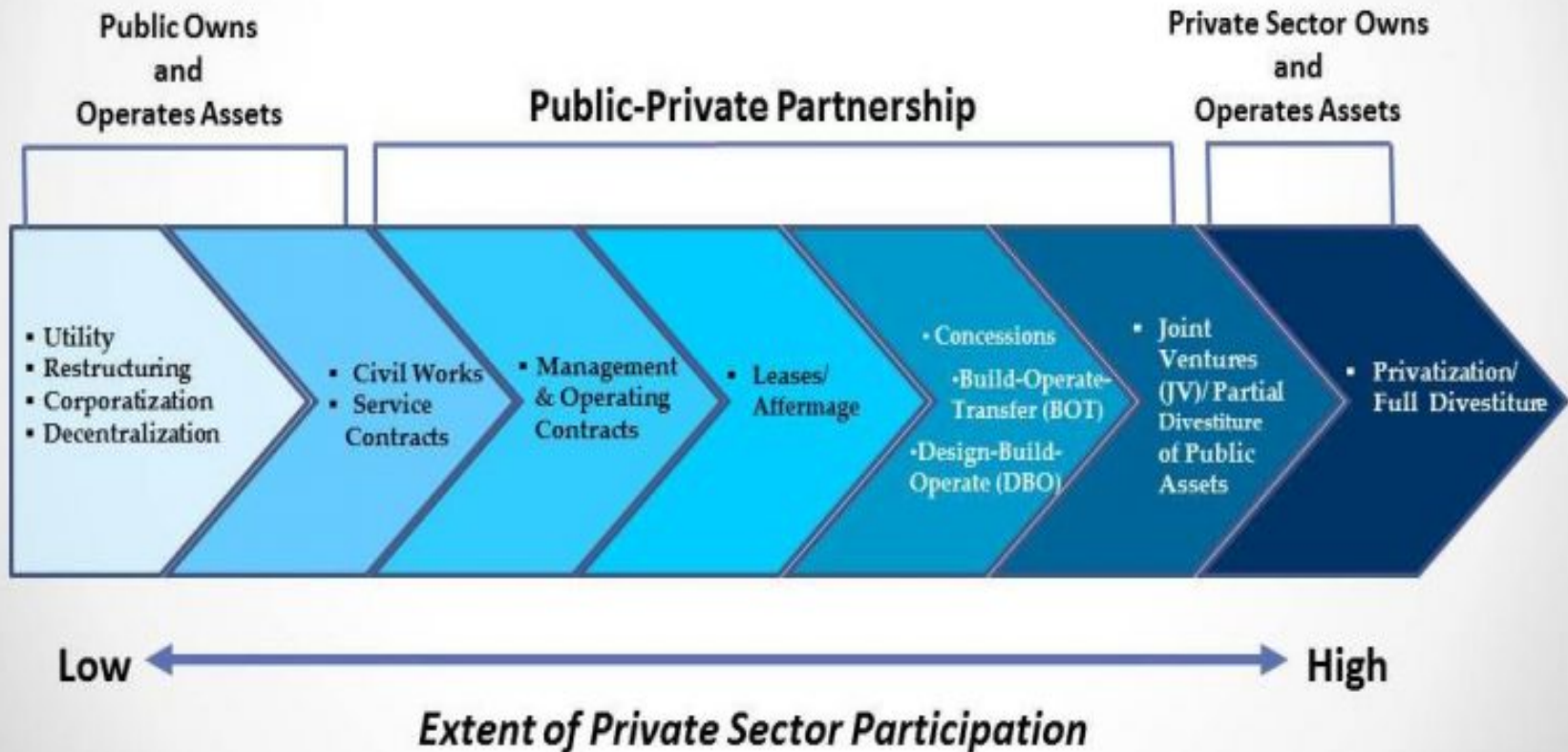
European Commission (EC, 2004): the term "public-private partnership", in general, refers to forms of co-operation between public authorities and the world of business which aim to ensure the funding, construction, renovation, management and maintenance of an infrastructure of the provision of a service.

