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Abstract

Public Private Partnerships are more then ever present in the whole world.
These partnerships between a public and private entity with the aim to design, finance, build and maintain infrastructure together has been observed in the EU Member States for a long time.

Public-Private Partnerships (PPP) have been developed in several areas of the public sector and are widely used within the EU, particularly in the transport, public health, public safety, waste management and water distribution sector.

The European Commission encourages the use of PPP by investing in public services in order to tackle the worldwide financial and economic crisis of the 21th century.
This message was brought out in the communication of the European Commission of 19 November 2009 to the European Parliament, the Council, the European economic and social committee and the committee of the regions[1].
The communication states that PPP are an important way to a rapid return to sustainable economic growth.

In spite of this encouraging message to invest in quality public services by PPP, the impact of these partnerships on governmental deficit/surplus and debt in the EU can be questioned.

The purpose of this paper is twofold:

1) Whether the current reporting on PPP in the EU provides a fair and true view of the public debt of the EU

2) How the future developments on international accounting standards for both the private and public sector will influence the reporting of public debt in the EU

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Public Private Partnerships in Europe: The accounting treatments in balance?

Introduction

Public Private Partnerships are more then ever present in the whole world.
These partnerships between a public and private entity with the aim to design, finance, build and maintain infrastructure together has been observed in the EU Member States for a long time.

Public-Private Partnerships (PPP) have been developed in several areas of the public sector and are widely used within the EU, particularly in the transport, public health, public safety, waste management and water distribution sector.

The importance for the European economy can hardly be underestimated although they differ from country to country.
In the UK, up to 20% is provided by PPP
In the east of Europe, in Germany, from 2005 till 2010, about 700 billion Euro is needed for the maintenance and renovation of the transport infrastructure and for municipal construction[1].
From 2000 till 2005, an average of 2% of all public investments were financed by PPP.
The estimate of the share as of 2005 is about 5%.
As result of research done by the German Institute of Urbanisation , Germany will invest 14,2 billion in PPP in the next five years (2010-2015).

Many argue that PPP's originally emanated from a microeconomic policy agenda that was underline by a desire to control visible levels of public debt (cf. heald & Dowdall, 1999; Walker & Walker, 2000; Broadbent & Laughlin, 2002). Others suggest that in later stages the focus has moved away from the concern with public borrowings (cf. Broadbent & Laughlin, 2002) to the microeconomic level, with the spot light trained on the trait of value for money through efficient assignment of risk (cf. Broadbent *et al.*, 2003; Edwards & Shaoul, 2003 ;Quiggin, 2005; Ismael & Pendlebury, 2006; Ball *et al*., 2007)

The European Commission encourages the use of PPP by investing in public services in order to tackle the worldwide financial and economic crisis of the 21th century.
This message was brought out in the communication of the European Commission of 19 November 2009 to the European Parliament, the Council, the European economic and social committee and the committee of the regions[2].
The communication states that PPP are an important way to a rapid return to sustainable economic growth.

[1] Deutsches Insitut für urbanistik, 2006, PPP Projects in Germany, A survey of current projects at federal, land and municipal level, 8 pages
[2] Communication from the commission to the European parliament, the council and social committee and the committee of the regions, Mobilising private and public investment for recovery and long term structural change:developing Public Private Partnerships, November 2009, 15 pages

In spite of this encouraging message to invest in quality public services by PPP, the impact of these partnerships on governmental deficit/surplus and debt in the EU can be questioned.

Investing in PPP during a financial crisis will cause an increase in the cost of debt as a result of the credit crunch. The recent financial crisis and forthcoming credit risk resulted in financing activities by credit institutions with loans with reduced maturity and higher interest margins.

A simplistic and logic reasoning is that the public debt in the EU will increase as result of the financial crisis and the encouraging program of the European Commission in favour of PPP.

