

Sustainable Development Goals for Developing Economies and Public-Private Partnership

*Irina Zapatrina**

The objective of the article is to analyze possibilities to enhance the approaches to technical assistance of international institutions for developing economies in the context of the 2030 Agenda for Sustainable Development based on Public-Private Partnership (PPP). The study looks into reasons for applying the PPP model in light of the Sustainable Development Goals (SDGs), new challenges and peculiarities of PPPs-for-SDGs models on emerging markets and offers views on developing SDGs implementing mechanisms of the new 2030 Agenda, roles of international institutions, governments and civil society in this process.

I. Introduction

The new Agenda, entitled “Transforming Our World: the 2030 Agenda for Sustainable Development” was agreed by the 193 United Nations Member States during the Sustainable Development Summit, which was held at the UN Headquarters in New York on 25-27 September 2015. “The new agenda is people-centred, universal, transformative and integrated. It calls for action by all countries for all peoples over the next 15 years in five areas of critical importance: *people, planet, prosperity, peace and partnership*.”¹ This Agenda consist of 17 Sustainable Development Goals (SDGs) and 169 targets.

One of the main topics of discussions during the Summit was about finding an implementing mechanism for the new Agenda, especially in developing economies. Most of the participants have agreed with the necessity to build such a mechanism on the basis of innovative partnerships between governments, business and civil society in the framework of Public-Private Partnerships (PPPs).

Why was PPP acknowledged to be a very important mechanism for achieving the SDGs and has even

become one of the vital SDGs, clearly expressed in Goal 17, as follows as “strengthening the means of implementation and revitalizing the global partnership for sustainable development”?

First of all, achieving of most the SDGs, especially in developing economics, is impossible without modern, environmentally friendly, energy efficient and smart infrastructure. We cannot talk about “Ending poverty in all its forms everywhere” (Goal 1), “Ensuring healthy lives and promoting well-being for all at all ages” (Goal 3), “Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all” (Goal 4), “Ensuring availability and sustainable management of water and sanitation for all” (Goal 6), “Ensuring access to affordable, reliable, sustainable and modern energy for all” (Goal 7), “Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” (Goal 8), “Building resilient infrastructure, promoting inclusive and sustainable industrialization and foster innovation” (Goal 9), “Reducing inequality within and among countries” (Goal 10), “Making cities and human settlements inclusive, safe, resilient and sustainable” (Goal 11), “Ensuring sustainable consumption and production patterns” (Goal 12), “Taking urgent action to combat climate change and its impacts” (Goal 13), “Protecting, restoring and promoting sustainable use of terrestrial ecosystems, sustainably managing forests, combating desertification, and halting and reversing land degradation and halting biodiversity loss” (Goal 15), “Promoting peaceful and inclusive societies for sustainable development, providing access to justice for

* Irina Zapatrina is a Doctor of Economics, Professor, Director of the Scientific-Research Financial Institute under the Kiev National Trade and Economy University, Chairman of the Ukrainian PPP Development Support Center, President of the PPP Academy, Kiev, Ukraine, Consultant for the European Bank for Reconstruction and Development and the World Bank on PPP issues.

1 Press Release, ‘Summit Charts New Era of Sustainable Development’ New York, September 2015. Available at <<https://sustainabledevelopment.un.org/post2015/transformingourworld>> Last accessed on 16 February 2016.

all and build effective, accountable and inclusive institutions at all levels” (Goal 16) without appropriate infrastructure (transport, energy, heating and water, social etc.).

The infrastructure gap is especially critical in developing economies, where the starting positions in the context of the new 2030 Agenda are very low in comparison with economically developed countries. Many people in emerging markets and developing economies still do not have access to reliable and affordable services due to the absence of appropriate infrastructure. “Over 1.3 billion people—almost 20 percent of the world’s population—still have no access to electricity. About 768 million people worldwide lack access to clean water; and 2.5 billion do not have adequate sanitation; 2.8 billion people still cook their food with solid fuels (such as wood); and one billion people live more than two kilometers from an all-weather road.”²

Demand for an infrastructure investment in emerging markets and developing economies is estimated at above US\$1 trillion a year.³ It is impossible to ensure such investments only by the State or municipal budgets - even theoretically. Today an important source of public financing for developing economies remains the Official Development Assistance (ODA). But the scope of the ODA is also not sufficient to close the infrastructure gap in certain countries. So we need to mobilize the private sector and institutional investor capital. The best way for this is Public-Private Partnership.

