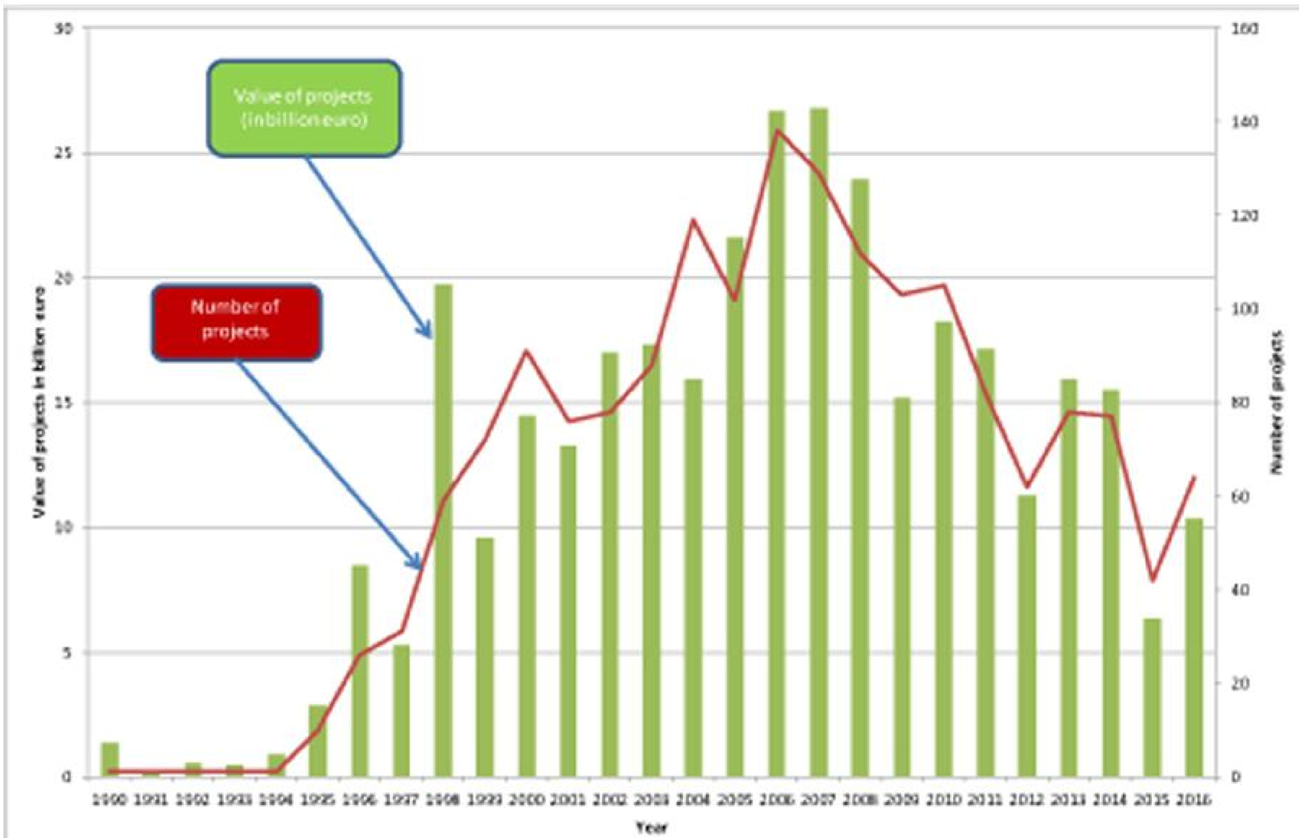
European Court of Auditors report on Public Private Partnerships (PPPs)



(27 February 2019) On 5 February EPSU, Eurodad and other civil society organisation met the European court of Auditors (ECA) in Luxembourg to discuss their recent highly critical report report on Public Private Partnerships (PPPs). Published in March last year, the report provides much evidence that PPPs are unworkable and has received widespread attention from governments, the World Bank, the UN general assembly, the European Parliament and the world investment forum in Geneva. We stressed that the ECA should continue monitoring PPPs and follow-up if the Commission and Council implemented the recommendations.

The ECA identified 84 projects worth 9.6 billion euros co-funded by 3 EU financial instruments and carried out an audit of 8 of these. 30% of the total costs of the audited projects were provided by the EU. The analysis concluded that public money had been spent ineffectively and that the expected benefits of the PPPs had not been realised. For one identified PPP in Ireland, the ECA was unable to carry out the audit because of the refusal of the Irish Government to provide necessary financial information.

According to the ECA, the audited PPPs suffered from widespread shortcomings and limited benefits, resulting in €1.5 billion of inefficient and ineffective spending. In addition, value for money and transparency were widely undermined in particular by unclear policy and strategy, inadequate analysis, off-balance-sheet recording of PPPs (that hides the true costs) and unbalanced risk-sharing arrangements.

As the ECA PR says, given the problems, EU co-financed PPPs cannot be regarded as an economically viable option for delivering public infrastructure.

The ECA report concludes that "*the European Commission and the Member States should not promote a more intensive and widespread use of PPPs until the issues identified in this report are addressed and the following recommendations are successfully implemented; in particular, improving the institutional and legal frameworks and project management and increasing assurance that the choice of the PPP option is the one that provides most value-for-money and that PPP projects are likely to be managed in a successful manner.*"

Key recommendations are:

1. Do not promote a more intensive and widespread use of PPPs until the identified issues are addressed and recommendations are successfully implemented

2. Mitigate the financial impact of delays and renegotiations on the cost of PPPs borne by the public partner. Identify and proposed standard contract provisions that may mitigate the financial impact / assess early re-negotiations.

3. Base the selection of the PPP option on sound comparative analyses / ensure that ECA has full access to the documents (recommendation for the Commission).

4. Establish clear PPP policies and strategies to identify the role of PPPs / concentrate financial support to PPPs in sectors of high strategic importance and compatible with the nature of PPPs

5. Improve the EU framework for better PPP project effectiveness. Support only if assurance that choice of PPP option was justified by Value for Money considerations / improve transparency by publishing periodic lists of PPP projects with meaningful

data / assess additional complexity of EU blended PPP projects in view of further simplification of rules and procedures

The European Commission, in its response to the ECA report (and which annexed to the ECA report) downplays the shortcomings identified by the ECA as well as it's responsibility for the development of PPPs.

For the full ECA report
https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=45153

For EPSU's 2014 critique of PPPs https://www.epsu.org/article/epsu-briefing-public-private-partnerships-ppps-11-facts-about-public-private-partnerships

Policies
PPPs