PPP AND THE 2030 AGENDA

Like their peers in other fields, professionals and institutions operating in the PPP field are increasingly expressing concern about the environment, about the impact of their actions, about combatting corruption, and generally about their social responsibility.

These concerns are embodied in the 2030 Agenda for Sustainable Development and the 5Ps: Planet, People, Prosperity, Peace and Partnership.

Working from the angle of Partnership and PPP, the UN has advanced the concepts of People-First PPPs and the Value-for-People analysis alongside the traditional Value-for-Money analysis, to help achieve the 2030 Agenda and its Sustainable Development Goals (SDGs).

Structuring projects with the Environmental, Social and Governance (ESG) best-practice criteria in mind can help PPP projects tap into an as-yet not fully utilized financing pools.
THE CONCEPT OF SOCIALLY RESPONSIBLE INVESTING IS GAINING IN POPULARITY...

WHY?

1. The Millennials Factor

"We’re in the middle of a $30 trillion intergenerational wealth transfer from baby boomers to their children. And those kids - not really millennials only, but people from 25 to 40 years old - simply think about their investment decisions differently."

Dave Nadig, CEO of ETF.com

84% of millennials are interested in sustainable investing.

Morgan Stanley survey, February 2015
2. Long-term Investors

Mutual funds, pension funds, insurance companies and sovereign wealth funds own the vast majority of stock worldwide. They are more interested in sustainability and long-term performance than individual investors looking for short-term gain.
ESG INVESTMENTS NOW EXCEED US$30 TRILLION

Sustainable investments on the rise
Total assets by region (in trillions of dollars)

- **Europe**: 12 (17%)
- **U.S.**: 9 (38%)
- **Japan**: (360%)
- **Canada**: (56%)
- **Australia/New Zealand**: (42%)

Grew around fourfold, making Japan the third-largest sustainable investor.

2016-18 growth in parentheses

*Source: Global Sustainable Investment Alliance Review 2018*
THE CONCEPT OF SOCIALLY RESPONSIBLE INVESTING IS GAINING IN POPULARITY...

3. Greater Institutional Support

49 stock exchanges have committed to publish ESG disclosure guidelines.

345 large asset owners have signed up to the UN Principles for Responsible Investment.

Amundi, Europe’s largest asset manager, has pledged to fully screen for ESG in 100% of its investments by 2021.

S&P Global
34% of investors support ESG investing

Changing priorities (investor responses, in percent)
“What is important in selecting emerging-market private equity funds?”

- Operational expertise: 49 in 2013, 42 in 2019
- Length of working relationship: 50 in 2013, 42 in 2019
- Environment, Social and Governance (ESG): 34 in 2013, 25 in 2019

Source: EMPEA Global Limited Partners Survey 2019
THE CONCEPT OF SOCIALLY RESPONSIBLE INVESTING IS GAINING IN POPULARITY...

WHY?

4. ESG Ratings

<table>
<thead>
<tr>
<th>Company</th>
<th>Indices</th>
<th>Ratings</th>
<th>Ranking</th>
<th>Market Coverage (firms)</th>
<th>Rating Scale</th>
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<tr>
<td>Bloomberg</td>
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**ESG-Exclusive:**

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**Specialised:**

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THE CONCEPT OF SOCIALLY RESPONSIBLE INVESTING IS GAINING IN POPULARITY... WHY?

5. International Requirement

As of the beginning of October 2019, 97 financial institutions in 37 countries have adopted the Equator Principles.

The Equator Principles Association
...but all this has yet to have a noticeable impact on socially responsible PPP projects.
MAIN REASONS

The projects
The private sector
The public sector
The MDBs
PPP projects are generally conceived, designed and tendered using an approach more akin to awarding construction projects. Only the very basic human, social and environmental requirements are usually taken into consideration.

It is typical, for instance, that the full environmental and social impact assessment (EISA) be left to the winning private sector bidder to conduct, post contract award.

There is usually very a lack of ESG-relevant information about the project that would allow investors to consider it early on. Contingent liabilities, for example, are rarely quantified.

Finally, the projects are often in countries that investors have not spent much time investigating and getting to know because of poor communication of the PPP pipeline.
THE PRIVATE SECTOR

World-class investors are conscious of the importance of sustainability to the success of long-term projects, which PPP projects are.