Variants of PPP Arrangements

(Taxonomy by IMF 2004)

- ❖ Design-Build (DB)
- ❖ Build-Transfer (BT)
- ❖ Build-Transfer-Operate (BTO)
- ❖ Design-Build-Operate (DBO)
- ❖ Build-Operate-Transfer (BOT)
- ❖ Build-Own-Operate-Transfer (BOOT)
- ❖ Wrap Around Addition (WAA)
- ❖ Lease-Develop-Operate (LDO)
- ❖ Buy-Develop-Operate (BDO)
- ❖ Design-Build-Finance-Operate (DBFO)
- ❖ Design-Build-Finance-Maintain (DBFM)
- ❖ Build-Own-Operate (BOO)
- ❖ Build-Develop-Operate (BDO)
- ❖ Design-Construct-Manage-Finance (DCMF)

SPECTRUM OF PRIVATE SECTOR PARTICIPATION IN INFRASTRUCTURE AND DEVELOPMENT PROJECTS

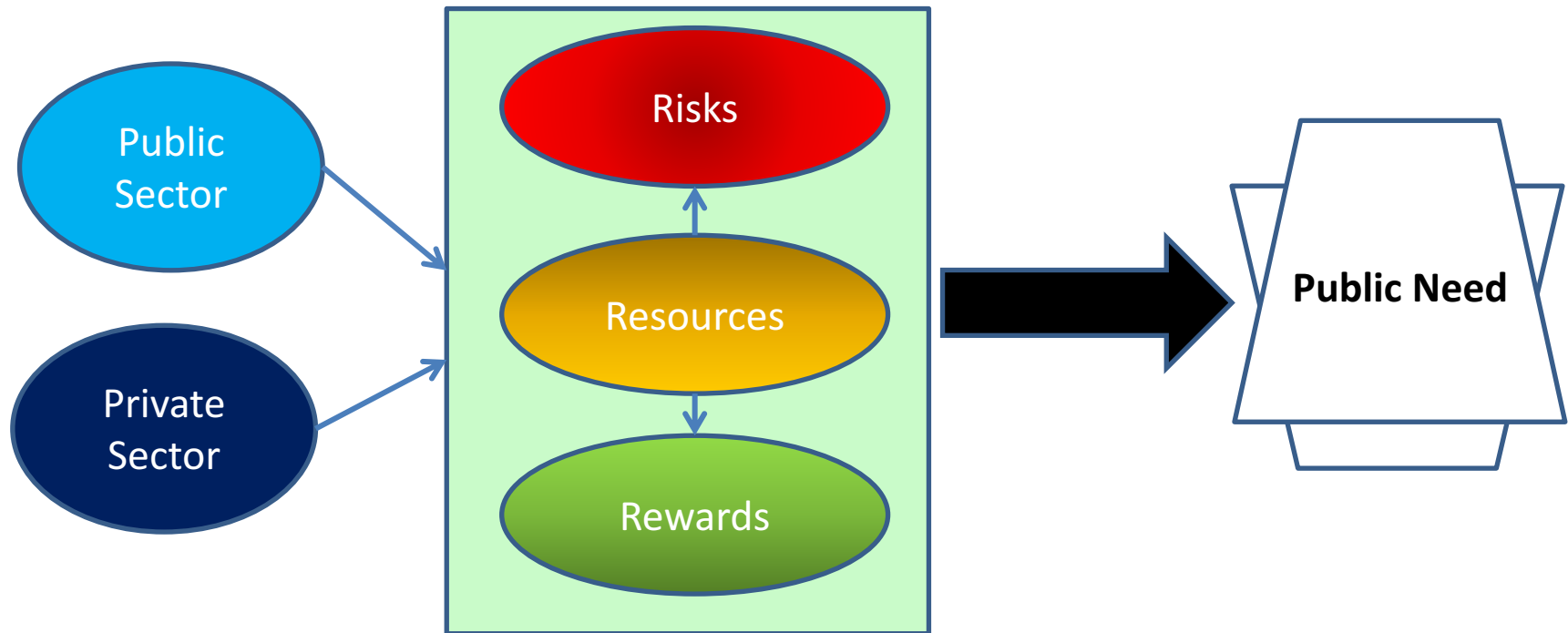


Source: Delmon, Jeffrey (2010) *Understanding Options for Public-Private Partnerships in Infrastructure*. World Bank.

Public Private Partnerships (PPP)

Many Definitions, Many Variants

Basically, PPP is a collaboration between the public and private sectors leveraging on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.



