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- Directorate A -
ECONOMIC AND SCIENTIFIC POLICY

PUBLIC - PRIVATE PARTNERSHIPS
NATIONAL EXPERIENCES
IN THE EUROPEAN UNION

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PUBLIC – PRIVATE PARTNERSHIPS
NATIONAL EXPERIENCES IN THE EUROPEAN UNION

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Brussels, 22/02/2006

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PE 369.858
Executive summary

Public-private partnerships (PPPs) are becoming increasingly commonplace in Europe, with models varying across member states according to national legal frameworks and sectors of application. As there is currently no overarching European definition of PPP, the term is a sort of “umbrella notion” covering a broad range of agreements between public institutions and the private sector aimed at operating public infrastructures or delivering public services. A closer look at national examples reveals that PPPs have reached different degrees of development across the European Union, with some countries having achieved advanced results in PPP adoption and implementation, and others still at an intermediate or even preliminary stage.

This briefing note provides a general description of European experiences with PPPs and the sectors where this type of public-private arrangement is adopted. Four relevant national experiences (the United Kingdom, Portugal, Spain and Hungary) are examined in greater detail, in order to present success stories and problems that occurred due to specific country or sectoral characteristics.

The analysis contained in this briefing note demonstrates that some sectors are better suited than others for PPP adoption. The widespread use of PPP arrangements to provide rail and road infrastructure in all analysed national experiences testifies that private sector involvement in asset provision produces real value for money. It remains to be ascertained whether the same results can be achieved in other areas such as healthcare or education: so far, existing PPP contracts in these fields are quite recent, and it is therefore difficult to draw solid conclusions at this stage.

Finally, national political attitudes and existing competences play a key role for the development and success of PPP arrangements. The creation of dedicated units within public administrations and the increased managerial competences and attitudes in both the private and the public sector are likely to foster better results in the future.
1 Introduction

There is currently no overarching definition of public-private partnership (PPP) in Europe. As a result, PPP is a sort of “umbrella notion” covering a broad range of agreements between public institutions and the private sector aimed at operating public infrastructures or delivering public services. Existing European legislation does not regulate PPPs and only general EC Treaty principles and specific secondary legislation on public procurement and concessions set some guidelines on the topic. Nevertheless, PPPs are becoming increasingly commonplace in Europe, with models varying across member states according to national legal frameworks and sectors of application.

There are different reasons that render PPPs appealing to national governments: budgetary constraints for Euro zone countries, the need to absorb EU funding for CEE member states, New Public Management approaches in Anglo-Saxon administrations, etc. Moreover, institutional arrangements and political expectations play a significant role in further spreading PPPs. For example, the creation of dedicated PPP units at governmental level or the adoption of specific legislation can considerably speed up PPP diffusion. To this end, the development of appropriate competences not only in the private sector but also within the ministries themselves is a crucial element, as the Irish example demonstrates. Only experience can indeed guarantee that the public party retains the power and ability to control the implementation of PPPs to secure desired results. In this respect, some countries seem to be better equipped than others to promote and achieve the needed cultural change in public administrations.

At the same time, the influence of political expectations on the expansion of PPPs should not be underestimated. Despite the fact that some innovative PPP models are being introduced in traditionally core public sectors such as healthcare, prison facilities, and education, in many European member states the use of PPPs in these areas is still a taboo. Citizens often have very strong opinions on areas that should remain within the exclusive competence of the government. The issue becomes even more delicate when human resources are directly involved and civil servants often fear that involving the private sector might lead to job losses and a lower quality of services. In addition, it is too early to draw conclusions on the welfare enhancing capacity of PPPs in these sectors, as existing examples are too recent.

Political expectations on activities and services that the State may and may not delegate to the private sector also exert a significant impact on the financing of PPPs and on governments’ ability to control and address possible failures without severe consequences for public accounts. This can be clearly observed in the case of Spain, where the legislation spells out that the State always maintains responsibility in contracts involving the public party. As a result, when a PPP turned out to be more expensive than what had been calculated *ex ante*, the government was expected to fund the project and ensure its viability, thus setting a precedent for future cases.

It is against this background that European experiences with PPPs in different sectors are presented in this briefing note.

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1 For further details, see companion briefing note on *Public - Private Partnerships. Models and Trends in the European Union*, section 2.