Most PPP tenders have short timelines, not allowing investors to fully investigate all potential financing avenues.

Many (especially financial) investors are not aware of the tools available from third-party providers for analyzing the ESG dimension of projects...
## ESG Tools for Valuing Sustainability in Infrastructure Investments

<table>
<thead>
<tr>
<th>Evaluation Tools</th>
<th>Types of Assets</th>
<th>Primary User Type(s)</th>
<th>Methodology</th>
<th>Output(s)</th>
</tr>
</thead>
</table>
| GREEn Infrastructure Asset Assessment | Energy, Water, Waste, Transportation, Telecom, Data, Social, Real Estate | Financial Investors, Managers, Operators | • User-provided data  
• Point scoring system  
• Validation  
• Peer benchmarking | Rating: Absolute score (out of 100), peer and overall rankings, Scorecard and Benchmark Report |
| Envision | Energy, Water, Waste, Transportation, Landscape, Information | Procuring Entities, Developers | • User-provided data  
• Publicly available point scoring system | Certification: Bronze, Silver, Gold, and Platinum levels |
| SnRe | Energy, Water, Waste, Transportation, Communication, Social, Food Systems, Mining | Procuring Entities, Developers, Financial Investors | • User-provided data  
• Publicly available achievement scoring system | Certification: Bronze, Silver, and Gold levels |
| RepRisk | 34 sectors (including beyond infrastructure) | Companies, Investors, Governments, NGOs | • Media scanning  
• Private point scoring system and rating system | Score or Rating: RepRisk Index score or RepRisk Rating (AAA-D) |
| CEEQUAL | Infrastructure, civil engineering, public spaces, and landscaping | Governments, Developers/Designers | • User-provided data  
• External validation and scoring | Score and Rating: Assessment score (percentage out of 100%) and award (excellent, very good, good, pass) |
• External validation and scoring | Score and Rating: Assessment score (out of 100) and rating (Bronze, Silver, Gold, Platinum, and Diamond) |
| SAVi | Energy, Buildings, Roads, Water, Natural Capital (under development) | Procuring Entities, Financial Investors | • System dynamics modeling  
• Project finance modeling | Financial Impact: Cost benefit analysis, gross margin, net present value, value for money, internal rate of return, credit ratio |
| TREDIS | Transportation | Procuring Entities, Developers | • Regional economic and transportation modeling  
• Project finance modeling | Financial Impact, Market Access: Cost benefit analysis, project finance analysis, economic development impact |
| Autocase | Buildings and Project Sites | Procuring Entity, Developers | • Economic analysis modeling | Financial Impact: Cost benefit analysis, net present value |

Source: Valuing Sustainability in Infrastructure Investments: Market Status, Barriers and Opportunities A Landscape Analysis Prepared by WWF Switzerland and Cadmus Group March 2019
Governments have not yet fully internalized PPP as a means to deliver on the SDGs and to enhance the ESG dimensions. The typically follows a lack of public sector leadership on the PPP ESG front:

- PPP guidelines are designed to deliver “value for money (VfM)” — which is, of course, important — but not “value for people (VfP)”.

- Project ESG information to create a level playing field among investors is usually missing.

- Not all stakeholders are consulted, yet each will bring a different perspective on the impact of the project.

- Little interest in working with rating agencies to facilitate capital market financing.
### Example of Project Finance ESG Rating Criteria

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<th>Category</th>
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Source: Fitch Ratings
THE MULTILATERAL DEVELOPMENT BANKS

Multilateral development banks have typically insisted on PPP projects meeting certain environmental and social conditions in order to qualify for financing, but:

- They have sometimes disregarded the Governance side, turning a blind eye to corrupt practices. Their excuse is usually that “the project is good for the people, regardless”; and

- In some cases, especially in middle income countries, the availability of their financing, coupled sometimes with their political influence, have made it unnecessary for projects to strive to get private or capital market financing.
Much greater awareness — on all levels and on the part of all the players in the PPP field — is needed and strongly encouraged in order to achieve the SDGs and the overall objectives of the 2030 Agenda for Sustainable Development.

The World Association of PPP Units & Professionals (WAPPP) and the UNECE Working Party on PPP endeavor to assist with this goal:

- By creating a network of PPP professionals able to share experiences;
- By promoting the People-First and VfP concepts; and
- By helping establish world class standards for PPP activity.
THANK YOU

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