In order to enable a more balanced opinion on the European's commission's challenge to encourage PPP's, the following interesting topics have to be taken into account:
the action program of the European Commission, the decision of Eurostat of 11 February 2004 on the accounting treatment of PPP and the impact of international accounting standards applicable for the private and the public sector

The purpose of this paper is twofold:

1) Whether the current reporting on PPP in the EU provides a fair and true view of the public debt of the EU

2) How the future developments on international accounting standards for both the private and public sector will influence the reporting of public debt in the EU

The paper is built up in 4 sections. The first section explains the key characteristics of PPP's and covers the accounting treatment considering the international financial reporting standards applicable for the private and public sector. The next section covers the treatment of PPP by the Eurostat, the Statistical Office of the European Communities and the impact on the public debt. Section 3 explores the communication of the European Commission as of 19th of November 2009 as reaction on the financial crisis.
The last section considers the future possible changes in the financial reporting standards for the public and private sector, their impact on the accounting treatment and possible implication on the Eurostat decision on the accounting treatment of PPP.

Public Private Partnerships

Public Private Partnerships are public procurement policies that encourage the public sector to supply asset-based services to the public by purchasing them from the private sector rather than by direct provision (Broadbent & Laughlin, 2002: 622). They encompass a range of financial and organisational relationships between the public and private sectors (Edwards *et al.*, 2004: 17).

In general, partnerships can in general take two forms: contractual arrangements and institutional arrangements

In a contractual partnership, the private sector mainly designs, builds, finances and maintains assets, in return for a periodic payment to cover the cost of both the capital and service elements. There is a direct agreement between the entity of the private sector and the entity of the public sector

The institutional relationships are established by a concession contract which enables a separate legal entity in the form of a 'special purpose vehicle' (SPV) created under private ownership to finance, build and operate an asset for an agreed period. The SPV is also the legal owner of the project related assets during the concession term (Kozarovski, 2006: 309). One of the distinct qualities of the PPP package is that there is a minimum interface between the government body and other parties including the users of the PPPed service in the relationship cobweb. Once the project reaches financial close, most aspects of the contract's execution and management are facilitated directly by the SPV.

PPP can take many forms (for the commonly used forms, see Duffield, 2001: 28). The most popular form is the Design, Build, Finance and Operate (DBFO) where a bundling product will be supplied. This product comprises two provisions: the provision of assets, such as buildings, roads and equipment; and the provision of services, such as asset maintenance, and cleaning and catering (Hellowell & Pollock, 2007). The underlying concept is that the public sector purchases a service instead of an asset, albeit the periodic payments over the length of the concession explicitly contain a significant proportion to cover the price of the asset plus a profitable margin, whereas the purchase of the service provision is specifically dealt with by a considerably smaller proportion. The length of the concession period is determined on the basis that the sales of the bundling services are sufficient to discharge construction, financing, operation and maintenance costs plus a generous profit for private capital investors (Duffield, 2001: 27). At the conclusion of the concession, the ownership of the property will normally revert back to the public sector at no charge.

The role the private sector plays in the second element of this bundling product varies between social infrastructure and economic infrastructure projects. Social infrastructure projects, such as hospitals, schools and prisons, where the state retains demand risk (NSW Treasury, 2007: 1) are normally funded from state revenue (English & Guthrie, 2003: 503). The private sector's role is limited to managing the physical facility to a specified level that is suitable for delivering the required service (Grimsey & Lewis, 2005: 346). The delivery of font-line services, i.e. clinical or

educational services to the community, is outside the scope of the DBFO (cf. Broadbent & Laughlin, 2004; English & Baxter, 2007).
Economic infrastructure projects, such as toll roads and railways, where the private sector bears the market risk are capital-intensive. Thus, the creation of assets is likely to dominate. The responsibilities for ancillary assets vary between railway and road projects. In DBFO railways, the operation and maintenance of stations and rolling stock are the responsibility of the private proponent, while the operation of the railway remains in the hands of the public sector. In DBFO roads, after the construction is complete, the provision of the associated service, e.g. toll collection, roadwork and lighting maintenance, is a relatively minor component of the arrangement (Walker, 2005). The public sector's involvement is limited to monitoring the adherence to the contract and renegotiation of changes to services supplied (Debande, 2002: 367). In exchange, the private operator negotiates a concession right with the government for a period (English, 2005) that warrants the rate of return to private equity (Arndt, 1998; Glaister *et al.*, 2000).