Secondly, one of the main differences between PPPs and traditional public investments is the focus of PPPs on results and risks sharing between both public and private partners while achieving these results. Both these features are very important for the *Global Project «Transforming Our World: the 2030 Agenda for Sustainable Development»*, adopted in 2015. This Global Project is also oriented on concrete results which should be achieved in 2030. It is so complicated and its implementation needs so many competences that could be ensured only on the basis of a global partnership between governments, private business and society. The risks of this Global Project are very high and shall be distributed between all mentioned parties. Results and quality of the Global Project implementation will largely depend on its structuring by the United Nations and on the UN capacity to control this process. So, in some sense, we could consider the Global Project “2030 Agenda” as

the Global PPP and, consequently, apply to it the principles and approaches ordinarily used for the PPP.

Thirdly, *PPP is the best instrument for providing socially inclusive development which is one of the key elements of sustainable growth*. Absence of understanding and trust between public authorities, business and society are the main reasons for political instability and expansion of military conflicts in developing economies in recent years. And now due to the increase of migration processes this instability has become a very serious problem not only for developing economies but also for economically very successful countries. Due to this, the Goal 16 of the SDGs (*Promote peaceful and inclusive societies for sustainable development*) is the key goal to be achieved out of all other SDGs.

It will be impossible to implement the new 2030 Agenda without peace in developing economies and emerging markets. In order to guarantee peace we need to “substantially reduce corruption and bribery in all their forms” (target 16.5), “develop effective, accountable and transparent institutions at all levels” (target 16.6), “ensure responsive, inclusive, participatory and representative decision-making at all levels” (target 16.7), “broaden and strengthen the participation of developing countries in the institutions of global governance” (target 16.a), “strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime” (target 16.b). All these targets could be usually reached by implementing well-structured PPPs. Furthermore, PPPs create powerful incentives for job creation, entrepreneurship and innovation development, scientific and technological capacity improvement, forming an agreeable atmosphere in society based on trust and understanding. All these issues are also very important in the context of the new 2030 Agenda.

For these reasons today the Public-Private Partnership is in the spotlight of agendas of all international institutions. The United Nations has defined “strengthening the means of implementation and revitalizing the global partnership for sustainable de-

2 World Bank, Global Infrastructure Facility, Available at <<http://www.worldbank.org/en/programs/global-infrastructure-facility>> Last accessed on 16 February 2016.

3 Ibid.

velopment” as one of the SDGs (Goal 17). Multilateral development banks, donor countries, private commercial lenders and institutional investors have joined to create the Global Infrastructure Facility (GIF) as a global, open platform that facilitates the preparation and structuring of complex infrastructures for PPPs in order to enable the mobilization of the private sector and institutional investor capital.⁴ “The GIF platform coordinates and integrates the efforts of Multilateral Development Banks (MDBs), private sector investors and financiers, and governments interested in infrastructure investment in Emerging Markets and Developing Economies – fostering collaboration and collective action on complex projects that no single institution could achieve alone.”

Both initiatives related to PPP are very important for the SDG achievement. But today the following question becomes important – are the existing PPP models and approaches in developing economies suitable for the new 2030 Agenda?

How can we be sure that PPPs in developing countries and on emerging markets will be structured properly and will be consistent with SDGs? Below we will try to answer these questions.

II. New Challenges for Developing Economies in the Context of the 2030 Agenda

All countries, including developing economies, have to understand the value and the spirit of the new 2030 Agenda and their own responsibility for its implementation. Due to this it is very important for them to receive answers on the following questions:

Where is the country’s current situation in regard to all the SDGs ?

What indicators could be applied for each SDG achievement and when could it be possible?

What kind of infrastructure is critical for SDGs achievement?

Which public authorities should be responsible and determine the SDGs country indicators?

What kind of assistance do they need?

Who and under which conditions could provide such assistance?

Based on these answers, SDGs should be integrated into the national strategies and plans, and supported by a framework for including a sound monitoring and review system. The corresponding information has to be shared with the local society and international institutions or donors that implement technical assistance programs in developing economies.

