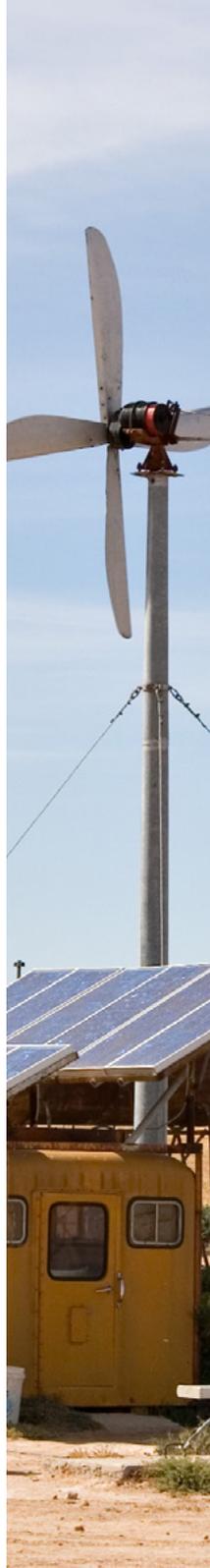


WINTER 2018

PRIVATE SECTOR AND AGENDA 2030

THE DEVIL IS IN THE DETAIL

REPORT



This event is part of our Development Policy Forum (DPF), which brings together a number of important development actors, including the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Agence Française de Développement (AFD), the Japan International Cooperation Agency (JICA), the European Investment Bank (EIB), the United Nations and the World Bank. Reflecting the growing role of the private sector in development, the DPF has now welcomed Coca-Cola and Eni to the forum. The DPF contributes to the global and European conversation on inclusive development. Through its activities and publications, the DPF reflects the rapidly-changing global debate on growth and development and seeks to encourage a multi-stakeholdered, fresh, up-to-date thinking on the multiple challenges facing the development community.

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Co-funded by the
Europe for Citizens Programme
of the European Union

Harnessing PPPs

for the action plan on people, planet and prosperity

When the United Nations announced its 17 Global Goals for Sustainable Development (SDGs) in 2015, nobody said it was going to be easy to achieve them by 2030. Three years after the goals' adoption, given an estimated investment gap of \$6 trillion a year, it's clear that Official Development Assistance (ODA) alone is insufficient.

As such governments are increasingly turning to the private sector – through Public Private Partnerships (PPPs) – in order to channel more money into sustainable development efforts. These partnerships have proved very useful, notably in new infrastructure projects in Africa. But they are not a universal panacea and must be set up carefully and guided by international standards on procurement, the environment and society. This was the main conclusion of a Friends of Europe debate in Brussels on 20 November 2018, assessing how the private

sector can facilitate the United Nations' Agenda 2030.

“PPPs are one solution to ramping up investment in sustainable development,” said Paloma Perez de Vega, of the European Investment Bank. For instance, the EIB has backed PPPs behind two new solar energy plants – one in Zambia and the other in Senegal – which are expected to dramatically cut electricity costs for the local populations.

She added that in PPPs, it is for the private sector to build, finance and operate infrastructure such as roads, schools and solar energy plants; the public sector pays for the services and outputs during the operational period. The banking partner also takes finance risks, after checking out a project's legal, technical and regulatory aspects. “This project discipline is vital, especially for high-cost projects. PPPs only

work when they are well-structured, bankable, competitively tendered, and risk is shared among all partners,” said Ms Perez de Vega.

Shada Islam, Director for Europe and Geopolitics at Friends of Europe and debate moderator, wondered if there were times when PPPs don't work. In reply, Ms Perez de Vega said that 90% of the EIB's focus is on projects in the EU, with the remainder spread around the world. She acknowledged that it's sometimes hard selling the strict EU procurement standards for ethics as well as social and environmental protection. “The EIB and its public/private partners have sometimes failed to win contracts for African projects, for this very reason. But we've noticed that more and more countries are willing to embrace our high procurement standards, because of their sustainability benefits.”

CIVIL SOCIETY BRINGS ETHICAL OVERSIGHT

The private sector is often a major partner for our development and humanitarian projects, noted Sean Maguire, an executive director at Plan International, which focuses on children's rights and gender equality in over 70 countries. “As a development accelerant, the private sector can deliver growth, jobs and innovation which will raise income levels and help us all to achieve the UN's sustainable goals,” he said. Yet despite these upsides, he cautioned that PPPs are not always benign. For instance, whereas governments were traditionally responsible for social provision, the private sector is increasingly taking a slice of the action. This can raise questions about companies' performance, accountability and monitoring.