Need for a Public Private Partnership

- ❑ Government's ability to address public needs and welfare of the state via traditional means in development projects is severely constrained by increasing trend of population pressures, demands and expectations for:
 - Increased efficiency in project delivery
 - Improved operation and management
 - Access to advanced technology
 - Need to bring in commercial viability considerations in the provision of urban infrastructure

Source: "Public Private Partnership in Urban Water Sector in India", Ankit Tulsyan, Ipshita Das & Khalid Rahman, TERI University, Delhi, India, 20th October 2014

Some Examples of Success and Horror Stories of PPP

Some Examples of PPP Projects in Malaysia



E.g.1: PLUS Expressway
(Tolled Highway)



E.g. 2: Stormwater Management &
Road (SMART) Tunnel (Urban Flood
Alleviation)



E.g.3: Mass Rapid Transit (MRT)
(Urban Rail Transportation)



E.g.4: Combined Gas Power Power
Plant in Kimanis, Sabah
(Power Generation)



E.g.5: International Islamic University
Malaysia (IIUM) Teaching Hospital
(Medical Education)

Principles in Adopting PPP Approach

A PPP proposal will only be considered if there is a need on the part of the Government for the project after taking into account the benefits/probity as a whole in terms of, inter-alia:

- i. socio-economic impacts
- ii. value for money and cost savings to the Government
- iii. quick delivery of the project and service enhancement
- iv. increased level of accountability, efficiency and effectiveness



PUBLIC PRIVATE PARTNERSHIP (PPP)
GUIDELINE

Public-Private Partnership Unit
Prime Minister Department
PUTRAJAYA

Source: Public-Private Partnership Unit, Prime Minister Department © 2009

Case Study: Water Services in Manila, (Philippines)

Past Scenario - Before 1997	Post PPP Arrangement in 1997
<p><u>Background</u></p> <ul style="list-style-type: none"> In the early 1990s, Metropolitan Manila suffered from an old and inefficient water system. Metropolitan Waterworks and Sewerage System (MWSS), the government agency responsible for delivering water and sewerage services to residents, was heavily indebted. Necessary investments for maintenance and services could not be realized 	<p><u>Background</u></p> <ul style="list-style-type: none"> 2 concessions awarded in 1997 to cover 2 geographically separate concession zones. Eastern Zone of Metro Manila (4 million people) awarded to Manila Water Company Western Zone(7 million people) awarded to Maynilad Water Service
<p><u>Piped Water Coverage</u></p> <ul style="list-style-type: none"> 1/3 of Metropolitan Manila's population (11million people) lacked access to piped water 	<p><u>Piped Water Coverage</u></p> <ul style="list-style-type: none"> In the Western concession (Maynilad), coverage expanded from 67 % to 86 %. In the Eastern zone (Manila Water), coverage jumped from 49 % to 94 %.
<p><u>Water Service</u></p> <ul style="list-style-type: none"> 3/4 of the homes in the eastern half of Manila lacked 24-hour service 	<p><u>Water Service</u></p> <ul style="list-style-type: none"> Manila Water provides water 24/7 to 99% of the population in its service area and approximately 97.8% of Maynilad customers enjoy 24-hour uninterrupted water supply.
<p><u>Water Quality</u></p> <ul style="list-style-type: none"> Level of potability compliance was about 96% 	<p><u>Water Quality</u></p> <ul style="list-style-type: none"> Level of potability compliance went up from about 96 percent to almost 100 percent in 2000 Potability compliance in both concessions has averaged about 99% in the past seven years
<p><u>Water Losses</u></p> <ul style="list-style-type: none"> Almost 2/3 of the water produced was being lost to leaks, poor metering and illegal connections 	<p><u>Water Losses</u></p> <ul style="list-style-type: none"> The level of water losses has decreased from 45% to 12% for Manila Water in the Eastern Zone and from 66% to 39% for the Western Zone concession Maynilad (2013 figures).

Sources: 1. Efficiency Gains: the Case of Water Services in Manila, Mathieu Verougstraete and Isabelle Enders (April 2014), UNESCAP

2. Public-Private Partnerships for Urban Water Utilities - A Review of Experiences in Developing Countries, Philippe Marin, 2009, The World Bank

Example of Failed PPP Project

CASE: Thailand Don Muang Tollway

- In 1989, the Don Muang Tollway (DMT) company received a 25-year concession from the Department of Highways of Thailand to build a \$407 million segment of an elevated highway.
- The DMT faced several problems due to **non-fulfillment of pre-construction obligations by the government**, which failed to remove a local road competing with toll revenues.
- As a result, traffic volumes and revenues were less than forecast, and by October 1996 the tollway company could no longer service its debt.
- The government had no option but to authorize a substantial toll increase and take over some of the DMT's existing loans

Financial profitability and sustainability is heavily dependent on Government's respect of contractual agreements

Source: Successes and Failures of PPP Projects, Vickram Cuttaree, The World Bank, Europe & Central Asia Region, June 17, 2008

