



# History RePPPeated

How Public Private Partnerships are failing

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## History RePPPeated

How Public Private Partnerships are failing

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World Bank / IMF Annual Meetings –  
Civil Society Policy Forum

“For History Not to Repeat Itself:  
Learning from Failed PPPs”

10th October, 2018

Bali, Indonesia

# + Content

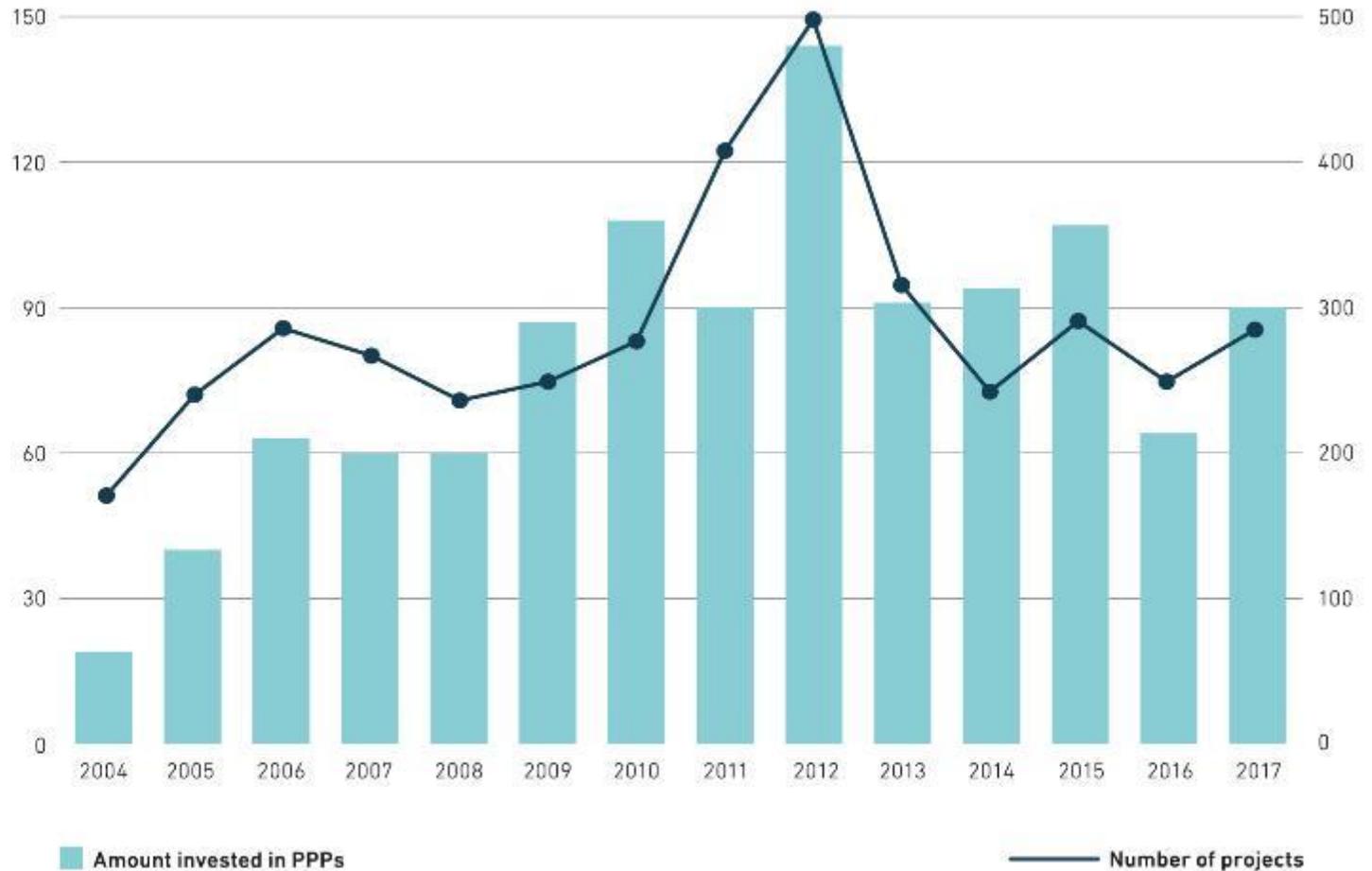
1. What are PPPs? And, why do we look at them?
2. What is this report about?
3. Main findings and lessons learned
4. Recommendations



# + What are PPPs? And, why do we look at them?

- PPPs are increasingly being promoted as the solution to the shortfall in financing needed to achieve the SDGs.
- PPPs are long-term contractual arrangements where the private sector provides infrastructure assets and services that have traditionally been provided by the public sector, such as hospitals, schools, roads, railways, water and sanitation.
- Many projects have been procured as PPPs simply to circumvent budget constraints and to postpone the recording of fiscal costs. Some accounting practices allow governments to keep PPPs 'off-balance sheet', which creates a false incentive in favour of PPPs.
- Donor governments and financial institutions, such as the WB and others, have set up multiples initiatives to promote changes in national regulatory frameworks to allow for PPPs, as well as to provide advice and finance for PPP projects.

