

# 86 CSOs sign open letter on PPPs to World Bank Executive Directors

17 April, 2018



**WORLD BANK**

Among several demands to government representatives at World Bank Board of Directors, Civil Society Organisations call on them to declare a moratorium on funding and promoting Public-Private Partnerships until an independent review is available.

## **Civil Society Organisations' open letter to World Bank Executive Directors on the Bank's approach to Public-Private Partnerships (PPPs)**

Last October, more than 150 organisations signed a [PPP Global Campaign Manifesto](#), expressing our alarm at the increasing use of PPPs to deliver infrastructure projects and public services around the world, and in particular the World Bank's role in promoting these contracts. Our combined evidence shows that the experience of PPPs has been negative, and few PPPs have delivered results in the public interest. Our concerns are echoed by many more organisations and individuals across the world, who are alarmed by the risk that this represents for developing countries.

The Manifesto was launched after a number of technical discussions between members of our community and the staff of the World Bank Group. While we have appreciated the willingness of staff to meet and engage in frank and open exchanges, the Manifesto and this letter are expressions of our collective dissatisfaction with the degree to which our concerns have been addressed by the Bank.

The implementation of the World Bank Group's Maximising Finance for Development (MFD) approach implies a problematic 'private finance first' attitude to development finance, which raises red flags about the underlying assumptions that will guide the work of the Bank in developing countries. These include whether and how fiscal, environmental and human rights considerations will be taken into account when comparing public versus private finance options.

The Bank's MFD approach places a focus on PPPs as the preferred mechanism to finance infrastructure projects. However, the PPP model is being energetically pursued without robust evidence of its performance – including its impact on public finances and the ability of PPP projects to reduce poverty and inequalities, including gender inequality. Frequently,

PPPs have contributed to a lowering of labour standards by creating precarious jobs and denying workers' rights. Furthermore, it does not adhere to the human rights-based framework outlined in the SDGs, which the Bank is committed to support.

In fact, the Bank's approach seems to ignore compelling evidence of the model's failures globally. For instance, our concerns were reflected in a [January 2018 report by the UK's National Audit Office \(NAO\)](#), which noted that it has "been unable to identify a robust evaluation of the actual performance of private finance at a project or programme level". This report also showed how costly PPP projects can be: the analysis of one group of school PPP projects revealed costs around 40 per cent higher than the costs of a project financed by government borrowing. The collapse of the UK construction giant Carillion, responsible for many PPP projects across the UK, also illustrates the dangers to workers and citizens of relying on private companies for basic services, and exposes structural failures of the current push towards increased financialisation of infrastructure.

These problems are not limited to the UK. Negative consequences associated with the use of PPPs have been recently documented in Portugal, Spain, Greece, Hungary, France, Ireland, Sweden and Germany. The recent launch of the European Court of Auditors report, entitled "[Public Private Partnerships in the EU: Widespread shortcomings and limited benefits](#)", adds to the mounting body of evidence: inefficient spending was identified in contracts worth 1.5 billion euros, and the audited projects showed poor fiscal management and did not provide adequate value for money.

World Bank-supported PPP projects have also failed to deliver in the public interest. In some cases they have resulted in criminal charges of corruption, which has seriously damaged the reputation of the bank, on top of undermining the democratic system in many countries. For example, between 2002 and 2015 the [IFC supported and guaranteed](#) the release of billions of dollars in bonds by Brazilian construction company Odebrecht "to support its expansion plans in Latin America and Africa." But the [US Department of Justice and the Eastern District Court of New York](#) have found that "between 2001 and 2016 (...) Odebrecht made \$438 million in corrupt payments" in at least 12 countries to secure PPP contracts.

Given that PPPs can cause such problems in developed countries with high technical and regulatory capacity, what are the chances of successful outcomes for other states with more substantial capacity constraints? Will they be in a position to adequately analyse the social, gendered and economic costs of PPPs and to negotiate and manage successful PPP contracts? The evidence suggests not. Yet we still see multilateral development banks, including the World Bank, and G20 governments, pushing for PPPs. The refusal of the Bank to reassess its preferential leanings towards PPPs, is a self-perpetuated institutional blind spot that, we believe, amounts to wilful negligence.

In most cases developing country governments are eager to get advice, but we remain unconvinced that the Bank is in a position to provide unbiased and objective support on this topic. For instance, despite agreement by the Bank's staff to revisit the guidance on PPP contractual provisions – in light of the [detailed criticism by the law firm Foley Hoag](#) that show some of the clauses are biased towards private investors – this review will not happen until 2019. In the meantime, the Bank has proceeded to disseminate this flawed template exactly at the time that the G20 is focusing on standardising PPP contracts.

In our view the Bank's role should be to assist countries to improve their infrastructure governance, which includes creating public goods through infrastructure, with the active participation of citizens. The Bank should also assist countries to develop infrastructure plans that are aligned with the SDGs' focus on transformational and equitable economic progress.