2 Ireland has a Central PPP Policy Unit in the Department of Finance and a comprehensive Framework for Public Private Partnerships since 2001. As a consequence, the number of PPP projects and the ability to attract private funding have dramatically increased. PPP contribution is set to jump from 3% of total investment in 2005 to 15% in 2009.
2 European experiences with PPP

For what concerns PPP adoption, European member states can be divided in three groups: the “advanced PPP adopters”, such as the United Kingdom and to some extent France, Germany, Ireland and Italy; the “intermediate PPP adopters” like Spain or Portugal where considerable results have been achieved but not in all sectors; and finally the “latecomers”, where PPP use is still at a very early stage. Despite the inevitable degree of simplification, this taxonomy provides a helicopter view of the different levels of development and diffusion of PPPs within the European Union. CEE countries form a separate group because of their different economic and political characteristics.

“Advanced PPP adopters” have experienced PPPs in many sectors, from the provision of basic public infrastructures such as roads and railways to the most innovative and challenging fields of healthcare, schools and prison services. These countries can count on a substantial number of closed projects and have already developed a somewhat clear idea of those sectors in which PPPs are best suited and those in which PPPs face substantial problems. Advanced PPP adopters have already introduced appropriate national and sometimes regional legislation to deal with PPPs, and use specific tools to assess whether individual PPP projects can be expected to really deliver value for money. Some countries, such as Ireland, have created ad hoc governmental departments to ensure that PPP expertise is developed and centralised. In some cases, such as the United Kingdom, traditional instruments to evaluate the efficiency and the welfare enhancing potential of PPPs are being reviewed, and innovative solutions are currently under discussion.

“Intermediate PPP adopters”, like Spain, Portugal and to some extent the Netherlands, have achieved significant progress in adopting PPPs for infrastructure provision, with many projects already procured and some closed. Nevertheless, the extension of PPPs to other sectors has proven more difficult due to ambiguous provisions in existing legislation, or to frequent changes in governments and in political attitudes towards this instrument.

The group of “latecomers” includes those member states – such as Luxembourg or Sweden – where PPPs are almost absent from all sectors or are only at a fairly preliminary stage of adoption. Possible reasons lie in a different, more rigid approach to the role of the State in the provision of core public infrastructure; or in better budget management at public level, which reduces the need and the incentive to call on private sources of financing for the provision of assets and services. In the case of Belgium, the complex federal structure of the state has delivered mixed results: Flanders can be considered as “intermediate PPP adopters”, while Wallonia is still lagging behind. The Greek case is particularly interesting, as it combines advanced examples of PPP projects (the Athens International Airport, roads, sports and leisure facilities) with the complete absence of PPP initiatives in other sectors.

Finally, CEE countries deserve separate attention due to the role that PPPs play in facilitating infrastructure development and the absorption of EU funding. When compared with “old” member states’ experiences, in post-communist countries PPPs have to overcome significant challenges caused by the absence of human resource with adequate skills and expertise in dealing with such type of contracts, by underdeveloped capital markets and by a strong bias in favour of traditional procurement associated to EU funds. So far, infrastructure and greenfield projects constitute the majority of PPP initiatives. Even if many projects had to be renegotiated at an early stage and were generally characterised by bad risk evaluation, is must be acknowledged that CEE countries have achieved significant progress in managing PPPs. The most common cause of failure of PPP projects
in Central and Eastern Europe, as the Polish and Hungarian examples demonstrate, lies in the overestimation of the potential demand for services, which leads governments to bear a substantial part of the demand risk initially allocated to the private party. Conversely, the Czech Republic provides an interesting example of how infrastructure can be successfully delivered without a strict separation of the allocated funds from the government’s budget.  

The table below summarises the European Experience with PPPs by country and sector.

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**Legend**

- ◆: Discussions ongoing
- ◆: Projects in procurement
- ◆: Many ongoing projects, some projects closed
- ◆: Substantial number of closed projects
- ◆: Substantial number of closed projects, none of them...

**Source:** elaboration on PricewaterhouseCoopers

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3 Andreas Brenck et al., *Public-private partnerships in new EU member countries of Central and Eastern Europe: an economic analysis with case studies from the highway sector*, EIB papers, Vol. 10, n. 2, 2005, p. 82-111.
3 Some national examples

3.1 United Kingdom

The United Kingdom can undoubtedly be depicted as a pioneer country in the adoption of PPPs. PPP schemes were introduced in 1992 with the so-called Private Finance Initiative (PFI) that abolished the rule restricting the use of private capital to fund public assets. From that moment onwards, PPPs have gone a long way and by the end of 2004, 677 PFIs had been undertaken in the UK. The growth of PFI initiatives has been particularly significant after 2000 and has now stabilized as an 11% share of total public investment.

