

**Concerning: Public consultation on Recommended Public-Private Partnership (PPP) Contractual Provisions**

Dear World Bank Group (WBG) PPP team,

We are writing to explain why we will not participate in this public consultation and why we are encouraging other stakeholders to adopt the same approach. We strongly believe that the WBG should not address contractual provisions without first and foremost fixing the perverse accounting incentives which make PPPs a dangerous tool.

Today many countries go for PPPs instead of traditional procurement not because of efficiency gains, but because non-transparent accounting measures allow them to keep the costs and contingent liabilities “off-balance sheet”, which means that the true costs of the projects remain hidden. This is one of the key drivers behind PPPs. It enables decision-makers to circumvent legislated budgetary limits and still deliver essential services, without having to take into account the fiscal implications in the medium and long-term.

By using off-balance sheet accounting measures, governments create the dangerous illusion that PPPs are cheaper than they really are. Also the European Commission is warning of an “affordability illusion” which tends to be exacerbated when a project is found to be off balance sheet<sup>1</sup>. Likewise, experts within the IMF’s Fiscal Affairs Department argue that “an inadequate budgetary and/or statistical treatment may allow governments to ignore the impact of PPPs on public debt and deficit. In practice, governments often end up bearing more fiscal costs and risks than expected in the medium and longer term”<sup>2</sup>. Indeed, PPPs have already left lasting fiscal legacies in countries such as Portugal, Hungary<sup>3</sup>, Ghana, Tanzania, Uganda<sup>4</sup>, Peru<sup>5</sup> - or Lesotho, where a PPP hospital swallowed up half of the country’s health care budget while giving a high return of 25% to the private sector provider<sup>6</sup>.

We regret that the WBG has not paid sufficient attention to this fundamental problem. The different reports, frameworks and guides that the WBG has produced over the years have remained ambiguous about the WBG’s position on on-balance sheet accounting for PPPs. And again in this draft report on Recommended PPP Contractual Provisions, the

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<sup>1</sup> EIB. (2016). Guide to the statistical treatment of PPPs. See:

[http://www.eib.org/epec/resources/publications/epec\\_eurostat\\_guide\\_ppp](http://www.eib.org/epec/resources/publications/epec_eurostat_guide_ppp)

<sup>2</sup> Jin, R. and Rial, I. (2016). Regulating Local Government Financing Vehicles and Public-Private Partnerships in China. IMF. See: <https://www.imf.org/external/pubs/ft/wp/2016/wp16187.pdf>

<sup>3</sup> Romero, M. (2015). What lies beneath? A critical assessment of PPPs and their impact on sustainable development. Eurodad. See: <http://eurodad.org/files/pdf/559e6c832c087.pdf>

<sup>4</sup> Anaba, B. and Clifton, S-J. 11 November 2015. Proof is piling up that private sector finance is not an easy development fix. The Guardian. See:

[http://www.theguardian.com/global-development/2015/nov/11/private-sector-finance-not-easy-development-fix-public-private-partnerships?CMP=tw\\_t\\_gu?CMP=tw\\_t\\_gu](http://www.theguardian.com/global-development/2015/nov/11/private-sector-finance-not-easy-development-fix-public-private-partnerships?CMP=tw_t_gu?CMP=tw_t_gu)

<sup>5</sup> Aslan, C. (2014). How Do Countries Measure, Manage and Monitor Fiscal Risks Generated by Public Private Partnerships? Chile, Peru, South Africa, Turkey. World Bank. See: <http://www.worldbank.org/content/dam/Worldbank/document/Debt/Presentation%20Cigdem%20New%20Avenues.pdf>

<sup>6</sup> Oxfam (2014). A dangerous diversion. See:

<https://www.oxfam.org/sites/www.oxfam.org/files/bn-dangerous-diversion-lesotho-health-ppp-070414-en.pdf>

WBG only lists the concerns raised by other institutions and does not clarify how PPPs should actually be accounted for and, importantly, if it would approve a project if the partner country decides to keep the costs and liabilities off the books<sup>7</sup>.