In order to accelerate the new Agenda’s implementation, international institutions have to improve the existing model of technical assistance to developing economies and emerging markets. In our opinion, in the upcoming transposition attempts the scope and directions of technical assistance must depend on the needs of countries that are supported in the context of SDGs and reflect progress indicators of the 2030 Agenda’s implementation in the corresponding countries. Inter alia, such assistance has to be directed on improving the knowledge on SDGs and capacity of all the groups in society: public authorities, private business, population; and on creating institutions and implementing mechanisms of the Agenda. Special attention should be paid to the least developed countries and countries with difficult political situation and military conflicts. Without appropriate external support, these countries could even face a worse situation in terms of SDGs inside as well as globally.

Global indicators for the 2030 Agenda will be developed by March 2016. Then governments of all countries, including developing economies, should define their own indicators based on the ones developed by the United Nations methodology and establish tasks for their achievement by creating the appropriate infrastructure.

In this context it is necessary to design an innovative financing mechanism which will allow attracting private business partners to support developing economies in the implementation of the new Agenda. As part of this mechanism a new model of technical assistance for SDGs shall be proposed. In our opinion, this model could be based on the approaches and principles which were used in the Kyoto protocol model, stimulating business from economically developed countries to invest in developing economies, where the same targets could be attained much cheaper than in their countries of origin. This model has been working well for a long time.

At the same time, if we talk about the participation of private business actors in investing in *SDGs oriented infrastructure in the framework of PPP* (PPPs-for-

4 Ibid.

SDGs), it is necessary to understand that PPPs in developing economies will be more expensive and risky (politically, institutionally, financially etc.) than in stable developed countries. So, it is possible to stimulate the private business sector to move from economically developed to developing countries to implement the 2030 Agenda only in the case, if international institutions, multilateral regional & international organizations like United Nations agencies, the World Bank, European Investment Bank, European Bank of Reconstruction and Development, Global Investment Facility and others actively participate in this process. The main role of these institutions in the context of the new Agenda implementation could be in creating friendly conditions for investors in terms of institutional environment and mechanisms, which will stimulate the private business sector to participate in PPPs-for-SDGs in the respective countries. In this context the activities undertaken by the United Nations Economic Commission for Europe (UNECE) as regards PPP and international standards development are very timely. These standards could be an important element of PPPs-for-SDGs Readiness Assessment Model for developing economies and emerging markets and a basis for improving approaches to PPPs in the context of the new 2030 Agenda.

Also it is important to provide guarantees for private investors covering political and administrative risks which are very high in developing economies. The influence of international institutions or donors on these issues is crucial for the private business sector. On the one side these institutions could assist in implementing the State obligation models for PPPs-for-SDGs in developing economies. On the other side, they could monitor public authorities' activities regarding the 2030 Agenda's implementation and based on results from this monitoring correct the existing technical assistance programs. In this respect, it would be useful if GIF activities increasingly improve PPPs-for-SDGs mechanisms and legislation, mobilizing and sharing knowledge, expertise, and technology in developing economies to support the new Agenda's implementation based on PPPs.

III. Peculiarities of PPPs-for-SDGs Models in Developing Economies

It was mentioned before that people are in the middle of the 2030 Agenda. In this context, if we talk

about PPPs-for-SDGs in developing economies, we have to understand some very important points.

Firstly, building a global pipeline of sustainable infrastructure investment projects for developing economies should be based not only on criteria of bankability and profitability of such projects, but also on their influence on SDGs, public budgets and urgent needs of their populations. In this context, among the most important factors which have to be evaluated while selecting PPPs for pipelines and including them to the national infrastructure plans, should be above all the social significance of the project, the number of people that may be affected by the project and the SDGs indicators that could be improved by this project. This feature demands a review in terms of the approaches to identify and prioritize projects putting them in the national infrastructure plan. Inter alia, it needs an improved methodology for the financial feasibility studies of PPPs and a "Public Sector Comparator" based on the new principles. They - both methodology and comparator- have to envisage an analysis of not only financial, but also non-financial benefits of the project implementation, including an achievement evaluation based on national SDGs indicators.

