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## **Macroeconomic Dimensions of Public-Private Partnerships**

by Edward F. Buffie, Michele Andreolli, Bin Grace Li and Luis-Felipe Zanna

**I N T E R N A T I O N A L   M O N E T A R Y   F U N D**

## IMF Working Paper

Research Department, Strategy, Policy, and Review Department, and  
Institute for Capacity Development

### Macroeconomic Dimensions of Public-Private Partnerships

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### Abstract

The voluminous literature comparing public-private partnerships (P3s) and own-investment (OI) by the public sector is dominated by contributions from microeconomic theory. This paper gives macroeconomics a voice in the debate by investigating the repercussions of P3 vs. OI in a dynamic general equilibrium model featuring private capital accumulation and involuntary unemployment with efficiency wages. Typically P3s cost more but produce higher-quality infrastructure and boast a better on-time completion record than OI; consequently, they are comparatively more effective in reducing underinvestment in private capital, underinvestment in infrastructure, unemployment and poverty. The asymmetric impact on macro externalities raises the social return in the P3 2 - 9 percentage points relative to the social return to OI, depending on whether the externalities operate singly or in combination and on whether P3 enjoys an advantage in speed of construction.

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## Table of Contents

Page

1. Introduction.....	<a href="#">4</a>
2. The Model.....	<a href="#">7</a>
2.1. The Choice: P3 or OI? .....	<a href="#">7</a>
2.2. The Private Sector.....	<a href="#">9</a>
2.3. The National Budget Constraint .....	<a href="#">10</a>
2.4. The Case for Efficiency Wages .....	<a href="#">10</a>
3. Inputs.....	<a href="#">11</a>
3.1. The Long-Run Solution .....	<a href="#">12</a>
3.2. The Transition Path.....	<a href="#">15</a>
3.3. The Welfare Criterion .....	<a href="#">16</a>
4. Welfare Comparisons.....	<a href="#">17</a>
4.1. Full Employment .....	<a href="#">17</a>
4.2. Unemployment.....	<a href="#">18</a>
4.3. The Importance of Speed.....	<a href="#">19</a>
5. The Fiscal Challenge.....	<a href="#">20</a>
6. Extensions .....	<a href="#">22</a>
6.1. Distortionary Taxes Adjust.....	<a href="#">22</a>
6.2. Incorporating Distributional Concerns .....	<a href="#">24</a>
7. Concluding Remarks.....	<a href="#">25</a>

## Tables

1. Unemployment rates in LDCs .....	<a href="#">27</a>
2. Percentage difference in the increase in steady-state consumption for P3 vs. OI. ....	<a href="#">29</a>
3. Ratio of welfare gain in P3 vs. OI in the model with full employment.....	<a href="#">30</a>
4. Ratio of welfare gain in P3 vs. OI in the model with open employment and $b_2 = 1$ . ....	<a href="#">31</a>
5. Ratio of welfare gain in P3 vs. OI and the breakeven value of $R_p$ when there is full employment and P3 builds infrastructure faster than OI.....	<a href="#">32</a>
6. Ratio of welfare gain in P3 vs. OI and the breakeven value of $R_p$ when $b_2 = 1$ in the model with open employment and P3 builds infrastructure faster than OI .....	<a href="#">33</a>