



# **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	<b>Good:</b> PPPs are regulated by a comprehensive framework of laws and procedural guidelines, aligned with international good practice.	<b>Medium:</b> 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.