The WBG has a responsibility to ensure that governments select the most fiscally sustainable financing mechanisms for the medium and long term, and hence that they only opt for PPPs if their costs and liabilities are registered on-balance sheet. Given the alarming nature of this issue, we – as representatives of civil society organisations – have therefore decided that we will no longer participate in public consultations on PPPs until the WBG:

- Explicitly and reiteratively calls on countries to only consider PPPs if their full costs and contingent liabilities are reported on-balance sheet and registered as government debt, rather than off-balance sheet, and only after a full and transparent analysis of the true costs and benefits of PPPs over the lifetime of the project. This analysis must take into account all the fiscal implications over the medium and long-term and the risk comparison of each option.
- Only approves PPP projects if the partner country decides to register the costs and liabilities on-balance sheet.

We encourage you to prioritise this issue and give effect to our demands.

Looking forward to hearing from you,

List of signatories:

11.11.11- Coalition of the Flemish North-South Movement

African Network for Environment and Economic Justice (ANE EJ)

Alliance du personnel professionnelet technique de la santé et des services sociaux (APTS)

Alliance of Government Workers in the Water Sector, Philippines

APIT Portugal (Tax and Customs Inspectors Trade Union)

Asia Pacific Forum on Women, Law and Development (APWLD)

Asociación del Personal de la Universidad de Buenos Aires (APUBA)

Asociación del Personal Superior de Empresas de Energía (APSEE)

Association des Usagers de l'Eau des Pyrénées Orientales

Bank Information Center (BIC)

Berlin Water Table

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<sup>7</sup>See page 14 in the draft report on Recommended PPP Contractual Provisions

Bretton Woods Project

CAFSSO-WRAG for Development

Campaign2015+ International (Nigeria)

Canadian Union of Public Employees (CUPE)

CEE Bankwatch Network

Center for Women's Global Leadership, Rutgers University

Centre for Human Rights and Climate Change Research

Centrale des syndicats du Québec

Civil Society Coalition on Sustainable Development

Civil Society Organization of the Small Island Developing States of the AIMS Region (SIDSCOS)

CNCD-11.11.11

Confederación de Trabajadores Municipales (CTM) Argentina

Confederación de Trabajadores y Trabajadoras de las Universidades de las Americas (CONTUA)

Coordinadora Nacional Agua para Tod@s Agua para la Vida (Mexico)

Council for NGOs in Malawi - CONGOMA

Counter Balance

Debt and Development Coalition Ireland

Debt Justice Norway

Eau Secours 34 (France)

Erlasjahr.de - Entwicklung braucht Entschuldung e.V

Eurodad

European Federation of Public Service Unions (EPSU)

EuSAIN - European Initiative for Sanitation and Health

European Services Strategy Unit

European Water Movement

Fédération interprofessionnelle de la santé du Québec – FIQ

Fédération nationale des mines et de l'énergie CGT

Federación de empleados y empleadas de Servicios Públicos de la UGT (FeSP-UGT, Spain)

Federación de servicios a la ciudadanía (Spain)

Federação Sindical dos Servidores Públicos no Estado do RS. - FESSERGS

Fivas - the Association for International Water Studies

Fundación Manatí para el Fomento de la Ciudadanía A.C

Gemeingut in BürgerInnenhand

Global Peace and Development Organization (Liberia)

IBON International

Indian Ocean Region of Africa (DION)

Institute for Agriculture and Trade Policy (IATP)

Instituto Popular de Capacitación – IPC (Colombia)

John Langmore, Professorial Fellow School of Social and Political Sciences,  
University of Melbourne

Jubilee Debt Campaign

Kenya Debt Relief Network (KENDREN)

Latindadd

Lumière Synergie pour le Développement | LSD (Senegal)

Maria Ebum Foundation

National Union of Public and General Employees of Canada

Ngo Committee on Financing for Development

Oilfields Workers' Trade Union (OWTU)

Palestinian Hydrology group for Water and Environmental Resources  
Development

Polish Green Network

Public Service Alliance of Canada / Alliance de la Fonctionpublique du Canada

Public Service International (PSI)

Rural Area Development Programme, Nepal (RADP)

Sanayee Development Organization – SDO (Afghanistan)

Save Greek Water Initiative

Service Employees International Union – Canada / Union internationale des  
employés de service – Canada

Social Watch

Society for International Development (SID)

SyndicatAutonome des Travailleurs de la Sénégalaise des Eaux

Syndicat de la fonctionpubliqueetparapublique du Québec

The Association of Canadian Financial Officers

The Platform for Public and Community Partnerships of The Americas –PAPC

Transnational Institute (TNI)

UNISON

Urgewald

WEED - World Economy, Ecology & Development

Women Beyond Survival

ZaZemiata (Bulgaria)

Zukunftskonvent