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Public Private Interfaces in Development Financing

This paper is written by the PPI Task Group of the CSO for FfD Group[1]

Abstract

The paper defines a wide array of practices in the areas as public private interfaces (PPIs) in response to the rise of new types of instruments that have introduced private sector actors to variable degrees for the delivery of public services and public infrastructure. A great deal of recent attention in the interaction between the public and private sector actors in development financing has focused on Public-Private Partnerships (PPPs), which are long-term contractual agreements whereby the private sector is involved in variable degrees of the building, operating, financing and maintenance of public goods and services. However, the term Public-Private Partnerships (PPPs) is too imprecise, and the term is being used in a flexiur (e)-3 rn 0.18 0 Td[(d)-4 (e)9 (f)-4 (in)-4 (e)9 (d)-3.9 (mo)-2 (re)9 (b)-4 (ro)-2 (ad)-4 (ly)14 ( )-10 (a

resources, increasing productivity, reducing capital flight, encouraging the private sector, and

Careful negotiation of contracts as well as accountability and governance mechanisms that

2.1. Long-Term Public-Private Contract

On the spectrum of the PPIs, a long-term or practically perpetual PPI is one of the most talked about methods for public and private sector collaboration are, Long-Term Infrastructure Contract (LTIC) that often includes design, financing, building, operating and maintaining by a private sector actor (Bloomfield and Ahern 2011) in the areas including roads, railway, urban infrastructure, utilities. They are also sometimes used to deliver health and education services. These are often also called Public Private Partnerships (PPP), P3 contracts, Private Finance Initiatives (PFIs), when an aspect of the arrangement is highlighted. Even if a single contract comes to an end, say a rail or a bus concession, a new tender is drawn up rather than foreseeing the public sector to operate the service or infrastructure. The proposed benefits of the model include cost-effectiveness and project quality if the government contract (World Bank, 2012) is designed in such a way to capture such benefits – including using relevant guidelines UNESCAP (2017) and standards UNECE (2016). However, the public sector often carries much of the risk of systemic failure or planning errors, as well as paying for continued operation and maintenance often at a relatively high price as private sector cost levels and profitability levels need to be counted on the cost side, and accounting methods may involve not revealing the true cost of LTICs on balance sheets (EURODAD 2015).

2.2. Limited-Duration Public Private Contracts

When we move from long-term to short-term PPIs, they tend to involve much less operating and maintaining contracts, while the focus is on limited-duration contractual interaction so as to achieve a specific purpose or goal. The models that are used here include also some PPPs where operation is handed over to public sector administration or government-owned enterprises. Thus, for instance, Alliance Contracting (ACEVO 2015) involves only joint risk and reward sharing in design and building contracts, while the actual asset is owned, maintained and operated by a public body. Other limited-duration public private contracts includes so-called **blended finance** and **leveraged finance, where the private sector is incentivised through grant components or concessional finance to invest their own resources**. Leveraged financing may take place via project lending at Development Finance Institutions (DFIs), but it may also take new forms. The collaboration may also include specific grant programmes that incentivise private sector behaviour with a defined public benefit, such as Challenge Funds (O'Riordan et al 2013: 4), Prosperity Funds and Enterprise Funds. The theory behind 'leveraged' or 'blended' financing is that by supporting private sector enterprises from public resources and ODA in development financing, they can mobilise or catalyse additional private sector funding and incentivise innovative approaches to delivery of public goods and services. These initiatives also are vehicles for channelling more ODA resources to the private sector. The issue with the first assumption on catalysing or mobilising, as noted by UK's independent commission on aid impact (ICAI 2016), is that the resulting impact assessment lacked robustness, and thus ODA eligibility becomes hard to justify.

2.3. Regulated private provider enjoying a concession

There are also several non-contractual public and private interfaces that are more often governed by legislation, regulation or application process for subsidies, and concessions aimed at mobilising actors and resources. Looking first at areas where a public sector gives a concession or role to the private sector we have many multi-stakeholder partnership Initiatives in areas such as global health initiatives, e.g. the Global Fund for HIV/AIDS, Malaria and Tuberculosis, and initiatives to purchase medicine at bulk prices e.g. Global Alliance for Vaccines and Immunization (Nishtar, 2004). **These public concessions**

South Africa (2017) defines that the mandat

	private sector, there is the danger of the financially stronger partner influencing the public sectors decision making process on policies, regulatory and legislative matters, which have implications on the public benefit derived from the relationship. One way to redress differences in negotiation power is by establishing regulators to oversee newly created PPPs, but creating a regulatory environment and costs associated with it may actually erode cost savings of PPPs.

This involves clearly publicized rules and procedures on due diligence, standards, selection criteria, and competitive or invited bidding. These may be long-term or short-term contracts, extending up to 30-years for some Public-Private Partnerships (PPPs) to a few months for delivery of a specific public procurement contract.d n g e d c o O 1 3 (p) - 7 (

	another type of PPI would be more suitable – e.g. a municipal or state-owned enterprise.
	Accountability involves ways in which the public sector establishes lines of public and administrative accountability in the chosen interface. Public-private partnerships also tend to shift accountability from direct to indirect accountability when management and operation is contracted out to the private sector. As a result customers can no longer hold service providers accountable by using administrative checks and balances through elected representatives and administrative staff in public godies, but need to work through complaints mechanisms as they are established by the private sector provider (Forrer et al 2010). The role of governmental bodies is limited to establishing standards, and potentially regulatory bodies that can issue fines or notices. Private sector partners will almost always be less transparent than the public sector (Colverson and Perera, 2011). However, in some services, e.g. schools, members of the public expect a high level of involvement and transparency due to relational specific nature of the service. Clarity in such relationships is needed to avoid ambiguities about the public interest, and impact on sustainable development and human rights.

4. Conclusion

The purpose of this issue paper was to discuss the existing types of Public-Private Interfaces (PPIs), and analyse their properties with regards to their usefulness and accountability in terms of helping to realise the objectives of the Addis Ababa Action Agenda as a continuation of the Monterrey Consensus on Financing for Development; and further, to what extent the well PPIs help to achieve the Means of Implementation (MoI) commitments under the 2030 Agenda for Sustainable Development, as well as within the international human rights frameworks. There is a clear need to actively increase the policy space of developing countries so that they can find the best available arrangements for public and private sector interaction suitable for each distinct situation.

In some cases, using a public procurement more transparently and effectively may help to achieve the commitments under the AAAA and 2030 Agenda, while also State Owned Enterprises (SOE) at different levels of government are commonly used to achieve similar goals as long-term PPPs. Having all these and indeed many other options on the table is important in order to have an informed dialogue. This issue paper proposes a research project to analyse and assess these and indeed potentially many other less well-known alternatives to achieve the overall ambition of increased and sufficient financing for development as a cornerstone for also achieving the 2030 Agenda and numerous human rights commitments and frameworks.

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