

# Governance in the financing of the post-2015 agenda

## PPP<sup>P</sup>s and “blended institutions”

Notes for the intervention by  
Roberto Bissio  
Coordinator of the International Secretariat  
of Social Watch

New York, December 11, 2014



# From blended finances to blended institutions



Figure 1 of “The Road to Dignity by 2030”, Synthesis Report of the UN Secretary General, December 4, 2014

# From blended finances to blended institutions

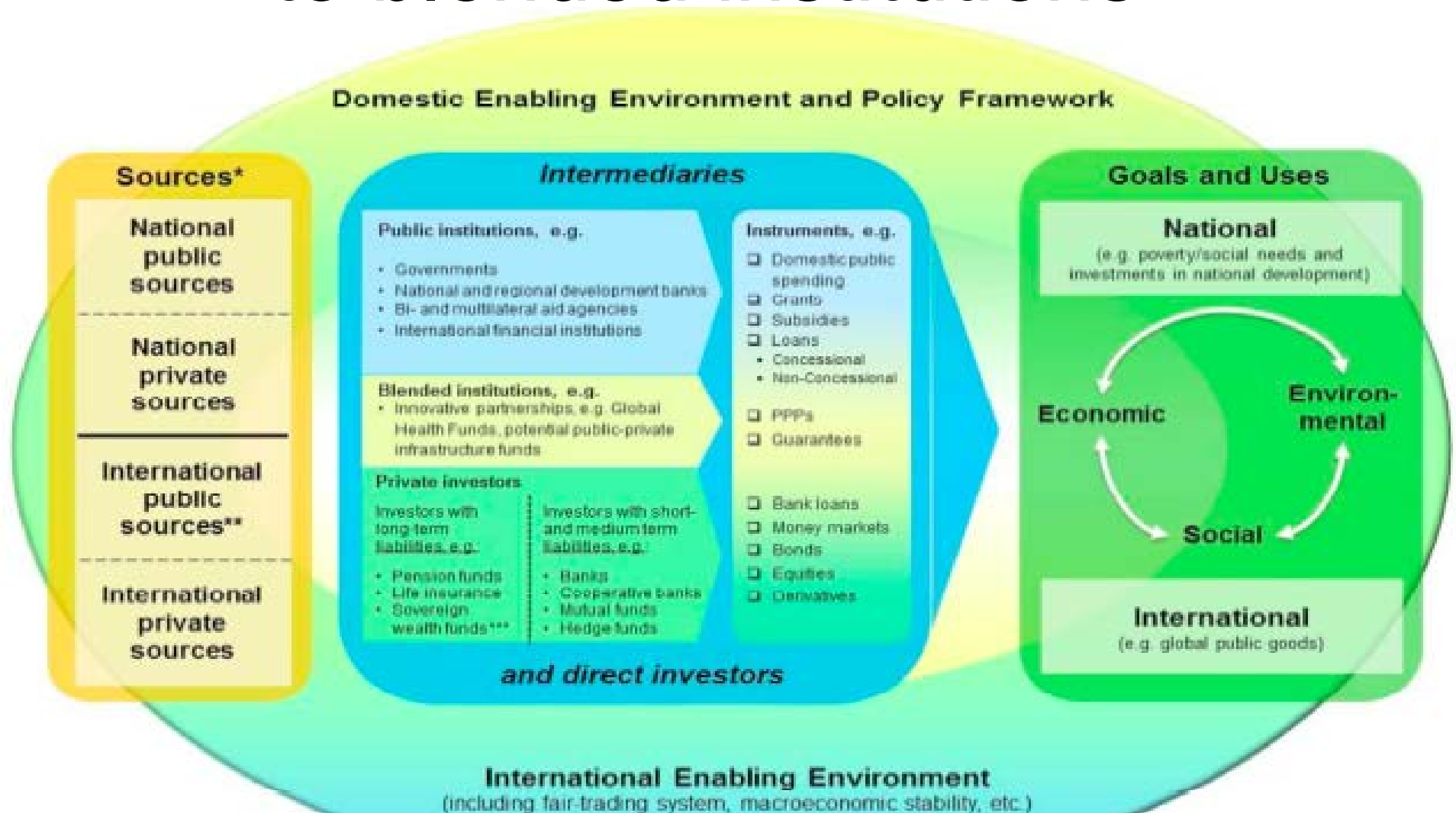


Figure 1 of “The Road to Dignity by 2030”, Synthesis Report of the UN Secretary General, December 4, 2014

# Mobilizing trillions...

Urgent action is needed to mobilize, redirect, and unlock the transformative power of **trillions of dollars of private resources** to deliver on sustainable development objectives. Long-term investments, including foreign direct investment (FDI), are needed in critical sectors, especially in developing countries. These include sustainable energy, **infrastructure** and transport, as well as information and communications technologies.

