Privatisation and PPPs – the EU perspective

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EU policy

• Single market and liberalisation – promoting competition – irrespective of ownership

• However, competitive pressure means that even publicly owned service providers end up operating like private, for-profit companies

• In principle, the EU does not have a position on privatisation….
EU policy

• … in practice
• Substantial privatisation programme in Greece is part of bail-out agreement
• In 2017, as part of European Semester, five countries received recommendations to implement privatisation plans – repeated for three countries this year – other countries get recommendations on “efficiency” of state-owned industries
• European Commission will shortly publish major analysis of state-owned industries across EU by KPMG consultancy
• … but not just EU, similar messages coming from Organisation for Economic Co-operation and Development, European Bank for Reconstruction and Development
Public-private partnerships

- EU institutions have effectively been promoting PPPs for some time
- As long ago as 2004 resource book produced by DG Regio provided examples of PPPs
- EU funding for digital single market projects and major transport infrastructure project, including PPPs
- Juncker investment plan (European Fund for Strategic Investments) includes at least six PPPs in UK, Ireland, Italy, Austria and Finland
- Even promotes in relation to development aid… EU External Investment Plan,
PPPs not public investment

- Stability and Growth Pact and austerity impose restrictions on public investment, so PPPs are presented as solution.
- Recent report by high-level group on investment in social infrastructure identified the need for EUR 1.5 trillion over period up to 2030.
- Increased public finance and public investment not seen as an option, assumption that public finances squeezed or stagnant.
Barriers to public investment

• European Investment Bank analysis

“(1) the relatively low political cost of downsizing/delaying government investment programmes compared to current expenditure programmes and subsidies;

(2) an undervaluation of the role of government investment for growth, including its crowding-in effect in times of low growth; and

(3) a set of European and national fiscal sustainability regulations that do not incentivize the prioritization and ring-fencing of capital spending, especially at the sub-national level.”
Declining public investment

- Public investment as % share GDP

![Graph showing declining public investment as a percentage of GDP from 2006 to 2017 for the Euro area (19 countries) and EU (28 countries).]
Declining public investment

- Public investment as % share GDP: 2017 compared to 10-year average, 2007-2016

- Public investment in 2017 lower than 10 year average in 21 countries, higher in five and same in two
Declining public investment 2

- Public investment as % share GDP: 2017 compared to 10-year average, 2007-2016
Challenging privatisation and PPPs and making the case for public services and public investment