**Figure 1**  
 Total investment in  
 PPPs in infrastructure,  
 and number of  
 projects, Developing  
 world, 2004-2017  
 (billion US\$\*)



Source: Eurodad's own calculations. World Bank's Private Participation in Infrastructure Database (\*amounts adjusted by US Consumer Price Index as of January 2018)



## 10 case studies

France

Sweden

Indonesia

Lesotho

Colombia

Liberia

India

Spain

Peru

- The report gives an in-depth analysis of the impact of 10 PPP projects, in both developed and developing countries that illustrate the most common problems encountered by PPPs.
- The sectors covered are: education, energy, health, justice (real state), transport, and water and sanitation.
- This follows the PPP Manifesto launched one year ago, with the support of 150 organisations and trade unions from around the world...
- ...and adds to the pile of evidence about why PPPs are not delivering results in the public interest, including reports by the European Court of Auditors, and the UK's Public Accounts Committee, which slammed PPPs in major reports this year.

## Indonesia: Jakarta's Water Supply



The PPP for the provision of water resulted in significant losses for the public water utility – estimates suggest that losses will eventually total \$2.4 billion if the agreement continues until its expiry date in 2022. In the meantime, the agreement resulted in a radical increase in monthly bills, which are unaffordable for many poor families. They have to rely on groundwater from community wedge wells, or have to buy water in jerry cans.

## India: Tata Mundra Ultra Mega Power Project



A thermal power station project resulted in serious social and environmental violations from the outset – there has been a deterioration in water quality, and fish populations; community health impacts, and forced displacement of fishermen. The life of women and girls has also been negatively affected. These impacts were recognized by audit reports of the CAO and the ADB's Compliance Review Panel. Meaningful public consultation never happened.

## Sweden: Nya Karolinska Solna (NKS) Hospital



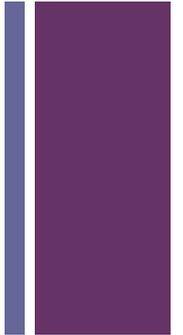
It was intended to be 'one of the world's most advanced hospitals' but is now known as the 'most expensive hospital in the world.' NKS is still not fully operational due to technical failures and the cost of the project has rocketed: from EUR 1.4 billion to EUR 2.4 billion.

The promise of delivering on time, on budget and that services are of a high quality was never fulfilled.



The cost of the project escalated in the absence of competition during the preferred bidder stage of the contract. Latest figures indicate that in 2016 the invoices of the private consortium Tsepong amounted to two times the 'affordability threshold' set by the government and the WB at the outset of the project. Although there are some significant improvements in service delivery, the financial sustainability of the project is of great concern.

# + Overall findings

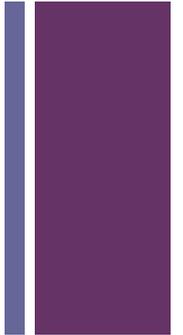


All the projects failed on many different levels – failures that challenge the capacity of PPPs to deliver positive development outcomes:

- All 10 projects came with a high cost for the public purse, an excessive level of risk for the public sector and, therefore, a heavy burden for citizens.
- Every single PPP studied was riskier for the state than for the private companies involved, as the public sector was required to step in and assume the costs when things went wrong.
- All cases showed PPPs were complex to negotiate and implement, and that they required specific state capacities to negotiate in the public interest.



- Five of the 10 PPPs reviewed impacted negatively on the poor, and contributed to an increase in the divide between rich and poor.
- Nine out of 10 of the projects lacked transparency and/or failed to consult with affected communities, and undermined democratic accountability.
- Three of the PPPs resulted in serious social and environmental impacts.
- Three of the PPP contracts had to be cancelled due to an evident failure in the process (see the cases of Peru, Colombia and Spain)

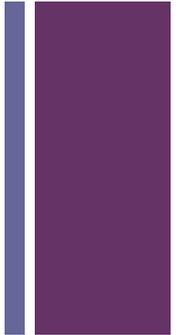


# + Recommendations

to the WB, the IMF and other public development banks, together with the governments that play a leading role in these organisations:

- Halt the aggressive promotion and incentivising of PPPs for social and economic infrastructure financing, and publicly recognise the financial and other significant risks that PPPs entail.
- Support countries in finding the best financing method for public services in social and economic infrastructure.
- Ensure good and democratic governance is in place before pursuing large-scale infrastructure or service developments.
- Ensure that rigorous transparency standards apply, particularly with regard to accounting of public funds.

We urge all concerned with justice, equality, sustainability and human rights to resist the encroachment of PPPs and to push instead for high- quality, publicly-funded, democratically-controlled, accountable public services.





# Thank you!

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[Check out the full report](#)

<https://eurodad.org/historyRePPPeated>



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