

Challenges faced by EURORAI member institutions in auditing the award and implementation of Public-Private Partnership projects – some practical examples

Synthesis and conclusion of the second session

Four examples have been presented: the reconversion of a NATO base in Rhineland-Palatinate in Germany, a survey concerning 29 PPP contracts in France, the financing in the form of the shadow toll system of motorways in Galicia (Spain), and the construction of two universities in the canton of Zurich (Switzerland).

It follows from this that it is a mixed picture, not to say negative of the implementation of PPPs in these four countries.

Certainly PPPs have a priori advantages in relation to other forms of financing of public infrastructure or services (direct implementation with debt financing, concession, public service delegation, public procurement):

- PPPs make it possible that public investments can be financed by the public sector in times of budgetary austerity.
- PPPs seem neutral on indebtedness (but they represent a non-financial debt which should appear in the off-balance-sheet commitments).
- In principle risks are shared equally among both the public and private sectors.
- The implementation by the private sector allows shortening deadlines and the maintenance of equipment ensures that infrastructures are kept in good condition once the contract is completed.

But PPPs present inadequacies and risks for territorial entities

- Sometimes they represent long-term commitments (25-30 years).
- Financial costs linked to them are high when compared with a typical loan.
- They raise the question of their budgetary sustainability since they represent a debt deferred to a later time.
- In general, contract awarding practices lack in transparency.
- It is observed that contracts are often non-transparent and that costs are getting out of control (contract amendments, programme changes...).
- PPPs are poorly monitored by territorial authorities which do not perform their control functions properly.

Recommendations for the future

- It would be useful to provide a better framework for the choice of resorting to PPPs and regulate their use.
- There is a need to ensure greater transparency in the decision to resort to PPPs and in the choice of the contractor. It is also necessary to ensure an adequate follow-up and the furnishing of information by the territorial authority throughout the implementation process.
- Contract's budgetary sustainability should be checked prior to and during the implementation (the importance of carrying out preliminary studies).

- Equitable distribution of risks between public and private sectors should be verified.
- It is necessary to adapt accounting standards in order to incorporate the value of all rentals (financing, exploitation, maintenance) in the off-balance sheet commitments of territorial authorities.