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Public Services International strongly defends public services and the obligation of the state to provide essential public services – water and sanitation, health, education, energy - that are intimately connected to the human rights obligations of states. Democratic control – through election processes on the one hand and worker participation are in our view the main governance mechanisms to ensure accountability. Where accountability is diluted and profit-seeking becomes the main objective, universal access suffers and serious equity issues occur.

PPPs are an expensive and inefficient way of financing infrastructure and services, since they conceal public borrowing, while providing long-term state guarantees for profits to private companies. Implementing PPPs poses important capacity constraints to the public sector, and particularly in developing countries. PPPs suffer from low transparency and limited public scrutiny, which undermines democratic accountability.

There is an odd contradiction between the euphoria about the so-called Public-Private Partnerships (PPPs) and the poor performance these instruments have offered in the past 30 years. Many governments are still turning to public-private partnerships in the hope that the private sector will finance public infrastructure and public services. This hope also runs through the G20, the OECD and is one of the key elements of the 2030 Agenda.

PSI considers that many PPP processes are all but transparent, most of the time even shrouded in secrecy, hiding behind confidential negotiations to protect commercial advantage. There are no public consultations, lots of false promises, and incredibly complex commercial contracts, all designed to protect corporate profits. Governments and the UN are heavily influenced by a powerful lobby of the biggest services and financial corporations, global consulting and law firms, all intent on reaping profits from basic public services such as health, water, energy. In our view PPPs are the growth strategy of these companies. We must remember that private sector corporations need to maximise profits if they are to survive. This is incompatible with ensuring universal access to quality public services, especially for those unable to pay for these profits.

Further dangers

These privatisation policies are also linked to the new round of trade negotiations (TISA, TPP, TAP), also secretive, without public consultation, stitched up behind closed doors between business interests and the governments that do their bidding. The trade deals will facilitate PPPs and lock them in, making it next to impossible to reverse them. For good governance the public interest needs to come first. The NUA is integrated in the 2030 agenda and FFD. In this context we need to recognize the dangers of new so-called trade agreements, such as TISA, TTIP, CETA and others in terms of creating special jurisdictions for multinational companies through ISDS which can have an impact on the capacity of local and regional governments to govern in the general interest.

A further danger is the effort by the World Bank, the G20, OECD and others to 'financialise' PPPs in order to access the trillions of dollars held by pension funds, insurance companies and other institutional investors.

To access these funds, governments are advised to do a whole lot of PPPs at the same time in order to create a pool of assets that can then be bundled and sold on to long-term investors. This is exactly what the financial services companies did with home mortgages at the turn of the century, which brought us the global financial crisis of 2008.

From London to Santiago

The failed programme of the Transport for London, the poor performance of the airport of Delhi, the corruption scandals in Chile's infrastructures, the financial troubles with the Troika package imposed on Portugal are but a few examples of failed PPPs. For example, the United Kingdom has used PPPs for a wide range of buildings and infrastructure – hospitals, schools, roads, rail, defence, and government offices. As neoliberal limits on government borrowing spread, so did PPPs – like in Europe, where EU rules started to limit government borrowing to 3 per cent of GDP. New Zealand, Australia, Canada and the USA all began using PPPs as an element of privatisation policy, and as a way to balance budgets by concealing borrowing.
New EU regulation that requires members states to report on PPPs will need to be tested and addresses these concerns. At the same time – we see re-municipalization across Europe.

In developing countries, the development banks, bilateral donors and multinational companies encouraged the spread of PPPs in the 1990s, especially in the water and energy sectors, as part of the general promotion of privatisation – and as a way around the fiscal limits which the same International Financial Institutions (IFIs) were imposing on developing countries.

Alternatives

Clean drinking water and wastewater treatment are basic services that societies and governments provide. Water is a necessity for life, and safe water and sanitation are crucial for public health. Meeting this need requires significant investments in infrastructure and expertise. In the last 20 years, major multinational efforts have relied on private sector strategies in both developed and developing countries to provide water. These approaches have included encouraging public-private partnerships (PPPs) between public water utilities and private water companies. Proponents of privatization promised increased investment and efficiency, but privatization has failed to meet these expectations. Instead, it often has led to deteriorating infrastructure, service disruptions and higher prices for poorer service.

A different model, called public-public partnerships (PUPs), can be a more effective method for providing services. PUPs bring together public officials, workers and communities to provide better service for all users more efficiently. PUPs allow two or more public water utilities or non-governmental organizations to join forces and leverage their shared capacities. PUPs allow multiple public utilities to pool resources, buying power and technical expertise. The benefits of scale and shared resources can deliver higher public efficiencies and lower costs. These public partnerships, whether domestic or international, improve and promote public delivery of water through sharing best practices. The partnerships can take many forms and may include networks of public water operators in different areas or non-governmental organizations.

As a public collaboration, no PUP partner can generate a profit through the partnership. In short, PUPs provide the collaborative advantages of private partnerships without the profit-extracting focus of private operators, and they promote the public interest mission of equitably delivering water services. The reason that PUPs work so well is that they retain local, public control of existing water systems. Public utilities are responsible for most water and wastewater services worldwide. In 2010, only about 12 percent of the world's population had water or sewer service that was privatized in some way. The nature of water service as a public good and natural monopoly favors the public administration of water systems.

Instead of PPPs

We need tax justice to be able to provide sustainable funding of quality public services, which means ensuring that tax evasion and avoidance is addressed and companies are not provided tax-breaks without any guarantees with regard to job creation and investment in the local economy. The New Urban Agenda requires sustainable public financing that encompasses the payment of a fair share of taxes by the private sector - including multinational corporations (MNCs) operating or sourcing within the jurisdiction of competent local and regional governments - who must pay taxes to the communities where they operate and generate profits. Local government authorities must be involved in tax policy, so that they can ensure balanced agreements with domestic and global business and investors and have the right to a direct say on setting fair returns for local communities in terms of tax revenues, local decent work creation, clean technology transfer, profit reinvestment, fair pricing for commodities, non-abusive dispute settlement clauses and protection of public services to the population.

Coherent, effective, enforceable transparency and accountability regulations and measures must be put into place, addressing all actors and stakeholders, to prevent and halt corruption and unethical practices in the implementation of the New Urban Agenda, both at national and at local level, including in public procurement procedures whose details and contracts should be public and accessible to all to enable transparency, accountability and proper evaluation. This must include adequate measures for proportional and dissuasive sanctions, public seizure of profits and gains attained through corruption and unethical practices.

Protection of whistle-blowers is a key component of anti-corruption measures and good governance and has a fundamental role in the promotion of transparency and accountability both in the public and private sector. The findings of a recent study by the OECD indicates that fraud and wrongdoing are more likely to occur in organizations that are closed and secretive. Despite the progress achieved in the last decade and the surge in the implementation of whistle-blower protection frameworks and awareness raising in many countries, some high-profile cases have also evidenced their shortcomings, both in law and practice.

The lack of dedicated and comprehensive laws is one of them. We call for the development of a global and comprehensive framework providing for: financial aid, so whistle-blowers know they and their families will be financially supported; legal defence funding, work protection and reassignment options, so those who disclose are able to contribute in another area of the workplace that is not being investigated for corruption; and a reverse legal onus for reprisal complaints.

Guidelines on PPPs

PSI considers that initiatives such as by UN-ECE to develop global guidelines for PPPs are not acceptable, in the first place since this is not within the competence of the UN-ECE, the process is not inclusive of all stakeholders and not transparant. As we have pointed out there are significant equity concerns with regard to PPPs in education, water and health and we insist on the exclusion of the promotion of PPPs in these areas in the framework of financing for development.