Secondly, in the least developed countries PPP-for-SDGs cannot be profitable. For example, let us consider projects on building new motorways, providing access to electricity, water and sanitation in rural regions etc. These projects are very important for quality of life; they positively influence the economic growth and the implementation of the 2030 Agenda. But people cannot pay enough for the corresponding services to return investments. As a consequence, these projects are not interesting for private investors, if they are based on users' payments models. So, PPPs-for-SDGs models in developing countries should be based on availability payments. Such models are too complicated for developing economies. They could not be implemented without creating comprehensive budget mechanisms which do not exist in most of these countries.

IV. Inclusivity in PPPs-for-SDGs

"In order to fully achieve the Agenda, it will be necessary to continue to be inclusive, bringing together stakeholders everywhere to be engaged in the Agen-

da's implementation."⁵ Ensuring responsive, inclusive, participatory and representative decision-making at all levels is one of the key elements in providing peaceful and inclusive societies due to the 16th and 17th SDGs which envisage fulfilling the following tasks: "Ensure responsive, inclusive, participatory and representative decision-making at all levels" (target 16.7); "Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries" (target 17.16); "Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships" (target 17.17).

Inclusivity is a very important factor determining the success of PPPs in developing economies and emerging markets. In most countries which do their first steps in PPP development, the population is very careful in regard of the private business' participation in infrastructure projects. As a result even good projects are being implemented in a very unfriendly environment and due to this they are very risky. In order to prevent it, civil society institutions have to be part of the PPPs-for-SDGs projects from their initiation up to implementing phases. In this context, comprehensive communication strategies should be an obligatory part of PPPs-for-SDGs structures. They have to explain how project initiators shall present a project vis-à-vis the society and receive its approval.

Not less important is the role of international financial institutions (IFIs) in PPPs-for-SDGs granting social inclusion. They have to be attracted to such projects from the very beginning, because:

- their participation is always a guarantee for a private partner as regards corruption and political instability;

- they provide high quality projects incl. thorough preparation and can make them understandable to international business partners;
- they recommend to develop a project documentation in such a way that allows attracting IFI loans to any private partner who has become the winner;
- they teach public partners during the period of project preparation in a "learning by doing" way.

IFI participation is especially important, when PPPs-for-SDGs are planned on the territories destroyed as a result of military conflicts and are still instable. No private partner will participate in such projects without strong guarantees given by IFIs. At the same time, PPPs-for-SDGs are necessary for such territories in their countries as well as their neighboring countries.

V. Capacity-Building for PPPs-for-SDGs

In order to implement PPPs-for-SDGs we need strong effective institutions and high quality governance at the central and local level. Absence of such institutions is critical for the implementation of the new Agenda in developing economies and emerging markets.

"The number of professionals in research and development per million people in developing countries corresponds to just 15% of the level in developed countries, while in Least Development Countries the proportion is only 1.4%."⁶ The situation as regards of the professional proficiency of central and local public authorities in developing economies is even worse. It could be explained by the loss of institutional memory as a result of the instable political situation and strong opposition, frequent elections and needs 'to flirt' with the population to win the next elections. This brings "new" and not very highly educated persons to power. They should be educated if we want to implement the 2030 Agenda in countries which need special attention in this regard.

Support for the creation of new modern institutions and capacity-building activities in developing economies are key issues in terms of implementing the complicated and holistic Global Project "Transforming Our World: the 2030 Agenda for Sustainable Development." Without the right people in gov-

5 Informal Summary of the United Nation Summit on Sustainable Development 2015, 70th Session of the General Assembly, 25-27 September 2015, UN Headquarter, New York, 1. Available at <<https://sustainabledevelopment.un.org/content/documents/85211Informal%20Summary%20-%20UN%20Summit%20on%20Sustainable%20Development%202015.pdf>> Last accessed on 16 February 2016.