Lessons from Urban Rail PPP Projects in Asia

City	Seoul	Manila	Kuala Lumpur	Delhi
Line	Metro Line 9	MRT-3	STAR	Airport Line
Opened	2009	2000	1996	2011
Route extension	26km	17km	27km	19km
PPP scheme	BTO	BLT	BOO	BOT
Period of project	30 years	25 years	60 years	30 years
Investment (b\$)	1.6	0.7	0.9	1.2
Financial resources				
• Government	80%	0%	10%	50%
• Equity	7%	28%	10%	15%
• Debts	13%	72%	80%	35%
Revenue risk hedging	Supplemented by Minimum revenue guarantee (MRG)	Burdened by government through lease	Partially supplemented by subsidy	Supplemented by Viability Gap Funding (VGF)
Exit from project	Withdrawal of major shareholder	Transferred to government-affiliated institution	Contract cancelled, government took over	Contract cancelled, public corporation took over

BTO: Build-Transfer-Operate

BLT: Build-Lease-Transfer

BOO: Build-Own-Operate

BOT: Build-Operate-Transfer



Lessons from Urban Rail PPP Projects in Asia

What Happened	Metro Line 9 (Seoul)	MRT-3 (Manila)	STAR (Kuala Lumpur)	Airport Line (Delhi)
Output/ Outcome	<ul style="list-style-type: none"> ▪ Efficient mgt & operation ▪ Expected return to shareholders 	<ul style="list-style-type: none"> ▪ Continuously increased passengers ▪ Land devt at stations 	<ul style="list-style-type: none"> ▪ Intro of rail sys with foreign technology ▪ Incubation of railway industry 	<ul style="list-style-type: none"> ▪ Efficient procurement – zero VGF bidding
Risk Materialised	<ul style="list-style-type: none"> ▪ Fare increase (2012) ▪ Criticism of the minimum revenue guarantee 	<ul style="list-style-type: none"> ▪ Insufficient capacity ▪ Low fare level ▪ Maintenance problems 	<ul style="list-style-type: none"> ▪ Optimistic demand forecasts ▪ Asian currency crisis (1997) 	<ul style="list-style-type: none"> ▪ Services suspended due to civil structure problems ▪ Services resumed but with speed limit 50 km/hr
Exit	<ul style="list-style-type: none"> ▪ Macquarie to withdraw (2013) 	<ul style="list-style-type: none"> ▪ Original shareholders taken over by govt-related financial institutes 	<ul style="list-style-type: none"> ▪ Ownership of STAR/PUTRA/ KL Monorail transferred to 100% govt-owned agency – PRASARANA (2004-1007) 	<ul style="list-style-type: none"> ▪ Contractor suspended services/ announced cancellation of concession (2013) ▪ Delhi Metropolitan Railway Corp took over operation

Factors for Failure of Indian Water PPP Projects (1990s-2000)

Parameters	Inconsistent Stakeholder Support	Weak Financial Capacity and Tariff Mechanisms	Low Awareness and Capacity for PPP Projects
Krishna Raw Bulk Water Supply Project, Hyderabad	-	X Unaffordable bulk water charge	X Weak risk mitigation measures
Selaulim Bulk Water Supply Project, Goa	X Lack of support at state level	X Unaffordable bulk water charge	-
Water Supply and Sewerage Project, Pune	X Limited political consensus at local level		-
Cauvery Bulk Water Supply Project: Stage IV, Phase-II	X Inadequate state government support	X Unaffordable bulk water charge	X Weak risk mitigation measures and lack of transparency in procurement
O&M contract, Sangli, Maharashtra	X Limited political consensus at local level	X Inability to raise capital	-
O&M contract for Mumbai K East	X Civil society/NGO opposition	-	X Lack of clarity on project need
O&M contract for 21 pilot zones, Delhi Jal Board	X Limited employee engagement	-	-
O&M contract for 2 pilot zones, BWSSB	X Limited employee engagement	-	-
O&M contract for 8 municipal councils, BWSSB	X Limited employee engagement	-	-

Common Reasons for Failure of PPP

(Source: Ministry of Finance, Singapore 2004)

- **Poorly drafted contracts**
- **Contract managers assigned insufficient resources**
- **Lack of experience in either public sector or provider teams;**
- **A failure to adopt a partnership attitude**
- **Personality clashes between project team personnel**
- **Lack of understanding of complexity, context and dependencies of contract**
- **Unclear identification of authority and responsibility in relation to commercial decisions**
- **Lack of measurement of performance**
- **Focus on existing arrangements rather than emphasis on potential improvements**
- **Inadequate monitoring and management of statutory, political and commercial risk.**

Private-Public Partnerships (PPP) in Attaining SDGs

PUBLIC-PRIVATE
PARTNERSHIPS



CSR – Taking a Strategic Role

CSR STRATEGY
POLICY & RESULTS

Strategic CSR / Shared Value



VALUE: for shareholders and society

CSR is NOT only about business giving to society

CSR is NOT only about business PR, Marketing & Social License

CSR and Shared Value should be about creating business value AND social value.