According to the latest HM Treasury report, the key sectors for PFI projects are health (with more than 34 hospitals and 119 other health schemes), education and skills development (with 239 new and refurbished schools), local government (with new fire and police stations), waste and water projects, transport and defence. The picture looks different when projects are considered from the perspective of their contract value as a percentage of all signed PPPs: at the end of 2004, as much as 51% of the total value of PPPs undertaken was located in the railway sector (e.g. three London Underground projects, the Channel Tunnel Rail Link), whereas 11% was related to healthcare, 7% to education, and 3% to prison services (mainly accommodation facilities). Roads and bridges accounted for 9% of the total value of PPP contracts, while the remaining 13% covered other types of services such as water supply and air traffic control.

A peculiarity of the UK experience is the early implementation of PPP schemes in the defence sector, which is often considered as one of the areas in which greater resistance to public-private partnerships is to be expected. PFI was first mentioned by the Ministry of Defence in 1995, and by 1996 PFI was announced as a recognised part of the Ministry’s drive for increased efficiency and value for money. The Ministry established a PFI Unit and identified six areas for PFI comprising training, equipment, property and accommodation, support services, utilities and information technology. By 2004, the Ministry had signed 52 PFI contracts with a capital value of £4.3 billion. The Ministry claims that PFI/PPP offers cost savings of 5% to 40%; however, the reliability of such claims is still questioned by scholars and commentators.

Some sectors have proven to be more suited than others for the adoption of PPP schemes. In particular, the UK experience shows that the use of PPPs to improve the performance of the National Health Service has produced valuable results, enabling a faster and cheaper delivery of much needed services and facilities. The same applies to the provision of school buildings. To the

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4 For further details see PricewaterhouseCoopers, Developing Public Private Partnerships in New Europe, May 2004, p.11.
5 Patricia Leahy, Lessons from the Private Finance Initiative in the United Kingdom, EIB papers, Vol. 10, n. 2, 2005, p. 58-71. The full list of signed PFI projects is available on the HM Treasury website at the following link: http://www.hm-treasury.gov.uk/media/D90/70/PFI_signedprojects_dec04.xls (last visited February 2, 2006).
10 HM Treasury, Speech by the Chief secretary to the Treasury, Paul Boateng MP at Global PPP conference in Berlin, 27 November 2003 (http://www.hm-treasury.gov.uk/newsroom_and_speeches/speeches/chiefsecspeeches/speech_cst_271103.cfm).
contrary, PFI/PPPs in the IT sector have produced quite deceiving outcomes to date. The fast pace of change in that sector, further accelerated by technological convergence and a mix of follow-on and disruptive innovation, cannot be easily captured in the *ex ante* design of PPP agreements. More in detail, in the IT sector the definition of long-term outputs is hardly feasible in practice, and the average length of PFI/PPP agreements hampers the public party’s ability to control and ensure service quality for the whole duration of the contract.

As the UK experience highlights, the size of PPP projects also matters. PFI/PPP negotiation and procedures are too long and too costly for small projects and therefore do not produce value for money. In other words, the initial sunk costs faced to design the contract, specify all output/quality/performance indicators and agree on contractual terms linked to foreseen and unforeseen contingencies may be too high if compared to the expected benefits of choosing a PPP. This is true also for the private party, especially when small and medium-sized enterprises are involved: SMEs might not have the financial resources needed to engage in costly and overly long negotiations, especially if the expected revenue streams are small.

Some valuable lessons can be learned from the British experience. The first concerns the choice of the parameters to be used in the assessment of the value for money (the benefit-cost ratio) provided by a PFI project. From this standpoint, the conventional Public Sector Comparator index has shown a set of shortcomings due to its limited ability to take into account qualitative elements. The PSC focuses only on costs and therefore seldom enables a full evaluation of the expected benefits of a PFI/PPP option when compared with alternative options. Moreover, its findings are somewhat easy to manipulate.

Secondly, the UK experience reveals that PFI/PPPs most often significantly outperform classical public procurement during the design and construction phases, thus achieving great value for money. In contrast, PFIs show some important flaws in the operational phase. This is mainly due to failures in contract management by the public party: a commonly observed failure is insufficient knowledge transfer between the procurement team and the contract management team, which ultimately leads to the emergence of “moral hazard” problems on the side of the private party. Lack of knowledge-sharing determines the emergence of a continuity gap in the public management of PPP contracts, thus sending puzzling signals to the private operator and reducing the public party’s ability to control the correct implementation of the contract.