In general, the advantages of Public Private Partnerships for the public and private actor differ according to their function and role in the PPP transaction. The public sector, which is in most cases the initiator of PPP projects, is interested in higher efficiency on investments in infrastructure. The Public-Private Infrastructure Advisory Facility published a global study on the impact of private sector participation in water and electricity distribution. The results of this study show that private sectors higher labor productivity and operational efficiency[3]

The public actor can reduce the pressure on the public debt as the cost of financing the infrastructure can be spread out over the lifetime of the asset.

The private sector hopes to get a central role in developing and implementing long-term strategies for major industrial, commercial and infrastructure programs.

Both parties hope to spread out the several risks related with PPP. Parts of the risks are availability risk, demand risk, construction risk, political and reputation risk. Risk sharing improves efficiency of risk management with reduces the overall cost of the project.[4]The risks should be allocated to the partner who can manage the risk at best. [5]

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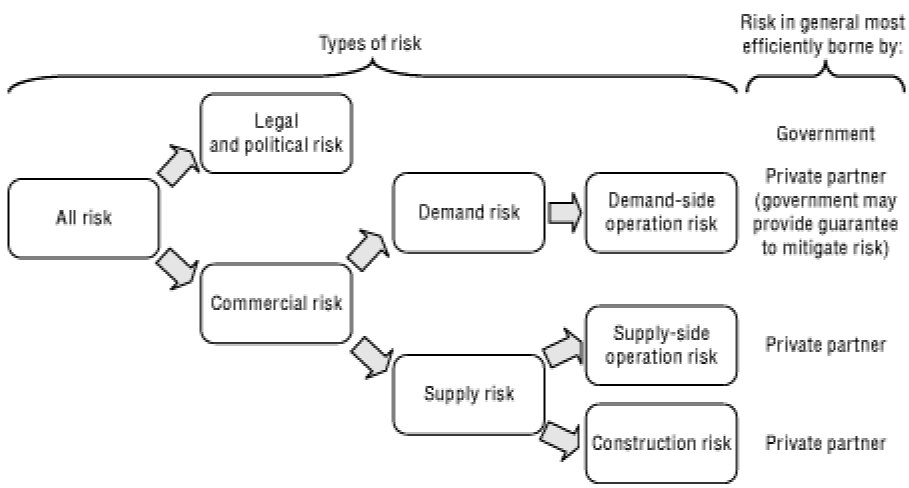
[3] Does Private Sector Participation Improve Performance in Electricity and Water Distribution? , Katharina Gassner, Alexander Popov and Nataliya Pushak, http://www.ppiaf.org/content/view/480/485, accessed 26-05-2010

[4] Canoy et al. (2001) underscore that risk sharing participants within PPP provide an instrument to create incentives for both parties to increase efficiency of the project.

[5] Public Private Partnerships: in Pursuit of Risk sharing and Value for Money, OECD, ISBN Number: 9789264042797, Publication date:June 2008,142 pages

Figure 1.1. The categorising of risk



PPP: the accounting treatment

In this study, we assume that all PPP are contractual partnerships.
We assume the private partners, which are in most cases building enterprises or credit institutions, are rated on the stock exchange market and publish consolidated financial statements.

As of 2005, all private listed companies in the European Union are obliged to publish consolidated financial statements according the International Financial Reporting Standards (IFRS)
These reporting standards are established by the International Accounting Standards Board. The reporting under these standards enhances comparability, improved transparency of results and increased capability to secure cross-border listing and funding.
As contracts of Public Private Partnerships are accounted as leasing contracts, IAS 17 on Leasing is appropriate for the registration of PPP-contracts in the financial statements of the private entity. IAS 17 makes a distinction between a finance lease and operational lease.

A lease is classified as a finance lease if it substantially transfers all the risks and rewards incident to ownership. All other leases are classified as operating leases.

The most important element in deciding whether a PPP is classified as a finance lease or operating lease is the transfer of the majority of the risks from the private entity towards the public entity

If a PPP is classified as a finance lease; the related asset need to be transferred towards the balance sheet of the public entity at the moment of the provisional delivery of the PPP.
At that moment, the private entity recognizes a loan, which will be reduced by the lease payments paid by the public entity. The rent is registered as interest income in the profit and loss statement by the private entity.