6 Interactive dialog 6, A strengthened global partnership for realizing the post-2015 development agenda. Available at: <<https://sustainabledevelopment.un.org/content/documents/8166Interactive%20Dialogue%206%20-%20Global%20Partnership.pdf>> Last accessed on 16 February 2016.

ernments and highly developed expert environment it will be impossible to fulfill tasks related to SDGs achievement. In this respect, it is very important to support educational and research initiatives in developing economies aimed at the following targets of the SDGs: “By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture’s contribution to sustainable development” (target 4.7); “By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries” (target 4.b); “By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States” (target 4.c); “By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies” (target 6.a); “Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending” (target 9.5); “By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries” (target 11.3); “By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature” (target 12.8); “Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production” (target

12.a); “Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning” (target 13.3); “Develop effective, accountable and transparent institutions at all levels” (target 16.6); “Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime” (target 16.a); “Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism” (target 17.6); “Fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology” (target 17.8); “Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation” (target 17.9). So, public governance, science, technology and innovation capacity building for all interest groups, including public authorities, private business, analytical and society institutions, and research activities should be in the limelight of technical assistance programs for developing countries.

VI. Conclusions

The fundamental role of Public-Private Partnership in advancing the newly adopted Sustainable Development Agenda is highlighted by all international institutions including IFIs. All SDGs need modern, environment friendly, energy efficient and smart infrastructure. The overcoming of infrastructure gaps in developing economies and emerging markets requires huge investments, effective institutions, highly professional human resources and a deep understanding of SDGs’s nature and spirit by the local population. It is impossible to ensure all these conditions without the global partnership between govern-

ments, private business and civil society as well as the deep inclusion of the local population in implementing PPPs-for-SDGs.

In principle, the new 2030 Agenda could be considered as the Global PPP Project of universal values with the *United Nations* as a '*Global public partner*' and '*governments jointly with private business*' as a '*Global private partner*,' and with *SDGs* as '*outcomes*' of this Project.

This Global PPP has all features of ordinary PPPs:

- long-term relationships;
- risks distribution between partners;
- focus on project outputs rather than project inputs;
- attraction of private partner financing; and
- payments from a public partner to a private partner which reflect the 'service delivery' or 'project outputs.'

In the case of structuring the Global Project 'Transforming Our World: the 2030 Agenda for Sustainable Development' as the Global PPP, '*payments to a private partner*' could be considered as '*technical assistance of international institutions or donors coordinating by the United Nations*' which will reflect progress based on *SDGs indicators (project outputs)*.

In our opinion such an approach could be considered as the basis for the further development of an implementing mechanism for *SDGs* by creating a new innovative model of technical assistance for developing economies in the context of the new 2030 Agenda. This new model will allow:

- to stimulate governments of developing economies to incorporate *SDGs* in their national strategies and plans and adopt responsible policies in this field;
- to awake interest of the private business sector worldwide to align their strategies and manage their activities to assist in implementing the *SDGs* in their own countries and in developing economies affected by social and political tensions with global effects.

The most problematic issues referring to the achievement of *SDGs* by developing economies are the following:

- public authorities do not have the necessary knowledge and capacity to fulfill complicated tasks related to PPPs-for-*SDGs*;
- governments have no adequate mechanisms and models including PPPs to create and modernize the existing infrastructure;
- budget regulation related to PPP is weak.

Based on these conclusions, the main focus of technical assistance programs in the context of the 2030 Agenda has to be directed on adapting the existing PPP models to the demands of PPPs-for-*SDGs*, creating necessary institutions and improving capacity-building measures on *SDGs* issues with the active participation of local experts and scientists in these processes.

The wide professional platform consisting of the private sector, researches and civil society from developing economies, and international institutions could seriously push developing countries' governments to incorporate *SDGs* into the State policy and strategic documents; to design and implement PPP mechanisms that will constitute an important contribution towards achieving *SDGs*, to inform society about related activities in a transparent manner.

At the same time, the scope and directions of a direct technical support for implementing infrastructure projects shall depend on evaluated needs and progress according to the indicators of the Sustainable Development Agenda implementation in the respective countries. It will discipline public authorities to fulfill their obligations on *SDGs* in a timely manner.

In this context it is also very important to expand the international cooperation on developing new PPPs-for-*SDGs* models taking into account the State and budget support mechanisms which could be applied in developing economies and emerging markets.

Contemporaneously a methodology for financial feasibility studies of PPP shall be reviewed; in particular, the issues of incorporating the assessment of non-financial benefits analysis with regards to *SDGs*. A model with inclusive communication strategies should be developed and implemented in pilot projects.