Finally, the UK experience also highlights the need to increase the means of effectively monitoring and influencing the performance of the private sector. To this end, credible sanctions, performance measurement and payment deduction provisions have to be designed and carefully implemented. Most importantly, contract termination must become a credible threat.12

### 3.2 Portugal

The Portuguese experience with PPPs can be described as an ambitious and orderly learning process. The former government has been particularly proactive, initiating a considerable number of projects related to infrastructure. The current administration has slowed down PPP application in some sectors such as healthcare, where Portugal lacks significant pre-existing experience to support

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11 The Public Sector Comparator compares the costs of a PPP scheme with an estimate of the costs of procuring the project by conventional means. The PPP option is chosen if it proves to be more economic and affordable over the life of the scheme.

12 Patricia Leahy, *supra*.

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a broad use of this type of arrangement. Nevertheless, the political will to continue adopting PPP solutions is clearly stated.

The ongoing support for infrastructure-related PPPs in Portugal is mainly driven by the need for infrastructure improvement to boost the growth potential of the country. Accordingly, PPPs have been implemented mainly in the transport sector, with the construction of the second Tagus Bridge, the northern and western toll roads, and the launch of a shadow-toll road programme for the construction of a highway to improve safety levels and travel times between Portugal and Spain, known as Beiras Litoral / Alta Shadow Toll Road or SCUT project. The latter provides a good example of the trial and error process that led to a gradual but secure improvement in the Portuguese approach to PPPs. In most cases, a substantial part of the initial funding is provided by the European Union and – as in the case of SCUT – the European Investment Bank. It remains to be seen if such experience is replicable in other sectors.

The SCUT project was inserted in a wider National Road Programme initiated in 1996. Six shadow toll road concessions were initially planned. Works started in 2001 but were significantly delayed due to the absence of environmental licensing in the tender phase, a common problem in many Portuguese concessions. As the figure below shows, the project was set up as a Design-Build-Operate-Transfer (DBOT) Concession with the public sector, the EIB and Portuguese commercial banks providing the financing. Revenues for the concessionaire (Lusoscut consortium) are granted by a shadow toll system. The latter caused some adverse effects on the public sector as the transfers to the concessionaire proved to be much higher than forecasted. Furthermore, even if users don’t pay to use the road, they do so indirectly as the shadow toll system is financed through taxpayers’ money. Despite these shortcomings, the project will be completed and, mostly thanks to the encouraging traffic prospects, the government will soon introduce real tolls on some of the roads to partially compensate the dramatic increase in project costs.

PPP Structure of Beiras Litoral e Alta Shadow Toll Road

Source: European Commission

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13 SCUT stands for “Sem Cobranca ao UTilizador”.

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After the SCUT experience, the Portuguese government learned the lesson well: environmental licences are now obtained before tendering projects and a Public Sector Comparator index is systematically used to justify the adoption of a PPP scheme.\(^{14}\)

As far as healthcare is concerned, a standard tender programme and tender specifications are in place since 2002.\(^{15}\) So far, there have been two waves of projects for the construction of hospitals. In both cases, one of the planned constructions was abandoned due to strong opposition from trade unions and employees. The healthcare PPP programme has now been redesigned and the private partner is expected to provide both hospital facilities and clinical services. This approach is quite innovative and might produce mixed results. Up to now, the programme comprises 10 hospitals, with two in tendering phase.\(^{16}\)

Projects for water and waste management, prisons, student accommodation, the government’s €20 billion programme for high-speed trains and a new international airport are still in the study phase.

In Portugal, PPPs have improved the provision of public service and have adequately responded to the pressing need to boost infrastructure delivery. They have also positively impacted on public sector services by setting a competitive benchmark for public sector performance. However, these results are based more on effectiveness criteria than on economic efficiency. Some projects are likely to exert a significant fiscal impact in the long run, as there is widespread agreement that the risk borne by the public sector was significantly underestimated at least in some cases. Should this concern prove well-grounded, expectations on future costs and revenue streams will have to be considerably revisited.

Finally, PPPs have posed significant challenges to human resources in the public administration creating a considerable gap with increasing private sector expertise. The establishment of a dedicated PPP Unit, Parpública SA, in charge of collecting, analysing and disseminating information amongst interested parties, is likely to address such issues in the medium term.