The international financial reporting standards applicable for the public sector are called the international public sector accounting standards (IPSAS), established by the IPSAS Board.
As the IPSAS are based on the IFRS, the principle of transfer of risks in order to classify a PPP as a finance lease or operational lease applies. IPSAS 13 Leases explains these principles.
As a PPP is classified as a finance lease, the public entity recognizes the asset upon provisional delivery of the PPP-contract in the balance sheet together with a lease liability for the capital part of the due lease payments.

Hence, public entities in the European Union are not obliged to use the IPSAS for the establishment of their (consolidated) financial statements. Each country or even province in the EU has the authority to establish and enforce their accounting standards for the public sector. This fact involves a risk that the accounting legislation established by the institution in charge of each country will not correspond and will not be based on the same accounting principles formulated by the IFRS, which are applicable on the consolidated statements of the private sector. For example it is possible to encounter the situation where by the private entity the PPP is classified as a finance lease, whereas by the public entity, the PPP is not classified as a finance lease but as an operational lease.
As consequence, there is a risk that no transparency or comparability can be confirmed on the accounting treatment of PPP by the public and private entity.
Can we expect a future evolution towards the obliged application of the IPSAS within the EU?
It can be expected that on a long term basis, the IPSAS will apply.
Since 2005 the European Union has been applying this system to financial reporting by entities which fall within its competence and supports the system's implementation by EU member countries.

A second factor that will enhance this lack of transparency and comparability on the accounting treatment of PPP, are namely the principles established by Eurostat, the statistical office of the European Communities. This will be discussed in the following section.

Decision of Eurostat of 11 february 2004[6]

On 11 February 2004, Eurostat published her decision on the accounting treatment in national accounts of contracts undertaken by government units in the framework of partnerships with non government units. The decision specifies the impact on government deficit/surplus and debt and emphasises on conformity with the European System of Accounts (ESA 95).

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:
-the private partner bears the construction risk, and
-the private partner bears at least one of either availability or demand risk.

The "construction risk" is covering notably events like late delivery, non-respect of specified standards, additional costs, technical deficiency, and external negative effects. Government's obligation to start making regular payments to a partner without taking into account the effective state of the assets would be evidence that government bears the majority of the construction risks

[6] New decision of Eurostat on deficit and debt, Treatment of Public-private partnerships, 18/2004,11 February 2004, 4 pages

The "availability risk" can be encountered in the event that the partner is not in the position to deliver the volume that was contractually agreed or to meet safety or public certification standards relating to the provision of services to final users, as specified in the contract. It also applies where the partner does not meet the required quality standards relating to the delivery of the service, as stated in the contract, and resulting from an evident lack of "performance" of the partner. Government will be assumed not to bear such risk if it is entitled to reduce significantly (as a kind of penalty) its periodic payments, like any "normal customer" could require in a commercial contract. Government payments must depend on the effective degree of availability supplied by the partner during a given period of time. Application of the penalties where the partner is defaulting on its service obligations should be automatic and should also have a significant effect on the partner's revenue/profit, and must not be purely "cosmetic" or symbolic.

The "demand risk" covers variability of demand (higher or lower than expected when the contract was signed) irrespective of the behaviour (management) of the private partner. This risk should only cover a shift of demand not resulting from inadequate or low quality of the services provided by the partner or any action that changes the quantity/quality of services provided. Instead, it should result from other factors, such as the business cycle, new market trends, direct competition or technological obsolescence. Government will be assumed to bear the risk where it is obliged to ensure a given level of payment to the partner independently of the effective level of demand expressed by the final user, rendering irrelevant the fluctuations in level of demand on the partner's profitability.

If the construction risk is borne by government, or if the private partner bears only the construction risk and no other risks, the assets are classified as government assets. This has important consequences for government finances, both for the deficit and the debt. The initial capital expenditure relating to the assets will be recorded as government fixed capital formation, with a negative impact on government deficit/surplus. As a counterpart of this government expenditure, government debt will increase in the form of an "imputed loan" from the partner, which is part of the "Maastricht debt" concept. The regular payments made by government to the partner will have an impact on government deficit/surplus only for the part relating to purchases of services and "imputed interest".