The sustainable development goals provide a platform for aligning private action and public policies. [...] This means principled and responsible **public-private-people partnerships**.

[“The Road to Dignity by 2030”, Synthesis Report of the Secretary-General On the Post-2015 Agenda, paragraphs 92 and 81]

# projects have a calamitous history of cost overrun

Bent Flyvbjerg, Saïd Business  
School, Oxford University, Oxford,  
United Kingdom

“What You Should Know About  
Megaprojects and Why”

	Project Cost Overrun (%)
Suez Canal, Egypt	1,900
Scottish Parliament Building, Scotland	1,600
Sydney Opera House, Australia	1,400
Montreal Summer Olympics, Canada	1,300
Concorde Supersonic plane, UK-France	1,100
Excalibur Smart Projectile, USA, Sweden	650
Canadian Firearms Registry, Canada	590
Lake Placid Winter Olympics, USA	560
Medicare transaction system, USA	560
Bank of Norway headquarters, Norway	440
Furka Base Tunnel, Switzerland	300
Verrazano Narrow Bridge, USA	280
Boston’s Big Dig Artery/Tunnel, USA	220
Denver International Airport, USA	200
Panama Canal, Panama	200
Minneapolis Hiawatha light rail line, USA	190
Dublin Port Tunnel, Ireland	160
Montreal Metro Laval extension, Canada	160
Copenhagen Metro, Denmark	150
Boston–New York–Washington Railway, USA	130
Great Belt Rail Tunnel, Denmark	120
London Limehouse Road Tunnel, UK	110
Brooklyn Bridge, USA	100
Shinkansen Joetsu high-speed railway, Japan	100
Channel Tunnel, UK, France	80
Karlsruhe–Bretten light rail, Germany	80
London Jubilee Line extension, UK	80
Bangkok Metro, Thailand	70
Mexico City Metroline, Mexico	60
High-speed Rail Line South, Netherlands	60

# What can go wrong?

OPPP

OBSERVATÓRIO  
PARCERIAS  
PÚBLICO-PRIVADAS

ORGANISATION  
FOR ECONOMIC  
CO-OPERATION  
AND DEVELOPMENT



**The impact of PPPs contracting on  
Portugal's fiscal position and  
what can be done about it**  
Presentation at the 4th Annual OECD Symposium on  
PPP Working Party of Senior Budget Officials (SBO)

Professor Ricardo Ferreira Reis

# What can go wrong / continued

## The PPP Experience in Portugal

---

- Intensive use of PPP to close the “infrastructure gap”
- Portugal lead PPP projects when measure by the size of the GDP
- “Off-budget temptation”, and not Value for Money, was the main reason to choose PPP instead of traditional procurement
- Affordability issued due to the high level of future payments.

# We saw it coming

1. PPPs, without proper control, provide an effective way for approval and launching of public investment projects without guaranteed sustainability. PPPs allow for the transfer of cost from the current generation to future generations, and specially from the current government to future governments, because typically there are no payments in the first three or four years after contract close.
2. Since PPP projects are perceived by current public decision-makers as zero-cost projects, the selection of projects looses rationality, allowing for the approval of projects presenting social benefits lower than total costs.

*(PPP and Fiscal Risks: Experiences from Portugal, by Rui S. Monteiro, Parp'ublica, Portugal, March 7th, 2007)*



# Not just in Portugal...

Home | Video | Themen | Forum | English | DER SPIEGEL | SPIEGEL TV | Abo | Shop | Schlagzellen | Wetter | TV-Programm | mehr ▼

**SPIEGEL ONLINE WIRTSCHAFT**

Login | Registrierung

Suche | Kurse

Politik | Wirtschaft | Panorama | Sport | Kultur | Netzwerk | Wissenschaft | Gesundheit | einestages | Karriere | Uni | Reise | Auto | Stil

Nachrichten > Wirtschaft > Staat & Soziales > Public Private Partnership > ÖPP: Privat finanzierte Autobahnen sind teurer als staatlich gebaute

Geldanlage

## ÖPP-Projekte in Deutschland: Privat gebaute Autobahnen sind teurer

Die Mehrkosten gehen in die Milliarden: Der privat finanzierte Autobahnbau ist laut Bundesrechnungshof deutlich teurer als öffentliche Projekte, berichtet das "Handelsblatt".