3.3 Spain

In introducing PPPs, Spain was facilitated by its multi-level governance structure, particularly suited for the implementation of these types of contractual arrangement. Besides the effectiveness of central administrations in providing public services and assets, also regional authorities, the so-called comunidades autónomas, have the power to implement projects, including PPPs, in their areas of competence. As a result, PPP initiatives could be tailored to the specific needs of local communities and also led to the creation of cross-regional projects, monitored by the government itself.

PPPs were first adopted in Spain in the mid 90s, even though similar types of public-private arrangements were used in the 70s and 80s for the construction of toll roads. The focus on infrastructure is very strong, as demonstrated by the PPP Infrastructure Plan developed by the Aznar government for 2000-2007. This Plan projected a total investment of 103bn € by 2010 with emphasis on railroad and – to a lesser extent – road construction, which is rather advanced in Spain. The current PSOE government approved a new plan for 2005-2020 that continues to award priority

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to railroad over road construction. The first rail line connecting Madrid to Seville was built in 1992 entirely with EU and central government funding. The planned extensions including the Madrid-Barcelona, the Perpignan, the Valencia-Alicante, the Galicia and the Cuenca-Teruel lines will rely also on private investors. According to the government Plan, the private sector is expected to contribute to future projects with approximately 20% of the necessary funding; however, private investment has so far proven quite difficult to attract.\(^{17}\) The New Infrastructure Programme also schedules increases in port and airport capacity, as well as metro and light railway construction.

PPPs are also booming in the health sector: the *Madrid Nuevas Infraestructuras Sanitarias 2007* has projected nine hospitals in Madrid. So far, only one hospital project was launched in 2004 with a 30-year concession to construct, operate and maintain the asset. Should this experience be successful, the scheme will be adopted also in other parts of the country.

Despite the success stories presented above, extending PPPs to other sectors seems far from obvious in Spain. For example, the National Water Management project was abandoned by the new government because of strong environmentalist opposition, and was later replaced by projects aimed at building desalinisation plants. The latter might offer new opportunities for adopting PPP schemes in the near future. Moreover, prisons and courts are still perceived as an exclusive responsibility of the public sector, with very little possibility of change without *ad hoc* legislative intervention.

The observed drawbacks in PPP implementation in Spain are mainly related to the financing of projects. Access to international capital markets is rather limited due to the dominance of local players. The existing legislative framework is not crystal clear as regards the rights of financing parties in case of problems emerging during project implementation. As occurred in the case of railway construction, industry operators have developed a widespread belief that the State might always step in at some point, to support the provision of major public services and avoid project failures. This strengthens the advantage of local players compared to international ones who do not anticipate the likelihood of state intervention when submitting a bid. A recent amendment to the applicable law introduced greater financing and structuring flexibility.\(^{18}\) The chances for further PPP expansion and for greater access to international capital markets will mainly depend on the interpretation given to the amended legislative framework when cases are brought to court. In particular, the abovementioned provision introducing the State’s duty of support when the public sector is involved in a project should be dealt with carefully to prevent the Spanish Government from falling into the trap of paying for PPP projects that run into troubles.

### 3.4 Hungary

Although the introduction of PPPs in Hungary can be traced back to the early 90s, the massive wave of privatisation and frequent changes occurred in political attitudes over the past decade significantly hampered the adoption of these contractual arrangements over time.

In 2002, faced with a deteriorating budget combined with increasing request for public service provision, the newly elected government started to explore the potential to adopt alternative means of financing. An action plan was issued in 2003 with the aim of assessing in which sectors PPPs could be used and evaluating which legislative changes were necessary to implement PPP deals. An inter-ministerial committee was set up to address these issues, with a prominent role played by the

\(^{17}\) Freshfields Bruckhaus Deringer, *supra*, p. 69.  
Ministry for Economy and Transport. Moreover, a PPP Secretariat was established, with the aim of centralising and collecting all PPP-related information and knowledge. The Secretariat was dissolved in 2005, and its competences were assigned to the property management department of the Ministry of Economy and Transport. To date, Hungary has no specific PPP legislation; therefore PPPs have to be evaluated on a case by case basis taking into account the existing provisions on Concessions and the Public Procurement Act.

The first PPP projects were concentrated in the motorway sector and experienced significant difficulties caused by unrealistic traffic forecasts and other challenges related to the economic transition of the country. For example, the M1/M15 motorway – granted in the form of a Design-Build-Finance-Operate (DBFO) concession to a French-Austrian-Hungarian consortium – had to be renationalised when the actual traffic turned out to be 50% below forecast due to the toll system applied; as a result, the lenders (including the EBRD) refused to finance the completion of the M15 section. In the end, the financial risk that had been initially allocated only to the private party and the international lenders was transferred back to a special purpose public sector company in 1999 and the Government started assuming debt service obligations in 2003.

