

# Private sector participation in public investment

STRENGTHENING GOVERNANCE OF PUBLIC INFRASTRUCTURE

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### **Overview**

- Background and institutional arrangements
- PIMA findings on PPP
- Expert review in 2018
- Future outlook for PPPs in Ireland

# **Background and institutions**

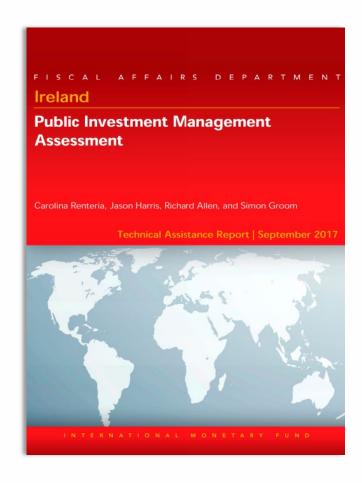
- ► First PPPs trialed in the 1990s in the education sector
- ▶ Legislative change in 2002
- Institutional arrangements:
  - National Development Finance Agency is the State's Financial Advisor on PPPs
  - PPP Unit within the Ministry
  - Projects are required to go through the same appraisal requirements as traditional projects, including full socio-economic CBA
  - All project >€20 million should be referred to NDFA to test suitability for delivery through PPP
  - NDFA undertakes a Public Sector Benchmark to understand whether PPP should be used



# **PPP-related PIMA findings**

	Institutional Strength	Effectiveness
Public-private partnerships	Good: PPPs are regulated by a comprehensive framework of laws and procedural guidelines, aligned with international good practice.	Medium: Overall spending on PPPs has increased considerably, as allowed by the current fiscal rules.

In the context of major ramp-up of Exchequer funded investment, it was decided to review the future role of PPPs in Ireland.



# Report of Expert Group on PPPs (2018)

#### Advantages

- Harness innovation, commercial and management expertise and efficiencies
- Ability to assign project risks to the party best positioned to manage and mitigate the risks
- ► Linking of payments to performance and availability over the lifetime of the project
- Requirement that the asset is properly maintained and handed back in good condition
- Important counter-cyclical role

#### Challenges

- Initial scoping and procurement processes are demanding
- Contractual complexity
- Long term nature of agreements and requirement to manage the contract over its lifetime
- Financial commitments that are entailed for 25+ years
- Need to ensure that savings innovation and project management can exceed the more expensive financing costs of PPPs compared with the cost of direct Exchequer borrowing.

#### The outlook

- ▶ PPPs will still be considered as a potential approach for all major programmes.
- ▶ There will not be a 'parallel' pipeline of PPP projects.
- ▶ Given the scale of Exchequer spending anticipated over the medium-term, PPPs should not be used as a source of additionality.
- ▶ PPPs will be scored against the budget of a Ministry in the same way as if the project were being traditionally delivered, hence ensuring equivalent treatment.
- ▶ The options of smaller, shorter contracts will be explored.