“We use a firm ethical lens as part of our due diligence,” said Mr Maguire. “Before we link up with any private partners in a PPP, we insist they sign up to the UN Global Compact's 10 universal sustainability principles.” In his view, there is one fundamental flaw with PPPs: voluntary reporting by the companies involved. “In these partnerships, big funders like us want to see rigorous monitoring of companies' compliance with sustainability standards. That is hard to do today.”

Mr Maguire also highlighted some NGOs' concerns about the European Fund for Sustainable Development Plus (EFSD+). He said there is a danger that its reporting will focus more on the fund's financial dimension than its development impact, compared to the existing EFSD regulation (2017). “We understand the EU wants to get more money out of the door with this development cooperation instrument, using the private sector to drive the development agenda. But we worry about significantly weaker social, economic and environmental criteria in the EFSD+,” he added.

Lastly, Mr Maguire lamented the slow progress worldwide on SDG5 (gender equality and women's empowerment). He said this goal is an area where the private sector – whether in PPPs or not – can play a major role and help women through their policies on hiring, mentoring and wages, in order to create a fairer and more just society.

CHOOSING GROWTH AND SUSTAINABILITY

Picking up on the theme of women's rights, the moderator concluded that the UN SDGs need business while business needs the SDGs. That's

a good assessment, said Wouter Vermeulen, from The Coca-Cola Company, which has been in Africa since 1928 and today has 70,000 employees across the continent. He reckoned that much of Coca-Cola's success stems from its willingness to listen to society and changing expectations.

"We want to grow the right way, not the easy way, so our long-term growth strategy includes sustainability goals for water, waste, and women's empowerment," he said. This framework aids the company to deal with risk and financial uncertainty, such as when buying agricultural produce and planning for climate change.

Trust is an essential ingredient for our Africa PPPs, but this takes time to build, admitted Mr Vermeulen. He called this time an investment rather than a cost, because of the way it strengthens partnerships. Coca-Cola is also willing to incorporate risk upfront. For example, it is working with 120 delivery partners in southern Africa through the Replenish Africa Initiative (RAIN), which aims to provide six million Africans with access to safe water by the end of 2020. Before forming any partnership, the company also does due diligence on its own supply chain, for instance by better integrating local fruit companies in Kenya and Tanzania.

Asked how Coca-Cola is trying to improve corporate sustainability, Mr Vermeulen pointed to a 2017 report and case studies in 15 countries on human rights. It is also tackling gender inequality, for example through a women-in-leadership programme: 36% of senior positions at Coca-Cola are now held by women, up from 28%.

An audience member called for more smaller companies and groups, including farmers and youth, to be involved in PPPs. By employing more young people and the unemployed in these partnerships, everyone can win. However, to help the end-beneficiaries, this will require far more local skills transfer and further investment in youth.

That's a great idea, said Mr Maguire. He said PPPs are becoming more common in urban development projects – although it's difficult to measure, incentivise and fund the necessary soft skills. "Plan International does lots of work to protect girls in cities, whether walking on the streets or taking public transport. There are many kinds of PPPs available for projects like this, but any partnership involving education and soft skills will be hard to scale up," he said.

LEAPING OVER FURTHER ROADBLOCKS TO PPPS

During the Q&A session, it was pointed out that Africa's fast-growing population will make urban development public-private partnerships even more crucial in future. Risk-averse investors, including banks, are another obstacle to new PPPs: an audience member pointed to her own problems launching a PPP for women entrepreneurs in agriculture.

Surely the SDGs are just "reinventing the wheel", commented one audience member, who said he knew of many good projects and partnerships under the former UN Millennium Development Goals.

Ms Perez de Vega answered that new and “bankable” PPPs should definitely call on valuable sustainability experience gathered in the past. She also highlighted the EIB’s European PPP Expertise Centre (EPEC), a knowledge-sharing platform formed in 2008 to foster PPPs.

To a question on how Antwerp Port should build new partnerships with African ports, Ms Perez de Vega had several recommendations. The authority should focus on developing a PPP centred on sustainable procurement, looking for example at traffic risks. It should also work with local partners to ensure that any new port will meet its home nation’s needs as a whole.

Governments increasingly turn to private companies and civil society for development projects, concluded Shada Islam. Although PPPs are becoming more popular in this sector, she acknowledged these partnerships can be tricky to form and run, hence the need for a sustainability focus at every stage.





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