

UNCTAD World Investment Forum 2018
People-First Public-Private Partnerships (PPPs)
Statement by Mukhisa Kituyi, Secretary-General, UNCTAD

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AS PREPARED FOR DELIVERY

Excellency Mr. Curtis, Minister of Investments and PPPs of Guinea,
Excellency, dear colleague, Ms Olga Algayerova, Executive Secretary of UNECE,
Ladies and Gentlemen,

- I would like to welcome you to the Palais des Nations today to our joint UNCTAD-UNECE event on People-First Public-Private Partnerships.
- Achieving the objectives of the Agenda 2030 will require huge investment expenditures. UNCTAD has estimated the current financing gap in developing countries alone to be about \$2.5 trillion per year between 2015 and 2030. It is acknowledged that the public sector will not be able to fill this gap by itself, especially in developing countries and vulnerable economies. However, at present, the participation of the private sector in SDG-related investment activities is relatively low and increasing it will require substantial effort.
- There are many sources of development finance: official development assistance (ODA), foreign direct investment, portfolio investment, bank lending, remittances, as well as government revenues. These each involve either public or private forms of finance, but they can also become mixed (or blended). UNCTAD has developed guiding principles for the increased involvement of private investors in SDG-related areas, which were summarized in UNCTAD's Investment Policy Framework for Sustainable Development (IPFSD). An Action Plan for Private Investment in the SDGs also set out ways mobilize and channel resources in the global financial system towards investment in SDG sectors.
- The IPFSD calls for ensuring public-private sector complementarity, i.e. a push for more private investment with a parallel push for more public

investment. It has been built on the principle of balancing the rights and interests of states and investors, while emphasizing the need to make a special effort in vulnerable economies, especially the LDCs. You will hear more about how these principles have been translated into action-oriented policy guidance in today's session.

- PPPs can be defined as formal arrangements between the public and private sectors to deliver public services and infrastructure, while sharing the associated risks and rewards. Partnerships need to maximize the impact of financial resources yet minimize any negative externalities. In its Action Plan for Investing in the SDGs, UNCTAD called for widening the use of public-private partnerships, acknowledging the opportunities offered by PPPs to leverage limited public resources for sustainable development projects. For example:
 - Such projects may alleviate the financial burden on the public sector, allowing public money to be diverted into critical areas;
 - They offer the possibility for tailor-made risk sharing in respect of individual sustainable development investments;
 - They allow for cost sharing at various stages of project development;
 - They offer the potential to mobilize private finance for projects that might otherwise not be attractive
 - They can leverage private sector expertise and know-how important for the implementation of SDG projects.
- However, experience shows that risks also need to be acknowledged. Examples of risks associated with PPPs highlighted by UNCTAD include:
 - Significant fiscal commitments for Governments, and difficulties in the estimation of the long-term cost of Government guarantees;
 - Instances of poor planning and project selection, with some notable policy failures in different regional contexts;
 - Lack of community buy-in, particularly in sensitive sectors where universal access or affordable services may be difficult to achieve (e.g. water and energy, schooling or health);

- Given the technical complexity of PPP projects and the institutional and governance capabilities required on the part of developing countries, widening the use of PPPs will likely require the creation of dedicated units and expertise in public institutions. Furthermore, technical assistance from the international development community, advising on PPP project set-up and management can be important. Successfully delivering on the SDGs through PPPs will also require addressing various aspects of their regulatory and governance frameworks, such as:
 - Setting up transparent and comprehensive fiscal accounting and reporting standards; and
 - Managing potential exposure of States to investor state dispute settlement (ISDS) claims on grounds of PPPs.
- There are no universal solutions to address these problems, but some experiences have proved more successful than others. I hope that today's discussions will help us analyse alternative policy experiences and shed light on what is the right path to deliver policy guidance on this important topic.
- By way of conclusion, let me highlight the potential synergies between UN organizations. UNCTAD's substantive knowledge and decades-long experience providing policy advice and capacity building on investment could greatly benefit from the UNECE's PPP programme, which has significant experience creating standards and building technical capacities in the UNECE region and beyond.
- I also hope that today's discussions will help UNECE and UNCTAD in the development of the "People-First Public-Private Partnerships Principles (P5)", so that they help transform the current PPP landscape to make it fit for delivering on the SDGs.
- I am convinced that joint initiatives such as the "P5" between UNCTAD and UNECE are needed more than ever before. The proven record of impact and efficiency in these areas of both organizations will help in our common quest of prosperity for all.

Thank you very much for your attention.