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Development Impact

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Public-Private Partnerships as a Vehicle for Advancing Sustainable Development

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Introduction

“Public Private Partnerships are increasingly viewed as an important vehicle for advancing sustainable development”

- Why is this statement so prevalent?
 - What is the genesis of this belief?
 - Has it been documented as true?
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- Synthesis of a year-long review of PPP’s in the context of sustainable development

Key Finding: There are two distinct threads of discourse on PPP's in sustainable development

1. Type II partnerships, as introduced at the 2002 Johannesburg World Summit on Sustainable Development (WSSD), and their progeny
2. Innovative financing vehicles in a time of austerity, especially for municipal governments

Type II Partnerships

- Public participation – a fundamental concept included in the Rio Declaration (1992)
- Business as a “stakeholder” – BASD at WSSD (2002)
- Such partnership collaborations fit with the “triple bottom line” and “multi-stakeholder” hallmarks of sustainability projects

Impact of Type II Partnerships from WSSD (2002) until Rio+20 (2012)

- Several lists purporting to track “partnerships”
- Incomplete, inconsistent metrics of success
- Many anecdotal stories, some report robust partnerships between E-NGOs and corporates, but also some describe “greenwashing”
- Most recent effort to analyze the full range of partnerships – A. Sardonis (Harvard, 2013)
- Are all collaborations deemed Public-Private Partnerships? Of course not!

PPP's as innovative financing vehicles at the local level

- Times of austerity have hit municipalities especially hard
- The situation – and solutions – are well-articulated by P. Monaghan in his book, **“Sustainability in Austerity: How Local Government Can Deliver During Times of Crisis” (2010)**

Monaghan (2010)

- *“Local sustainability faces a perfect storm...leaders in local government are going to be asked to do a lot more work on environmental and social sustainability but with much less money.”*
- *“empower local authorities to address the challenges they now face by offering ... cost-neutral and powerful ways for leaders in local government to advance sustainability ... a myriad of innovative strategies.”*

To summarize an apparent confluence of thinking:

- Business must be part of the solution
- Government need not always be the lead
- Multi-stakeholder approaches add value and legitimacy

- So it's all good, right?

Not exactly...

- The “rules of the game” have not yet been defined
- The two “communities of practice” are not yet fully aware of the need to merge their approaches
- A challenging interdisciplinary mix – law, finance, development, etc.

World Bank Institute (2012)

- Many developing countries are finding it increasingly difficult to achieve the Millennium Development Goals
- Services such as health, transportation, and education are often of insufficient quality or are unreliable, and sometimes are simply nonexistent.
- Key challenges: lack of funds, poor planning and execution, and corruption

Sardonis (2013)

- *Environmental public-private partnerships have grown tremendously in recent years and the public-private partnership (PPP) model has significant potential to address environmental problems.*
- *However, no established framework exists for evaluating environmental public-private partnerships or determining if the partnerships are successful.*

Saussier (IAE Paris, 2012)

- There is no clear definition of PPP's (OECD 2008)
- The term “PPP” covers a range of different structure where the private sector delivers a public project or service.
- Projects are more affordable, because payments are spread all over the length of the project
- PPP's maximize the use of private sector skills

Saussier: “PPP’s are associated with both promises and failures”

- Different types of PPP’s have their own advantages and drawbacks
- Difficulties to enforce (incomplete) contractual agreements
- Disconnection between price and costs over time
- Non-verifiable dimensions of the contract
- Opportunistic behaviors might arise

Saussier: “Many promises but also many pitfalls”

- PPP’s are a hot issue, but “many bad reasons to sign PPP’s”
 - Pitfalls are coming from transaction costs (i.e. Partnership)
 - Debt is hidden and reported through time
 - A way for indebted public authority to borrow money
 - A part of the debt is hidden and will show up later (“iceberg” part of PPP’s)

World Bank Institute (2012)

"Our vision is to provide governments, PPP policy makers and practitioners, parliamentarians, local governments, civil society organizations, banks, private sector developers, and users of infrastructure services with the necessary skills and expertise to properly design and implement PPP's."

Conclusions

- “PPP’s can mobilize additional sources of funding and financing for infrastructure—important at a time of financial austerity, help improve project selection by subjecting them to the market test of attracting private finance, and ensure planning for the adequate maintenance of assets.”

Conclusions

- “PPP’s are not a panacea. Governments need new skills to implement them properly. Without these skills, policymakers risk selecting the wrong projects to be PPP’s, they may not design them correctly, end up bearing too many costs or risks, and they may not regulate them properly.”

Conclusions:

- “While PPP’s can offer the potential for greater transparency, they can also be a source of corruption and rent-seeking both during the procurement phase and implementation, *if there is insufficient transparency and governance is weak.*”

Meister: Resilience in Action (2013)

- “Adaptation to climate change” as a subset of sustainable development activities
- Report summarizes lessons learned from over 100 public-private collaborations around the world
- *“New forms of formal and informal partnerships between government and business are emerging which overcome traditional market barriers to deliver resilience-building solutions.”*

Meister conclusions:

- “Public-private collaborations offer a strong model that leverages the strengths of both government and business to help meet the growing need for investments in climate and disaster resilience building.”
 - “Government policies can help create an enabling environment and ...overcome the barriers that would otherwise inhibit private sector action.”
 - “Public-private collaborations can ...manage risks and unlock opportunities, providing benefits both business and government.”

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