



TAMING THE TERRA INCOGNITA OF PPPs

THE CASE FOR DATA AS AN EXPLORATION TOOL

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The PPP territory spans the globe, and the debate over its effectiveness as a financing tool to achieve development goals reaches equally far and wide.

Most recently, this debate was revived by the discussion about the post-2015 development agenda. One of the targets of the United Nation’s Sustainable Development Goals is to “Encourage and promote effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships.” If PPPs are to play an important role in the development agenda, the scale of PPP investments has to increase significantly. The scale-up will be successful only if projects are procured, managed, and regulated well.

As our understanding of the need—and our sense of urgency—grows, one thing continues to be troubling. Results so far have been based mainly on anecdotal evidence and case studies where attribution remains dubious. Typically, findings cannot be generalized as they depend on the particular characteristics of the specific projects.

We can do better. As economists, development professionals, finance experts, and explorers of new and creative solutions to solve the problem of poverty, we must do better. And we will—with better data.

HOW DID WE GET HERE?

Lack of data has constrained the empirical literature on PPPs, in turn constraining our



WHAT WE TALK ABOUT WHEN WE TALK ABOUT DATA

It's always useful to clarify a term like “data,” which may have different meanings depending on context. People talk about data in referring to a variety of approaches to understanding numbers, but most people use it as a synonym for “information” in the most general sense.

For the purpose of this article, data is defined as pieces of information translated into a particular format (usually numbers or words) that can be easily processed and analyzed. They are typically the results of measurements: for example, statistics on the economy (GDP, population, or income per capita). When data are processed, analyzed, and interpreted, they become information and knowledge that can guide decision-making. For example, data on income per capita does not mean anything on its own, but when compared over time and/or across countries, this can be useful information to help professionals understand how an economy is developing.

— *Fernanda Ruiz Nuñez*

ability to explore PPPs' potential to transform markets. After all, what do we really know about the economic impact of PPPs? So far, the literature on this field focuses on a narrow set of papers examining the results of PPPs in developing countries. These studies share a well-defined and credible identification strategy. The evidence shows that there is a positive and significant impact of private sector participation in access, quality of services, labor productivity, and reduction in technical losses. The magnitude of the impact varies by sector and size of the project and with the context, especially as it relates to the institutional and regulatory environment.

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Has this positive impact translated into lower prices, more jobs, and less poverty? That's the most important question of all—and here the availability of data becomes extremely scarce and the evidence very thin. Efficiency gains do not always translate into reduction in tariffs

due to initial prices below cost recovery (with subsidies not always well targeted to the poor), or with the private sector retaining part of the profit. Many scholars argue that gains in labor productivity have been linked to a reduction in staff. Most of the literature confirms that this has been the case for short-term direct employment; however, little is known about the medium- and long-term impact on direct and indirect employment that could have counterbalanced the initial negative impact. The empirical evidence also indicates that the distributional impact varied, but the effects were largely positive.

A CALL FOR CHANGE

Lack of data blocks other important conclusions that could help set a PPP agenda tied to reduction of poverty. Of the studies that do exist, the analysis shows that an increase in access to public services benefits the poorest segments of the population—groups that were previously largely excluded from access and required to pay for more expensive alternatives (for example, water and energy). The literature also shows that the poorest have significantly benefited from lower child mortality rates associated with increased access to and better water services from utilities managed by the private sector.

If such compelling deductions are to be drawn from the few studies that have been conducted, we can only surmise that other research conducted in an equally rigorous manner will push our understanding even further, and in turn improve PPPs' effectiveness.

Together, as data collectors, we can help transform the practice of PPPs from an art to a science, allowing us to release the potential of this still-untamed territory.