Mobilising private and public investment for recovery and long term structural change: developing Public Private Partnerships-action program of the European Commission of 19th of November 2009[7]

To tackle the financial and economic crisis, the EU and its Member States are implementing ambitious recovery plans that aim to stabilise the financial sector and limit the impacts of the recession on citizens and the real economy. Investment in infrastructure projects1 is an important means to maintain economic activity during the crisis and support a rapid return to sustained economic growth. Public Private Partnerships (PPPs) can provide effective ways to

[7] Communication from the commission to the European parliament, the council and social committee and the committee of the regions, Mobilising private and public investment for recovery and long term structural change:developing Public Private Partnerships, November 2009, 15 pages

deliver infrastructure projects, to provide public services and to innovate more widely in the context of these recovery efforts. At the same time, PPPs are interesting vehicles for the long-term structural development of infrastructures and services, bringing together distinct advantages of the private sector and the public sector.

Above this, PPS can offer extra leverage to key projects to deliver shared policy objectives such as combating climate change; promoting alternative energy sources as well as energy and resource efficiency; supporting sustainable transport; ensuring high level, affordable health care; and delivering major research projects such as the Joint Technology Initiatives, which are designed to establish European leadership in strategic technologies. They can also boost Europe’s innovation capacity and drive the competitiveness of European industry in sectors with significant growth and employment potential.

The crisis has placed new pressure on public finances in many Member States, and at the same time makes it more difficult to secure long term private investment in capital intensive projects. In order to mobilise PPP solutions for essential investment in projects even at a time of reduced availability of national public and private resources, the EU provides actually financing activities through Structural Funds, the European Investment Bank or Ten-T instruments.

Structural funds

PPP projects can be partly funded by resources from the Structural Funds.
The Structural Funds for the period 2007-2013 offer important opportunities to Member States to implement operational programmes through PPPs organised with the EIB, banks, investment funds and the private sector.
As for example the JASPERS Structural Fund is a project development facility launched together with the EIB and the European Bank for Reconstruction and Development in order to provide assistance at any stage of a PPP/infrastructure project cycle.

European Investment Bank (EIB)

The Bank has made nearly € 30bn available in loans for PPPs since the late 1980s.

Together with the Commission and Member States the European PPP Expertise Centre (EPEC) has been established, which aims to strengthen the organisational capacity of the public sector to engage in PPPs through network activities and policy support to its members.
The EIB is also the leading financier of the Ten-T networks

TEN-T instruments

Three financial instruments designed for TEN-T projects were introduced under the current TEN Financial Regulation, all of which aim to increase private participation.

These new instruments are designed to benefit projects by targeting specific needs (such as optimal risk transfer, financing cost), they also guarantee the highest leverage effect of the available EU funds.
The three financial instruments consist of a loan guarantee instrument, a construction cost based grant and a Risk Sharing Finance Facility.

To release fully the potential of PPP as a tool to battle the economic crisis and to ensure the efficient use of PPP on a long term basis, the European Commission will undertake following actions as of 2010.

-establishment of a PPP workgroup to discuss concern and ideas related to PPP
-in collaboration with the EIB, the commission will increase the funding available for PPS
-it will further ensure the non-discrimination rule in allocation of public funds, where community funding is involved
-the Commission will elaborate a more effective framework for innovation by PPP
-the Commission will consider a proposal for a legislative instrument on concessions

This action plan from the European Commission can be countered by the new draft International Financial Reporting Standards on leasing which are applicable for PPP contracted with private entities, which are quoted on a stock exchange market for their published consolidated financial statements.
A possible application of the IPSAS by the public entity and adaptation of the Eurostat rules related to PPP, can be another barrier in the ambitious recovering plan of the European Commission.

