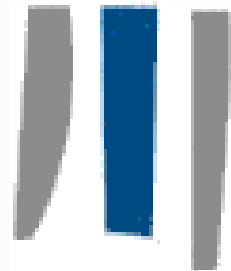


International Seminar on  
Strengthening Public Investment and Managing  
Fiscal Risks from Public-Private Partnerships

Budapest, Hungary  
March 7–8, 2007

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# Public investment in Europe: Evolution and determinants

*Eric Perée*

*Head, Economic and Financial Studies, EIB*

**Strengthening public investment and managing fiscal risks from PPPs,  
Budapest, 7-8 March, 2007**

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- Public investment: What is it (not)?
- Public investment: trends and composition
- Determinants of public investment
- PPPs
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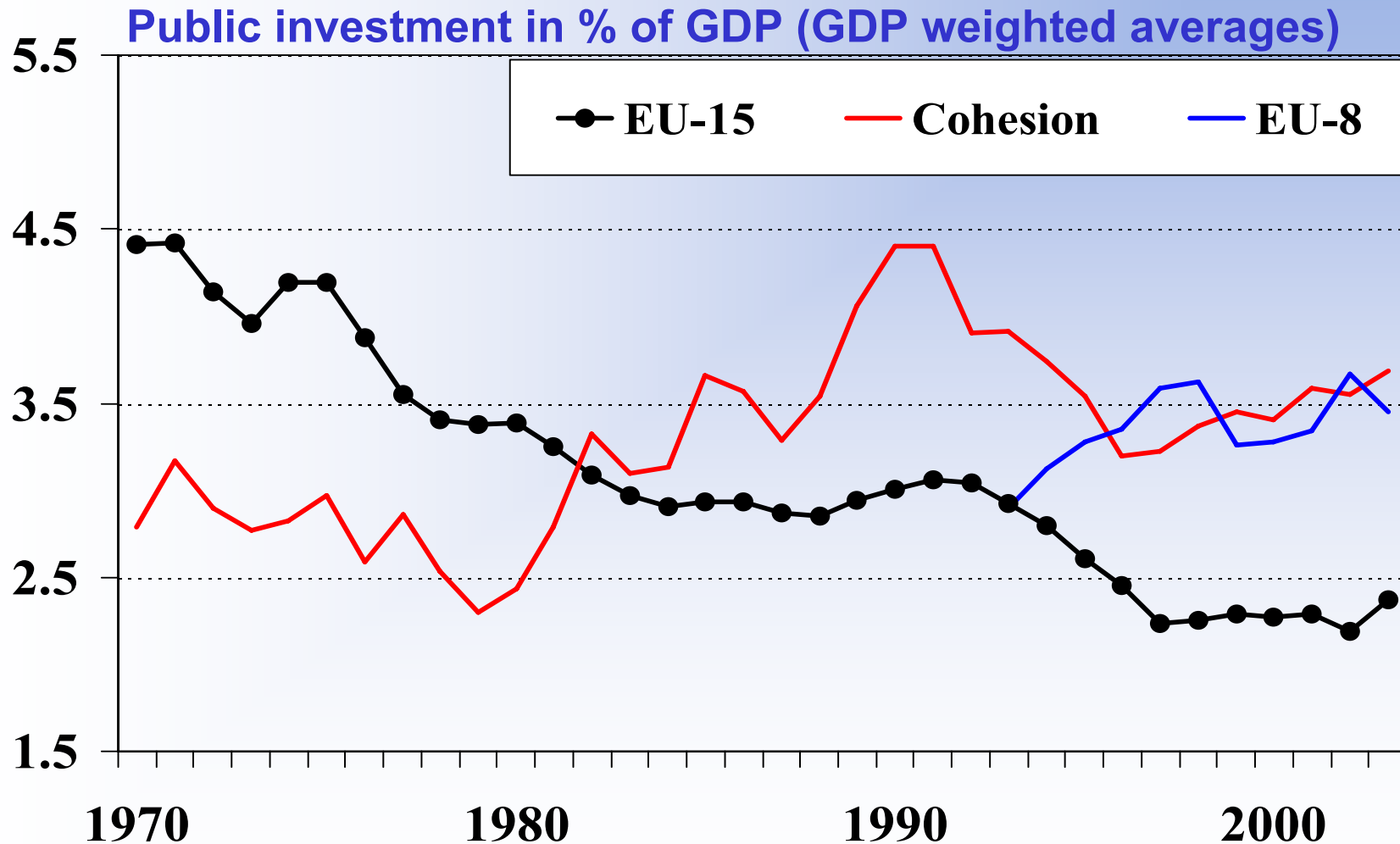
# Public investment: What is it (not)?

