

PPPs for sustainable growth



“PPPs need a predictable regulatory framework”

Pablo Nunez, Director, Sustainable Infrastructure Finance, GIB

The full consequences of the ongoing pandemic are beyond calculation. The social impact of COVID-19 is dramatic and, despite the rapid development and approval of vaccines, many countries are still facing a new wave of contagion that is once again pushing healthcare facilities to the brink of collapse.

Despite recovery plans such as the EU Green Deal, based on the so-called Build-Back Better approach, funds allocated to re-start the economy in the aftermath of COVID will be mainly used to meet the short term needs of participating countries, especially as the crisis is prolonged. The space left for longer-term plans and investments such as those targeting the development of sustainable infrastructures is diminishing. This situation is amplified in emerging and developing markets (EMDEs), where the firepower of similar plans, when existent, is greatly reduced. The private sector’s role in supporting cash-strained public budgets through Public Private Partnerships (PPPs) is becoming essential.

This pandemic represents an opportunity to reconsider the untenable ways that have so far underpinned our economic growth. We can no longer do that at the expense of the planet and future generations. Private sector capital has to be urgently brought in to support the sustainable growth path that the world urgently requires.

However, the longstanding gap between available private capital and global project financial needs remains unbridgeable. Infrastructure is a heterogenous and complex asset class that requires deep understanding of the risks potentially affecting asset performance. Only by rigorously de-risking these projects, particularly sustainability and resilience risks, will private capital be deployed at the required scale. Sustainability standards such as the SuRe[®] Standard, developed by Global Infrastructure Basel (GIB), provide a credible framework to assess and manage those sustainability and resilience risks and opportunities that can have a material impact on the financial returns of the project.

In addition, innovative thinking when designing suitable financing structures is urgently needed to ensure adequate infrastructure development to achieve global goals. GIB is seeking to mainstream the application of Nature-based Solutions (NBS) to provide public services, financed on the basis of Public-Private Partnerships (PPPs). Instead of investing in grey infrastructure, we choose to invest in nature; in many instances nature, if restored and preserved, can provide the intended societal service with at least the same level of performance as a carbon-intensive solution.

One example of the use of NBS for public service is flood mitigation, where there exists excellent scope for monetization of benefits and engagement with the private sector.

GIB is developing a financing mechanism in which the private sector provides the upfront capital necessary to restore and upgrade natural features to mitigate pluvial flooding, protecting the downstream population. Similar to an availability scheme typical to highway concession agreements, the (sub)national government can remunerate private investors based on the annual asset performance, through the avoided periodic compensation damages. In order to provide protection across all rainfall intensities, the role of (re)-insurers is also crucial. A parametric coverage could be secured by the project SPV which would be triggered in case precipitations exceed the nominal capacity of the asset.

PPPs need a predictable regulatory framework and a balanced allocation of risks between the public and private parties. Against this backdrop, innovative collaborations have the potential, as shown, to deliver optimal value-for-money and

highly sustainable solutions.

COVID-19 has highlighted infrastructure vulnerabilities, especially in the healthcare and telecommunication sectors. The shockwave generated by the pandemic represents a clear wake-up call for the need for direct investments in sustainable and resilient infrastructure projects that can, as a system, cope with the increasingly probable high-severity events. Given the lack of public resources to single-handedly address this problem, governments need to set up those conducive frameworks that can attract private capital at the required scale. It is time to re-think PPPs and use them effectively to support the sustainable growth that a post-pandemic world will desperately need.



The African Legal Support Facility: Supporting African Governments



“the ALSF has already accredited 223 African lawyers and government officials through the PPP academy”

Primah Atugonzah, Legal Counsel, ALSF

The African Legal Support Facility (the “ALSF” or the “Facility”) is an international organization hosted by the African Development Bank (the “AfDB”) in Abidjan, Côte d’Ivoire. The ALSF was established by AfDB following a call from African finance ministers in June 2003, for the creation of a legal technical assistance facility to help Highly Indebted Poor Countries (“HIPCs”), fragile states, and post-conflict countries, in dealing with resources, and sovereign debt (“Key Operational

aggressive and intransigent creditors or vulture funds. The Commission for Africa, in March 2005, reiterated the need for the rapid establishment of a technical legal assistance facility to help countries deal with issues of creditor litigation, in particular, to pre-empt and avoid lawsuits, and reform national debt relief laws. Against this background, the Facility was created as an International organisation established by an Agreement which entered into force on 22 December, 2008.