The Raffles Review

Issue 4. 3 June 2015

The Mythology of PPPs[1]

Global Centre for Public Service Excellence

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SOURCE

Why Public-Private Partnerships Don't Work was updated and re-published in February 2015 by the Public Services International Research Unit. The report and its introductory video demonstrates PPPs are expensive, inefficient[2] and have not delivered what they promised.

BIG IDEAS and QUOTABLE FACTS

- PPPs are limited by the scale of investment required for infrastructure, especially in developing countries. "Even in countries which make most use of PPPs, such as UK and Australia, PPPs only account for about 15 per cent of all infrastructure investments."
- PPPs conceal long-term public financial liabilities and do not deliver any extra private sector funding. The money brought into PPP projects is the same money that government would use under direct procurement.
- The transfer risk from public sector to private sector occurs at a premium, yet a recent analysis shows "it is in general most efficient for demand risk to remain with governments".
- Most services require a number of social and environmental imperatives that the private sector is very poor at handling.
- International consultancy firms that profit from writing biased reports on PPPs, and designing or implementing PPP policy/projects, are effectively redesigning public services for the benefit of private capital, even though they "are never accountable for their errors."
- Loans from international financial institutions (IFIs)—that lend money at low rates which public sector bodies can obtain for projects which commercial banks will not finance—are going directly to private companies.

IMPLICATIONS FOR PUBLIC SERVICE

PPP processes are shadowy, shrouded in secrecy and hidden behind confidential negotiations to protect commercial advantage. They go against core development approaches and reform recommendations that champion citizen engagement, consultations and transparency.

- Policy decisions, and service delivery and quality, should not be compromised for commercial viability, attractiveness to private firms, or potential profit margins.
- Long-term contractual obligations to PPPs that result in austerity or spending cuts to non-PPP services should be avoided.
- Using public finance for investment, public organisations for service delivery, and direct employees gives governments the advantage of greater flexibility, control and comparative efficiency.
- Maintaining a public sector workforce creates a pool of decent, formal jobs and employment security.

The Raffles Review
aims to ruffle your thinking!

This weekly offering summarises insights on public service matters to challenge assumptions and question the status quo.

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[1] Look out for GCPSE's forthcoming paper on "awkward facts" about Public-Private Partnerships.

[2] See also Xing Yun, Zhe Yuzhe and Wu Hongyuran, 'Results of PPP Investment Model Don't Match Early Enthusiasm,' *Caixin Online*, 10 April 2015. Accessed from http://english.caixin.com/2015-04-10/100799139.html on 3 June 2015.