

4S/EASST Conference: Science and Technology by Other Means
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“That’s only statistics”: Recording PPPs in national accounts

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Setting the stage

Since 1992, public deficit and debt of EMU member states are limited to 3% and 60% of GDP

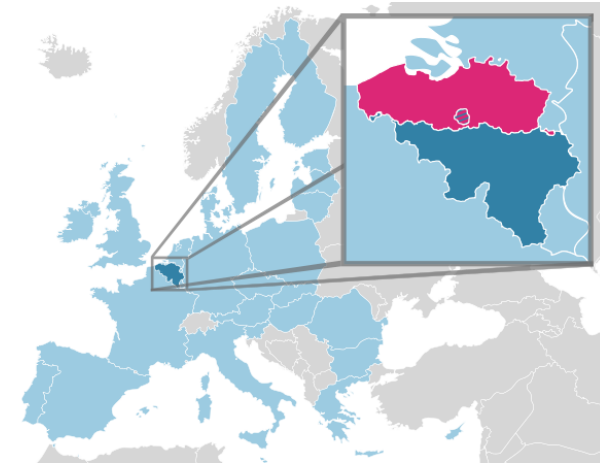
Figures calculated on basis of a harmonized framework: the European system of national accounts (**ESA**)

Consequence: widespread development of national accounting techniques aiming at circumventing these budgetary rules; **Eurostat** as watchdog



Case study: the tale of PPPs in Flanders

Since 2004, the Flemish region has built many schools, healthcare infrastructure, roads, etc. through **PPPs**



Fiscal incentive: these expenditures used to be classified “off balance sheet”

However, Eurostat recently decided to reclassify all Flemish PPPs “**on balance sheet**”



The statistical treatment of PPPs in the ESA

Eurostat's seminal decision (2004)

“Eurostat recommends that the assets involved in a public-private partnership should be classified as non-government assets, and therefore recorded **off balance sheet** for government, if both of the following **conditions** are met:

1. the private partner bears the **construction risk**, and
2. the private partner bears at least one of either **availability or demand risk**”.

ESA 2010

“Main risk and reward elements:

- (a) construction risk;
- (b) availability risk;
- (c) demand risk;
- d) **residual value** and obsolescence risk;
- (e) the existence of grantor financing or granting **guarantees**, or of advantageous termination clauses [...].

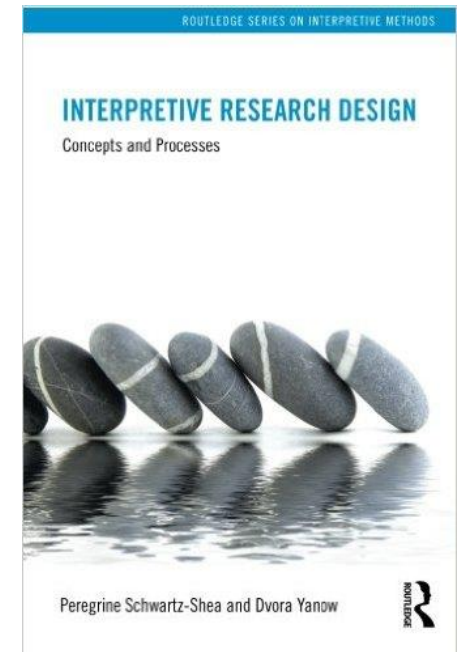
In addition, when the assessment of risks and rewards is not conclusive:

- (a) the degree to which the government **determines** the design, quality, size, and maintenance of the assets;
- (b) the degree to which the government is able to determine the services produced, the units to which the services are provided, and the prices of the services produced (i.e. **supply risk**)”.

Research questions and methodology

Research questions: how did the main actors experience this process? And what does it tell us about the functioning of the EMU?

Interpretive analysis: Interviews with Belgian and European officials (senior civil servants, political advisors and national accountants)



“External” actors’ opinion about those changes

Supportive opinion (technical level)

- **Intrinsic difficulty of the task**

“A legal clause can be interpreted in one way by some people but in another way by others. Therefore, there is always a discussion” (I4, NAI)

- **Learning process**

“Ten years ago, one did not exactly know what a PPP contract was. And we are not jurists” (I4, NAI)

- **Eurostat’s internal consistency**

“The rules have been refined. Sometimes it’s surprising, sometimes it isn’t but the basis is the same” (I3, Flemish PPP knowledge center)

Criticism (political level)

- **Lack of clarity and previsibility**

“Eurostat casuistry is difficult to understand because each case tends to underline criteria, which are sometimes unexpected” (I16, EIB)

- **Depoliticization of national accounting**

- “What bothers me is that delegation to experts, who are certainly very competent but do not pay attention to macroeconomic consequences” (I14, former EIB)

- “At Luxembourg, they say: **‘that’s only statistics’**” (I3, Flemish PPP knowledge center)

Eurostat officials' point of view

What do Eurostat officials have to say about their PPP-related statistical case-law?

Three main modes of justification put forward



I) Monitoring as a cat-and-mouse game

“When you have a set of rules, people try to get around them. [...] Therefore [...] you have to evolve your rules regularly to keep up” (I13, Eurostat).

→ Since governments might be prone to try to “circumvent the rules”, Eurostat has “**to go hunting**” (I11, Eurostat)



II) Negative experiences with PPPs in the past

“And the bad example, it’s Portugal” (I11, Eurostat).

“In Belgium, the objective behind using PPPs is to put everything off-balance. [...] They don’t care about paying a fortune for a PPP – even if it’s cheaper in another form [...]. And for me, it’s a little bit weird because **if I was managing public money, I would try to make a good deal**” (I15, Eurostat).

“It’s a good way to make the private sector very rich” (I13, Eurostat).



III) An evolving international context: the 2008 SNA

De facto hierarchy between the SNA and the ESA: “We cannot move too much away from the 2008 SNA” (I11, Eurostat)

Yet, the 2008 SNA is quite **vague**, since it is a compromise between two competing approaches (“risks and rewards” *vs* control) → When it comes to operationalize these broad guidelines, Eurostat has some **leeway**

Implementation of the 2008 SNA as a “**window of opportunity**” to formalize a more conservative approach in the statistical treatment of PPPs in order to avoid potential abuse/misuse in the future

Conclusion: Is it “only statistics”?

What does the concept of “**statistical independence**” mean? Even Eurostat’s decisions are context-laden

Despite its political consequences, the statistical recording of PPPs was framed as a “technical” issue, which had to be protected against any kind of political interference → Case for **democratic legitimacy**

The reliance on “independent” bodies (ECB, national fiscal councils, etc.) seems to be(come) a fundamental feature of the E(M)U

→ Isn’t it time to “**repoliticize**” public finance statistics?

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