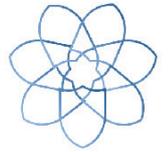




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Thinking about Sustainability and Sustainable Development with Public Private Partnerships



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Policy Council on PPPs in Sustainable Development

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The MBRSG hosted a Policy Council on PPPs in Sustainable Development during its Public Policy Forum on PPPs on 15-16 January. The discussion on PPPs and their contribution to sustainable development covered a number of themes, some of which raised broader questions about the wider UAE economy and the government's objectives in relation to it.

In broad terms, there were three main themes covered during the discussion:

1. Situating sustainable development at the government level

At what level of government should sustainable development concerns be applied to PPPs? Should it be done at the level of individual emirates or at the federal/national level?

Some suggestion was made that PPPs should be considered at the federal level, so as to ensure effective coordination across the seven emirates. A national framework of PPPs would also provide an economy of scale for companies interested in investing in the UAE, since the market presented by individual emirates may be too small.

Against this was a contrary observation made was that rather than a federal 'pipeline' of projects, there should be a consistent approach adopted across the emirates, so that companies have a clear idea what is demanded and expected of them.

Conclusion: *despite the absence of consensus, there was a clear message that whether PPPs are delivered at the federal or emirate level, businesses do need to have a clear idea of what projects the government is interested in. This can be done across the country, perhaps publicized by a PPP Unit that deals with issues relating to PPPs across the UAE.*

2. Situating sustainable development within PPP projects

There was discussion about the relationship between sustainable development and PPP. Should criteria relating to social, economic and environmental concerns be set out for PPP projects to deliver? Or should the primary focus of PPPs be on delivering value for money? The response to these questions was varied and reflected a tension regarding PPPs and sustainable development between participants on the policy council, essentially whether sustainable development objectives are a government or private sector responsibility.

On one side, a broad interpretation of PPPs suggests that they can be responsible for delivering sustainable development objectives. On the other side, a more narrow interpretation stresses the profit motive of the companies involved in delivering a PPP project and the fact that an SPV exists only to fulfill that goal.

One way to address this is to specify outputs for a proposed PPP project, with the private sector partner encouraged to show how they intend to fulfil the objectives set for it. Specifically, this would require using different ways, such as changes to the law or the taxation system to get the private partner to incorporate the public 'good' into its activities.

Another, contrary view put forward was that trying to impose sustainable development goals on PPPs puts too much pressure on them: they are more likely to be recipients of investment if there are fewer regulations imposed on them. In addition, banks will decide whether or not to make loans and invest in a PPP project if its management believes that it can make money. They will consider the environmental and social reports surrounding a proposed PPP project when deciding on financing.

A participant stressed that financial value is therefore a central consideration for any PPP project. Governments must therefore be able to define what 'value' and 'sustainability' mean for procurement projects, whether they are delivered through traditional procurement or with a private partner.

Conclusion: *Government needs to be explicit in its definition of sustainable development as it relates to PPPs. It should make clear any social, economic and environmental objectives that it wants private partners to deliver from a PPP project and which will be contractually*

agreed to from the outset. Those criteria should be consistent across the PPP projects that it wants to pursue, so that private partners can decide whether or not it can deliver on them before making a bid.

3. Getting PPPs to support the wider Emirati economy

Participants discussed the space and role for local firms and SMEs in relation to sustainable development and PPPs. The discussion led to broader comments about the ownership rules surrounding local firms, building local skills, labour laws and Emiratisation as well as the difference in capacity of large v smaller firms.

One participant expressed concern that SMEs are not being involved from the beginning of PPP projects, although another participant observed that SMEs were more likely to be sub-contracting parties than a contracting party on a PPP contract. The second participant also expressed less concern with large firms (especially foreign ones with international PPP experience) crowding out the local market for PPPs, since they would require the involvement of other, local contractors.

Conclusion: *Government and its private partners should encourage the involvement and participation of local firms and SMEs in the design, implementation and delivery of PPPs. Rather than enshrining their involvement in law, government and private partners should engage in a constructive dialogue over the matter, acknowledging the different objectives and goals that public and private partners may bring to a PPP project.*

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