Public Private Partnerships (PPPs): Promising or perverse partnerships?

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Goal 17: Why PPPs are NOT a good tool for Sustainable Development

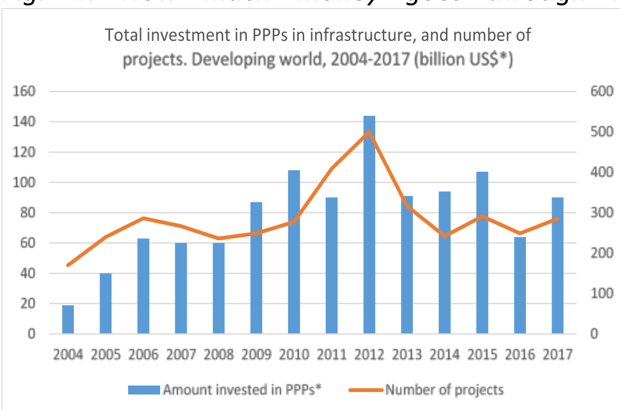
Key messages:

1. **SDG implementation is diverting resources towards blended finance:** SDG finance has become synonymous with public private partnerships (PPPs) and blended finance - this excludes other viable financing options for states, especially states from the Global South. This allocates disproportionate risk to underfunded public sector agencies.
2. **The private sector inevitably puts profits before public welfare and people:** The purpose of the private for-profit sector is to meet shareholder interests. PPPs tend to protect profits over democratic public interests.
3. **Water PPPs are highly problematic:** They commodify a public good, suffer from lack of transparency, and unreliable forecasts of income and expenditure, and increase the risk of corruption.
4. **Alternatives to PPPs exist.** Public-public partnerships, based on solidarity and not-for-profit, are already effectively contributing to sustainable social and equitable development.
5. **SDG 17 provides for greater mobilisation of tax resources. Pursuing Dutch, EU and international measures to eliminate tax avoidance** will release billions via taxation for public funding of the SDGs and greater democratic accountability.
6. **Dedicated legal, policy and institutional measures** from the Dutch government are required to address the public risks of PPPs within the SDGs.

SDG implementation is diverting resources towards blended finance

Around USD 2-3 Trillion are needed annually to finance the global Sustainable Development Goals (SDGs). This has led to an overwhelming focus on public private partnerships (PPPs) and blended finance, where billions of public money aim to leverage trillions of private money (see Fig 1). While PPPs can contribute to sustainable development, evidence and experience to date suggests that they have far greater potential for perversity and increasing global inequalities. They often promote a commercial agenda for the developed countries, rather than a sustainable development agenda which maximizes synergies and minimizes trade-offs. Recent Dutch development cooperation policy has taken a commercial direction.

Fig. 1. How much money goes through PPPs?



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But the private sector puts profits before people

Industry claims that they can mobilize USD 12 trillion to address SDGs. But as their business model must serve their shareholders, their contribution lies in industry development and production, and not reducing poverty, inequality, or peace (Hoek 2018). If government funding is used to leverage this USD 12 trillion via PPPs, will it channel money away from the other Goals and thereby exacerbate inequality? Past experience shows that it does. PPPs in water, education, health and transport have led to price hikes, making services unaffordable for the poor (Hall, 2014). Corporations use PPPs to acquire public funding for expanding private business. Public funding such as the Dutch SDGP facility risks being used as a subsidy for private companies to access new markets, reduce private sector risks and enhance private profits. Many SDGs cannot only be addressed by commercial market-focused initiatives as they are about providing public goods or meeting policy goals not related to profit.

Water PPPs are highly problematic

Water is used in every single product we use, so it becomes a key source of power to investors. Water PPPs enable long-term private monopoly control over water, its commodification, and controlling of water as an asset. Big investors want to invest indirectly in different PPPs, without having the liability of developing and maintaining actual infrastructure.

PPPs have perverse results when:

- The public loans needed to initiate PPPs lead to increasing debt for developing countries – there is already an upward trend in this direction;
- PPPs are more expensive and risky – private capital is twice as costly as public borrowing; needs higher guarantees which increase state liabilities, and more than half are renegotiated with increasing tariffs in 66% of the cases for developing countries;
- It is based on the false narrative that there is no alternative, that the local state is inefficient while industry is efficient; that it is not about reducing risks for private companies and will have no adverse impact on host country debt;
- The state's role is reduced to corporate partner, interested in making PPPs succeed. This compromises its public role and duties to its population;
- PPPs on public goods are written into contracts that cannot be accessed or controlled by the public.

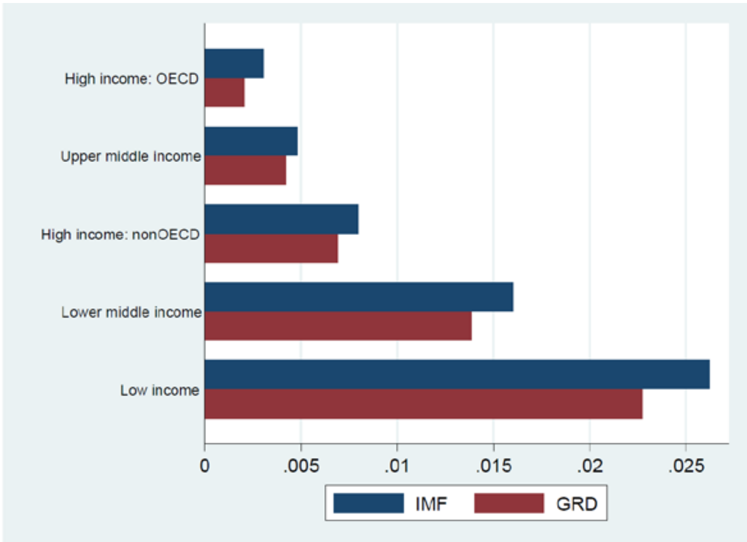
Alternatives to PPPs are available

Not-for-profit partnerships based on solidarity are effectively contributing to sustainable social and equitable development. The water sector has many not-for-profit public-public partnerships that can serve as an example for advancing the SDGs like "WaterWorX" and the "Blue Deal". The non-profit character ensures that public interests and reducing inequalities remain at the core of the partnership.

SDG 17 provides for greater mobilisation of tax resources. Pursuing Dutch, EU and international measures to eliminate tax avoidance will release billions in tax resources for the SDGs

Tax avoidance and evasion is estimated at USD 600 billion annually of which 400B in OECD countries (Crivelli et al. Figure 2; Cobham and Jansky 2017). The Netherlands has committed to improve tax policies and tax services in developing countries within Goal 17. We urge that (i) international tax avoidance be part of this agenda., (ii) Statistics Netherlands (CBS) should produce indicators for Goal 17 to better capture the international dimension of funding the SDGs over a range of measures including tackling tax avoidance; (iii) The Dutch government introduce legal, regulatory and policy measures to eliminate public risk and promote greater democratic accountability with PPPs and Blended Finance. Such measures will be a lasting positive legacy from the Netherlands.

Figure 2. Average losses/GDP by income from tax evasion/avoidance (Source: Cobham & Janský (2017)



Sources:

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Hall, D.J. (2014). *Why Public-Private Partnerships don't work*, PSIRU.

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