Governments from Europe and other OECD countries bear particular responsibility for ensuring that the Bank does not promote development policies and models that have failed or, at best, remain unproven in their home countries. Given its development mandate, the Bank should ensure that governments select financing mechanisms that are fiscally, socially and environmentally sustainable, and that are gender-just in the medium and long term, and in that regard it should cease to recklessly promote risky PPPs to low- and middle-income countries.

We call on government representatives at the Bank's Board of Directors to require the Bank to:

- Declare a moratorium on funding, promoting or providing technical assessment for PPPs until an independent review into the development outcomes of the Bank's PPP portfolio is completed. This should include accumulated off-balance sheet debts, and human rights and environmental impacts.

At the same time:

- Disclose details and interim results of the nine MFD countries and engage civil society in the countries and globally before proposing a scale-up of MFD.
- Develop and open for public consultation the necessary tools to assess thoroughly the private versus the public option, including considerations around development additionality and value for money.
- Publish a mandatory fiscal risk and human rights impact assessment for every PPP project in which the Bank engages.

We look forward to receiving a response from you in the near future.

### **Signatories:**

1. 11.11.11
2. ActionAid International
3. Africa Network for Environment and Economic Justice (ANEEJ)
4. Alliance Sud - the Swiss Coalition of Development Organisations
5. Amis des Étrangers au Togo
6. Asian Peoples Movement on Debt and Development
7. Asociación de Empleados Públicos de Antioquia
8. Association for Promotion Sustainable Development
9. Bangladesh Krishok Federation
10. Bank Information Center Europe
11. Basel Institute of Commons and Economics
12. BothEnds
13. Brazilian CSWG for 2030 Agenda
14. Campaign for Human Rights and Development International
15. Center of Concern (USA)

16. Centre national de coopération au développement, CNCD-11.11.1
17. Centro de Iniciativas en Políticas Ambientales
18. Centro de los Derechos del Campesino
19. Company of the Daughters of Charity of St. Vincent de Paul
20. Congregation of Our Lady of Charity of the Good Shepherd
21. Coordinadora Civil, Nicaragua
22. Corporate Accountability
23. DAWN (Development Alternatives with Women for a New Era)
24. Debt and Development Coalition Ireland
25. Debt Justice Norway
26. Debt Observatory in Globalisation (ODG)
27. Derecho Ambiente y Recursos Naturales (DAR)
28. Development & Integrity Intervention Goal Foundation (DIG)
29. Diakonia
30. Dignidad Coalition
31. Dominican Leadership Conference
32. Education International
33. Ekumenicka akademie
34. Environmental Rights Action/Friends of the Earth Nigeria
35. Esquel Foundation
36. Equidad de Género: Ciudadanía, Trabajo y Familia, Mexico
37. European Network on Debt and Development (Eurodad)
38. EuSAIN
39. Feminist Task Force
40. Foundation for the Development of Sustainable Policies (FUNDESP)
41. Friends of the Earth US
42. Fundación Ambiente y Recursos Naturales (FARN-Argentina)
43. Gestos
44. Global Distribution Advocates, Inc.
45. Global Initiative for Economic, Social and Cultural Rights (GI-ESCR)
46. Global Social Justice
47. Heinrich Boell Stiftung-North America
48. INESC
49. Institute for Social & Economic Justice, Pakistan
50. Institute of Global Responsibility (IGO), Poland
51. Institute of the Blessed Virgin Mary-Loreto
52. International Rivers
53. Jubilee Debt Campaign
54. KULU-Women and Development, Denmark
55. NGO Committee on Financing for Development
56. NGO Forum de la Femme Ménagère (FORFEM)
57. NGO Forum on ADB
58. Oikos - Cooperação e Desenvolvimento
59. **Public Services International**
60. Radha Paudel Foundation
61. Re:Common
62. Reacción Climática – Bolivia
63. Red de Organizaciones de la Sociedad Civil de Managua
64. Red Latinoamericana de Deuda, Desarrollo y Derechos (Latindadd)
65. Religious of the Sacred Heart of Mary NGO

66. Réseau Genre et Droits de la Femme (GEDROFE)
67. Right to Education Initiative
68. RIPESS
69. Rural Area Development Programme (RADP)
70. Servicios Ecumenicos para Reconciliacion y Reconstruccion
71. Sisters of Charity Federation
72. Social Justice in Global Development
73. Social Watch
74. Society for International Development (SID)
75. Society of Catholic Medical Missionaries
76. Stamp Out Poverty
77. Tcharbuahbokengo NFINN
78. The Bretton Woods Project
79. The Corner House
80. The International Trade Union Confederation
81. Ulu Foundation
82. Urgewald
83. VIVAT International
84. WomanHealth Philippines
85. Zimbabwe Coalition on Debt and Development (ZIMCODD)
86. Zukunftskonvent, Germany