PPP Projects in Germany: Private roads are more expensive than public projects says official budget auditing institution

ANZEIGE

Consors



DPA

Privat finanzierter Ausbau der Autobahn A1: Pannen, Dauerstau und hohe Kosten

Teilen

Empfehlen 469

Twittern

Berlin - Vielen gelten öffentlich-private Partnerschaften (ÖPP) als Wundermittel gegen Kostensteigerungen bei Bauvorhaben wie Autobahnen, Straßentunnel oder Schulen. Offenbar behalten aber die Kritiker dieser Finanzierungsform Recht: Der privat finanzierte

# The evidence...



Haushaltsausschuss  
Ausschussdrucksache

0 8 2 2

18. Wahlperiode

Bundes  
rechnungshof

Bundesrechnungshof • Postfach 12 06 03 • 53048 Bonn

An die  
Vorsitzende des Haushaltsausschusses des  
Deutschen Bundestages  
Frau Abgeordnete Dr. Gesine Lötzsch  
Platz der Republik 1  
11011 Berlin

**Postadresse**

Postfach 12 06 03  
53048 Bonn

**Hausadresse**

Adenauerallee 81  
53113 Bonn

**Telefon** 0228 99 721-0

**Telefax** 0228 99 721-29 90

**Internet**

[www.bundesrechnungshof.de](http://www.bundesrechnungshof.de)

**E-Mail**

[poststelle@brh.bund.de](mailto:poststelle@brh.bund.de)

Ihr Zeichen, Ihre Nachricht vom

Unser Zeichen, unsere Nachricht vom  
V3-2013-5166

Durchwahl  
1532

Bonn, den  
04. Juni 2014

**Bericht an den Haushaltsausschuss des Deutschen Bundestages nach § 88 Abs. 2 BHO  
über Öffentlich Private Partnerschaften (ÖPP) als Beschaffungsvariante im  
Bundesfernstraßenbau**

Anlagen: 1 Exemplar des Berichtes  
120 Abdrucke mit je 1 Exemplar des Berichtes

# The bottom line: PPPs made four roads €1,9 billion more expensive

BAB	Abschnitte	Kostenvergleich		
		Bundesverkehrsministerium	Bundesrechnungshof	
		%	%	Mehrkosten Mio. Euro
<i>Verkehrsmengenabhängige Vergütung</i>				
A 8	Augsburg West – München-Allach	10,0	-41,4	420
A 4	Landesgrenze HE/TH – Gotha	31,8	-12,4	213
A 1	AK Bremen – AD Buchholz	39,5	-27,9	633
A 8	Ulm-Elchingen – Augsburg West	-9,8	-46,0	600
<i>Vergütung nach der Verfügbarkeit</i>				
A 9	AS Lederhose – Landesgrenze HE/TH	1,6	-7,9	62
<b>Summe</b>				<b>1 928</b>

Tabelle 4: Vergleich der Ergebnisse der Wirtschaftlichkeitsuntersuchungen des BMVI und der Berechnungen des Bundesrechnungshofes

# OECD opinion on PPPs

**Unclassified**

**DCD/WKP(2014)2/PROV**



Organisation de Coopération et de Développement Économiques  
Organisation for Economic Co-operation and Development

**10-Mar-2014**

**English - Or. English**

**DEVELOPMENT CO-OPERATION DIRECTORATE**

**DCD/WKP(2014)2/PROV**  
**Unclassified**

**OFFICIAL SUPPORT FOR PRIVATE INVESTMENT IN DEVELOPING COUNTRY  
INFRASTRUCTURE**

**Advisory Group on Investment and Development**

**21 March 2014**

# “unlikely to succeed”

51. Donor countries that have domestic experience in private participation in infrastructure should take them into account—success and failures—when promoting private participation in developing country infrastructure. This applies to countries including Spain and Portugal where **the extensive use of PPPs led to overinvestment in domestic infrastructure, contributing to the countries' financial crises.** However, it is not clear whether most DAC members link their domestic experience in private participation in infrastructure with their views and approaches towards supporting private investment for developing country infrastructure. [...] Private participation in infrastructure can be complex, time consuming and subject to frequent renegotiation and restructuring. **If certain modalities are hugely unsuccessful in OECD countries, they are unlikely to succeed in less developed** countries where cost recovery is more difficult.