Future developments in accounting standards on leasing

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) launched on 19th March 2009 a public discussion on lease accounting by publishing their preliminary views in a joint discussion paper.
The discussion paper *Leases: Preliminary Views* is a response to concerns raised by investors and other users of financial statements regarding the treatment of lease contracts under International Financial Reporting Standards (IFRSs) and US generally accepted accounting principles (GAAP).
The different accounting treatment of finance and operating leases has given rise to various problems, in particular:
Many users of financial statements believe that all lease contracts give rise to assets and liabilities that should be recognised in the financial statements of lessees. Therefore these users routinely adjust the recognised amounts in the statement of financial position in an attempt to assess the effect of the assets and liabilities resulting from operating lease contracts.
The split between finance leases and operating leases can result in similar transactions being accounted for very differently, reducing comparability for users of financial statements.
The difference in the accounting treatment of finance leases and operating leases also provides opportunities to structure transactions so as to achieve a particular lease classification.
In the discussion paper the IASB and the FASB discuss a possible new approach to lease accounting. The boards propose that lease accounting should be based on the principle that for the lessees, all leases give rise to liabilities for future rental payments and assets (the right to use

the leased asset) that should be recognized in an entity's statement of financial position. This approach is aimed at ensuring that leases are accounted for consistently across sectors and industries.
The proposals contained in this discussion paper are intended to improve the transparency, credibility and usefulness of lease accounting.

If these new rules will be used for the accounting treatment of PPP, the private entity (lessor) has at this moment a choice between two approaches for the accounting treatment of the PPP, with preference for the second approach.
The first approach consists in the actual accounting treatment of PPP. At the time of provisional delivery of the asset, the lessor will derecognize the concerned asset and will recognize a lease receivable, representing the lease payments to receive from the lessee.
Under the second approach, the private entity (lessor) would no longer derecognize the concerned asset at the time of provisional delivery of the asset. The private entity will recognize the leased asset, a lease receivable (right to receive lease payments) and a liability (the performance obligation, the obligation to transfer the temporary use of the leased asset to the lessee) in the accounting statement.

If the new IFRS on standard will be implemented in the European Union with forced application of the second approach, the question raises if the private entity will still be interested in participating in contracts of PPP. The second accounting approach will charge the balance sheet of the lessor (private entity) increasingly, a situation which is not desired by the private entity.

The action plan of the European Commission will thus be counteracted by the new IFRS on leasing.

For the accounting treatment of PPP by the public sector, we can imagine a similar evolution. Once the IPSAS will be mandatory for entities of the public sector in the European Union, PPP will be registered as a finance lease contract in the accounting statement of the public entity.
As consequence, an asset and lease debt will be registered on the balance sheet of the public entity. As this lease debt, liability will increase the public debt, the public entity will not be longer be interested in participation in PPPs.

At this moment this reasoning can still be blocked by the Eurostat-rules, which, based on the repartition of the several risks, will classify PPPs as operating leases. A remeasurement of the public debt with derecognition of the liability from the balance sheet will take place, in order to present the public debt in conformity with the Eurostat Rules.

This mismatch between the possible future accounting regulation (IPSAS) and the Eurostat rules could be solved if Eurostat will adapt his regulation in conformity with the IPSAS.
This change will make PPPs even more less interesting for public entities. A reclassification of the public debt will no longer take place. The overall public debt will increase due to PPPs.

Conclusion

This paper has theoretically examined the definition, the accounting treatment and action plan of the European Commission of Public Private Partnerships.

Public Private Partnerships can be defined as forms of cooperation between public authorities and the private sector that aim to modernise the delivery of infrastructure and strategic public services.

Partnerships can in general take two forms: contractual arrangements and institutional arrangements with the use of a Special Purpose Vehicle.

Both parties hope to spread out the several risks related with PPP. Parts of the risks are availability risk, demand risk, construction risk, political and reputation risk. Risk sharing improves efficiency of risk management with reduces the overall cost of the project.
The risks should be allocated to the partner who can manage the risk at best.