Another example of PPP, related to the M5 connecting Budapest to the Hungarian-Serbian border highlighted similar, although less dramatic problems. Since the contractual obligations have been performed in a timely manner, the project plan will be refinanced in 2008; however, the traffic risk has been reallocated to the government’s shoulders.\textsuperscript{19} Notwithstanding these first negative experiences, PPP schemes were included in a long-term road infrastructure development programme aimed at providing 2,500 km of expressway network by 2015\textsuperscript{20}. A DBFO concession was adopted to deliver the M6 connecting Érd to Dunaújváros (54 km) in 2006. A further extension of 198 km, reaching the Croatian border, will be built in 2007. So far, the concession seems to be designed more effectively than in previous cases, as the concessionaire is only bound to bear risks he can control.


\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{PPP_Structure.png}
\caption{PPP Structure of M1-15 Talled Motorway}
\end{figure}
The Hungarian Ministry of Education is also using PPPs to develop university infrastructure by creating 10,000 accommodations in student hostels. A pilot project has been launched in the University of Debrecen with a private party bearing the construction and the availability risk, and 11 similar schemes are being launched.

As far as the penitentiary system is concerned, two new prisons have been projected following the DBFO model. The contract foresees the creation of 700 prisoner places/prison in 15-20 years.

Despite the limited expansion of PPPs in Hungary, some valuable lessons for future projects in the whole Central and Eastern Europe area can be drawn. Risk evaluation and allocation seems to be the main problem, requiring in most cases a renegotiation of the contracts with increased financial burden for the public sector. Governments find themselves in a weak position during renegotiation: after all, admitting the failure of a project negatively affects the image of the country and its ability to attract foreign investments. Thus, the public party eventually accepts to carry the lion’s share of the misallocated risk, with visible effects on the public accounts in the long run.
4 Conclusion

As the cases presented so far demonstrate, PPPs have reached different stages of development within the European Union. Moreover, some sectors appear to be better suited for this type of arrangement than others.

The widespread use of PPP/PFI arrangements to provide rail and road infrastructure in all the analysed national experiences testifies that private sector involvement in asset provision can produce real value for money. Despite some drawbacks in the overall cost and risk evaluation – as occurred in the Hungarian M1/M15 case and, at least to some extent, in the London Underground projects – the adoption of PPPs for infrastructure-related projects has reached a mature stage. The creation of dedicated units within public administrations and the increased knowledge and managerial competences in both the private and the public sector are likely to promote further positive results and set best practice examples for the “latecomers” in this field.

What remains to be seen is whether the same results can be achieved in other sectors such as healthcare or education. All existing PPP contracts in the latter fields have been launched only recently, and drawing any conclusion would be premature at this stage. Even in the United Kingdom, where the NHS has often made use of PFI arrangements, a closer look reveals that the majority of ongoing projects are about facilities construction and maintenance of assets, without a massive transfer of core public-interest competences to the private sector. Some studies argue that PPPs are not suited for the delivery of clinical and schooling services as the quality of outputs provided by a profit-driven private operator is likely to be lower than what would be achieved by the public sector.\(^\text{21}\) Without appropriate and credible means of control and quality indicators from the public party, the political opposition to extending PPPs to core areas of public service provision will certainly rise. The positive/negative outcome of ongoing projects, such as the Spanish Infraestructuras Sanitarias mentioned above, will provide a clearer picture of the possibilities for future developments of PPPs in this field.

Finally, PPPs are not suited for sectors with fast-pace technological change, such as IT. It is almost impossible to set credible quality outputs for a long-term period without hampering possible innovations and constant improvement in the quality of services. Frequent renegotiations to adapt the contract to technological development would be overly costly, thus contradicting the basic reason for PPP adoption: the creation of value for money.

To sum up, PPPs are not a miracle solution and need long time to produce visible results. More than on a general expansion of this type of agreement to other sectors, governments should focus on refining their administrative capacities and their evaluation tools to ensure that PPPs allocate risks to the party that is best suited to manage them and that the benefits of involving the private sector in service provision are effectively reaped. Without this approach, the public sector runs the risk of using PPPs for the wrong reasons, for example to seek a short-term make-up of public accounts to the detriment of long-term financial sustainability.

\(^{21}\) Armin Riess, supra.

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