# Allianz: “We would love to finance roads”

Aus dem Verlag DER TAGESSPIEGEL POTSDAMER NEUE MEDIEN Bootshandel GIEZ ZWEITE HAND TwoTickets.de KÖPFE

E-Paper Abo Anzeigenmarkt Themen Shop Sudoku Jobs RSS Mittwoch, 10. Dezember 2014

## DER TAGESSPIEGEL Wirtschaft

STARTSEITE POLITIK BERLIN WIRTSCHAFT SPORT KULTUR WELT MEIN  
VERBRAUCHER BERLIN, ABER OHO BERLINER WIRTSCHAFT KARRIERE IMMOBILIEN FINANZEN

06.10.2014 10:44 Uhr Kommentare: 14

### Chef der Allianz Lebensversicherung „Wir würden gerne Autobahnen finanzieren“

von Heike Jahberg Anzeige



**Markus Faulhaber, Chef der Allianz Lebensversicherung, hat zehn Lebensversicherungen. Im Tagesspiegel-Interview erklärt er, warum das sinnvoll ist. Und warum die Allianz in Zukunft in Infrastruktur investieren will.**

Empfehlen Twittern +1

„Die betriebliche Altersvorsorge sollte verbreitet werden“, meint Markus Faulhaber, und zwar von 60 auf 90 Prozent der Arbeitnehmer. - FOTO: ANDY RIDDER

**Herr Faulhaber, wie viele Lebensversicherungen haben Sie?**  
Zehn, alle bei der Allianz Leben

In a moment when developed countries borrow long term paying 1% interest, PPPs offer private investors a long/term state-guaranteed return rate of 7%.

# Issues for FfD

What kind of governance mechanisms should developing countries put in place to avoid mistakes as those?

With so much money looking for investment opportunities, what alternatives do developing countries have that do not accumulate excessive debt and future costs on their taxpayers and users of the infrastructure?

Having already identified the need for international tax cooperation to avoid a “race to the bottom”, how can this lesson be applied to competitive investment attracting measures?

# UN-forged partnerships

A UN system that is “fit for purpose” to deliver on the post-2015 agenda is one that [...] forges effective partnerships to leverage external partners’ expertise, capacities and resources.

[“The Road to Dignity by 2030”, Synthesis Report of the Secretary-General On the Post-2015 Agenda, paragraph 152]



# A constellation of “partnerships”

**Every woman every child** – CocaCola and many others

**Sustainable Energy for All** – Bank of America, Korean and Brazilian construction firms

**Education First** – MasterCard, Western Union

**Nutrition, Sanitation, Oceans, Internet...**



## UN chief unveils \$1.5 billion initiative to achieve universal education



Secondary education. UN Photo/Eskinder Debebe

26 September 2012 – Secretary-General Ban Ki-moon today announced that he has secured \$1.5 billion in commitments for a new initiative to increase access to, and the quality of, education for children worldwide.

“Every one of us stands on the shoulders of our teachers, our communities, our families

### Related Stories



As number of surges, UN calls for protection effort



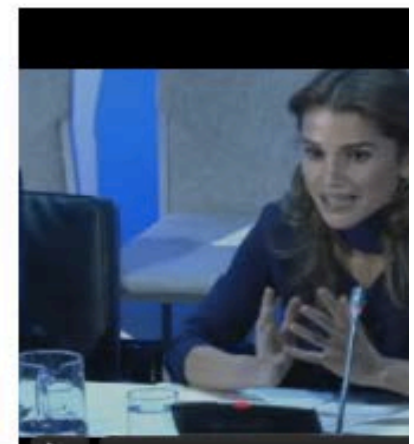
In Harlem, deplores inequality, non-compliance 'absolutely basic'



UN refugee agency calls for ever budget as by a quarter



UN agency recovers 'lifeline' for Palestinian



# Is someone counting?

"Education First," announced "commitments" worth USD1.5 billion in 2012. Of these, one billion would be provided by Western Union, a corporation specializing in channeling remittances from migrants, and 500 million by MasterCard.

However, the MasterCard Foundation has a total grant making capacity for all its programmes of USD 100 million a year and the Western Union Foundation website reports grants of only USD 71 million since 2001.

The small print of the "Education First" website says that MasterCard will provide scholarships for 15,000 African university students over ten years, while Western Union will "provide up to \$10,000 per day in non-governmental organization grant funding." At that pace, it will take 274 years to reach USD 1 billion!

# Ex-ante criteria

- \* human rights record of the corporate actor
- \* corruption record of the corporate actor
- \* whether the corporate actor is fully transparent in its financial reporting and fully respecting existing tax responsibilities in all countries it operates
- \* potential conflicts of interest

[Extracted from a letter to UN SG by the “Righting Finance” coalition, November, 2014]