EU auditors issue damning report on public-private partnerships

The European Court of Auditors (ECA), the European Union's financial watchdog, has recommended that neither the EU nor Member States should promote public-private partnerships (PPPs) until the major problems identified in its latest report have been resolved.

(22 March 2018) The ECA report, published on 20 March, analyses 12 PPPs in four countries and concluded that they "cannot be regarded as an economically viable option for delivering public infrastructure." The report is damning and goes on to say that the PPPs "suffered from widespread shortcoming and limited benefits, resulting in €1.5 billion of inefficient and ineffective spending."

The ECA also concluded that: “value for money and transparency were widely undermined in particular by unclear policy and strategy, inadequate analysis, off-balance-sheet recording of PPPs and unbalanced risk-sharing arrangements.”

This report is more evidence of the problems arising from PPPs following the collapse of the Carillion company, one of the UK’s leading PPP operators and another highly critical report on PPPs from the UK’s National Audit Office. A report from the Smith Institute in the UK, published earlier this year, also raises series questions about PPPs, their cost, transparency and value for money.

The ECA identified a number of specific failings and problems:

- PPPs allowed public authorities to procure large-scale infrastructure through a single procedure, but these increased the risk of insufficient competition and therefore put the contracting authorities in a weaker negotiating position.
- The majority of PPPs audited were subject to considerable inefficiencies during their construction, with seven of the nine completed projects – corresponding to €7.8 billion – project cost incurring delays of up to 52 months and major cost increases.
- Risk allocation between public and private partners was often inappropriate, incoherent and ineffective, while high remuneration rates (up to 14 %) on the private partner’s risk capital did not always reflect the low risks borne.
- Most of the six audited ICT projects were not easily compatible with long contract durations as they were subject to rapid technological change.

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