About aligning and balancing shareholder, societal and environmental interests.

Effective CSR balances the interests of shareholders and society making both stronger and more sustainable

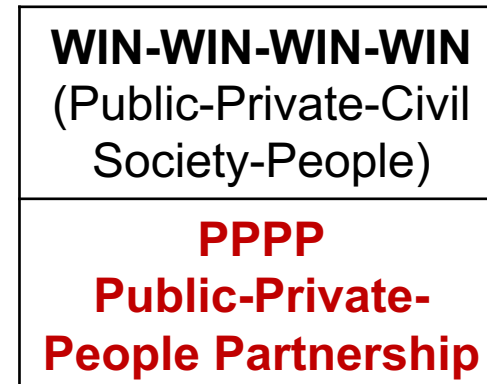
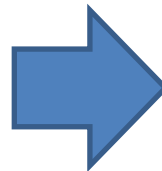
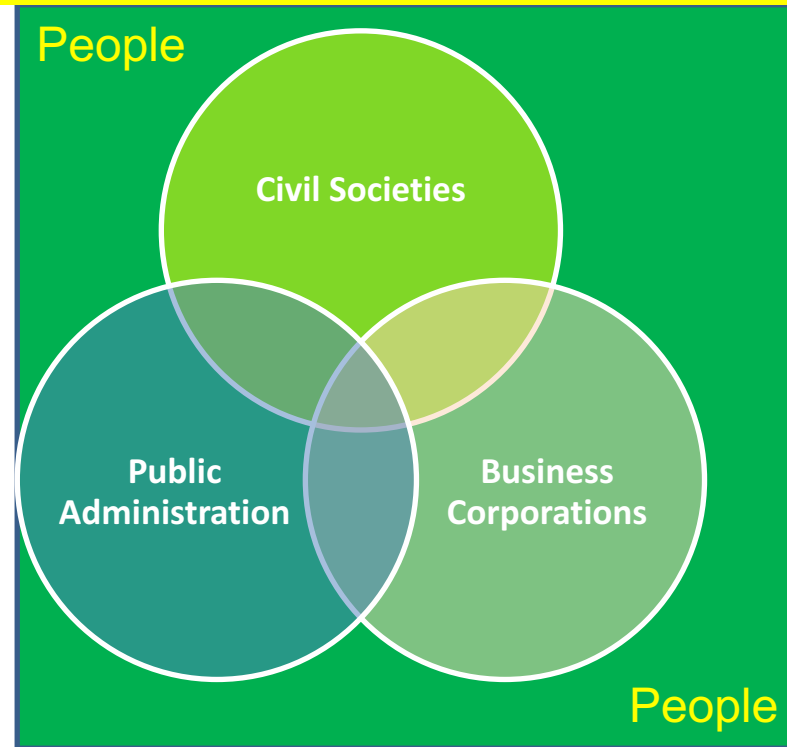
Shareholders **Society**



CSR Training Institute

Source: Wayne Dunn, President & Founder, CSR Training Institute

PPP - Transforming into a More Inclusive Model



Achieving the SDGs requires all working with all

In the interests of humanity
AND in their own self interest.

It isn't just an exercise for large organizations, or just for public sector. *It requires large and small and all*



sizes in between. It requires public sector, private sector, NGOs, communities and all finding ways to work together

Wayne Dunn, President & Founder, CSR Training Institute

Key Challenge: Co-ordination Problem

How to engage effectively and efficiently the respective insights, responsibilities and competencies of governments, the private sector and civil society?

Checklist for Sustaining Effective Partnerships for attaining SDGs

	Requirements for All Partners	
1.	Demonstrate a high degree of commitment	✓
2.	Set shared goals	✓
3.	Leverage their respective core competences	✓
4.	Depoliticize projects	✓
5.	Develop clear governance structures	✓
6.	Create a single monitoring, evaluation & reporting framework	✓
7.	Focus on results (outputs, outcomes & impacts)	✓
8.	Forecast future resource needs	✓
9.	Create a process for knowledge management	✓
10.	Build TRUST & CONFIDENCE	✓

THANK YOU

GRACIAS
ARIGATO
SHUKURIA
JUSPAXAR
DANKSCHEEN
TASHAKKUR ATU
YAQURANYELAY
SUKSAMA
EKHIBIT
GRAZIE
MEHRBANI
PALMES
BOLZİN
MERCİ
BİYAN
SHUKRIA
TIRKAO