For the accounting treatment of PPP by the private entity, in the majority of the cases the International Financial Reporting Standards will apply for the establishment of the consolidated financial statements.
Regarding PPPs, IAS 17 on leasing is the appropriate accounting standard.
Within this standard, PPPs are registered as finance leases.
IAS 17 on leases is in evolution. The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) launched on 19th March 2009 a public discussion on lease accounting by publishing their preliminary views in a joint discussion paper. In the discussion paper the IASB and the FASB discuss a possible new approach to lease accounting. The boards propose that lease accounting should be based on the principle that for the lessees, all leases give rise to liabilities for future rental payments and assets (the right to use the leased asset) that should be recognized in an entity's statement of financial position. This approach is aimed at ensuring that leases are accounted for consistently across sectors and industries. If these new rules will be used for the accounting treatment of PPP, the private entity (lessor) has at this moment a choice between two approaches for the accounting treatment of the PPP. Under obliged application of the second approach, the private entity (lessor) would no longer derecognize the concerned asset at the time of provisional delivery of the asset. The private entity will recognize the leased asset, a lease receivable (right to receive lease payments) and a liability (the performance obligation, the obligation to transfer the temporary use of the leased asset to the lessee) in the accounting statement.
Participating in PPPs will become less interesting for the private entity as this accounting treatment will increase the balance sheet of private entity significantly

For the accounting treatment of PPP by the public entity, a diversity of accounting regulations are applicable today. Besides the accounting regulation that each country or province will enforce, regardless of the use of the International Public Sector Accounting Standards, The Eurostat recommendation on the accounting treatment of PPP applies.

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:
-the private partner bears the construction risk, and
-the private partner bears at least one of either availability or demand risk.

A mismatch between the accounting treatment of PPP enforced by the federal or provincial government and the Eurostat recommendation will occur.
Above this, application of the accounting treatment of PPP in conformity with Eurostat will not result in reporting symmetry between the public and private entity.
The concerned asset will not be reported on the balance sheet of the private entity (PPP classified as finance lease) nor on the balance sheet of the public entity (PPP classified as operating lease in accordance with Eurostat)

Adapting the Eurostat rules in conformity with the IPSAS, once the IPSAS are applicable in the European Union, would solve this accounting mismatch, but will cause a disinterest in PPPs.

Taking into account these possible future evolutions, the European Commission has published on the 19th of November 2009 his action plan regarding PPPs in order to tackle the financial crisis.

To release fully the potential of PPP as a tool to battle the economic crisis and to ensure the efficient use of PPP on a long term basis, the European Commission will undertake following actions as of 2010.

-establishment of a PPP workgroup to discuss concern and ideas related to PPP
-in collaboration with the EIB, the commission will increase the funding available for PPS
-it will further ensure the non-discrimination rule in allocation of public funds, where community funding is involved
-the Commission will elaborate a more effective framework for innovation by PPP
-the Commission will consider a proposal for a legislative instrument on concessions

We can conclude that, nevertheless the action plan of the European Commission regarding PPP as a medium to tackle the financial crisis, a negative influence can be expected on the popularity of PPPs by both the public and private entity due to the upcoming evolutions in the accounting legislations of PPPs.

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Figure(s)

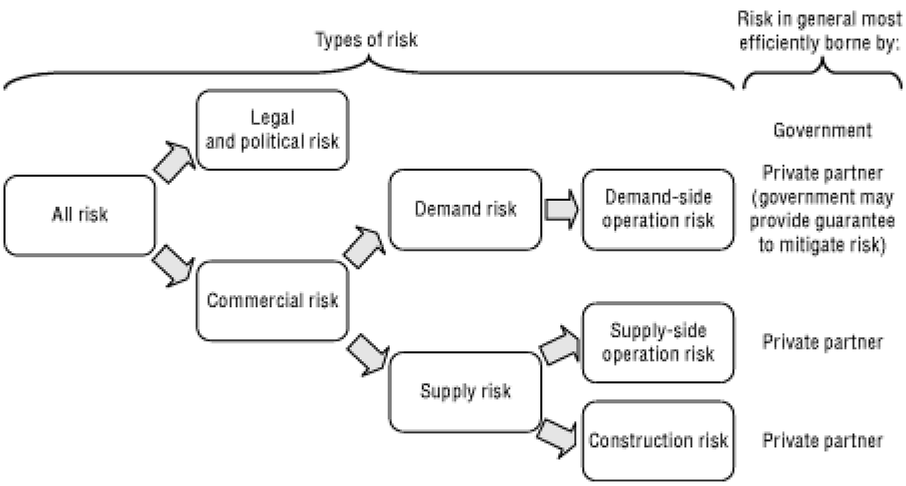

Figure 1.1. The categorising of risk