- IT IS: Investment spending financed directly from the budget of the federal or sub-national government.
- IT IS NOT: Infrastructure investment spending by enterprises — even if they are state-owned.

# Contents

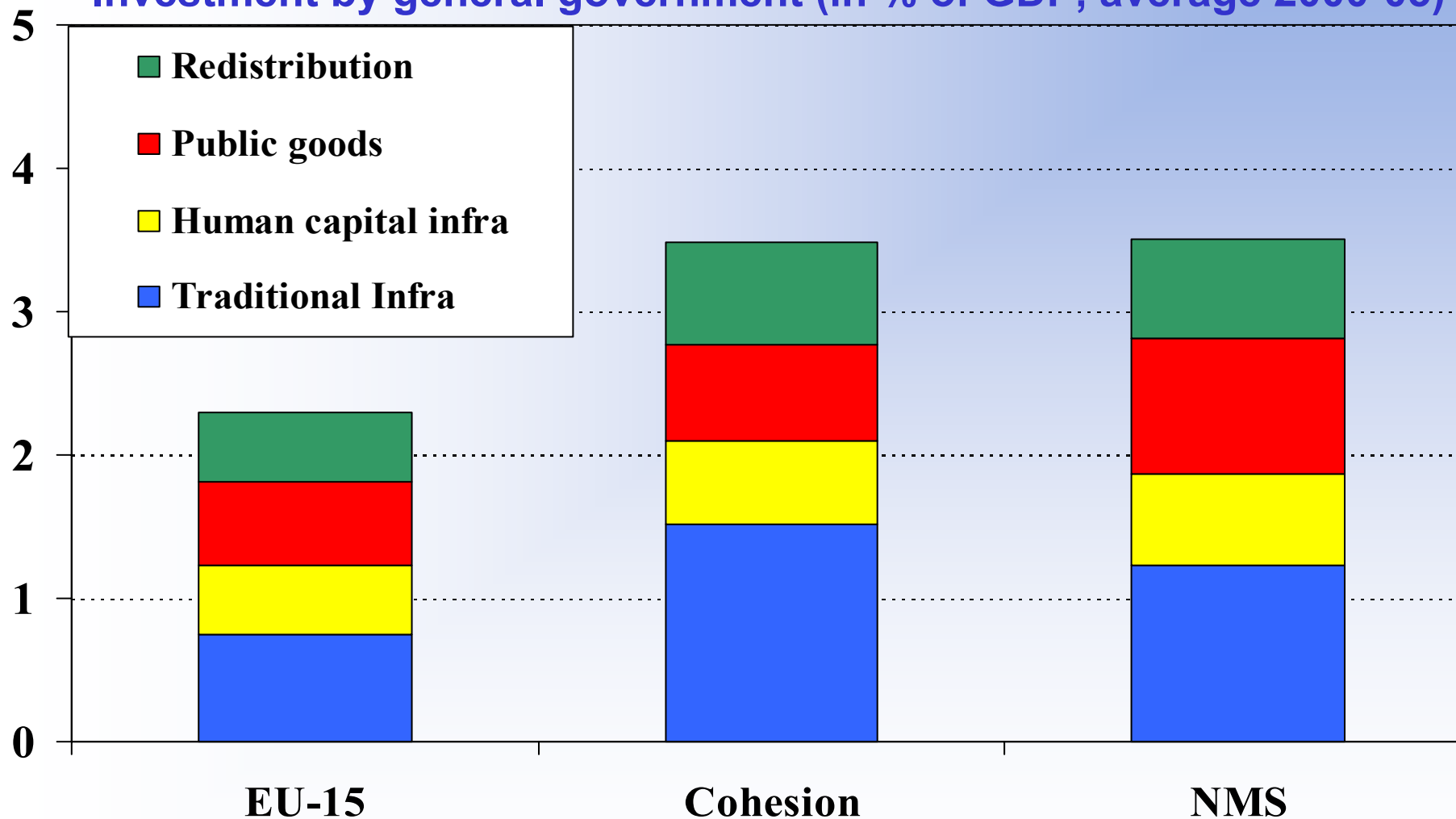
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# Public investment: uptrend in Cohesion and EU-8

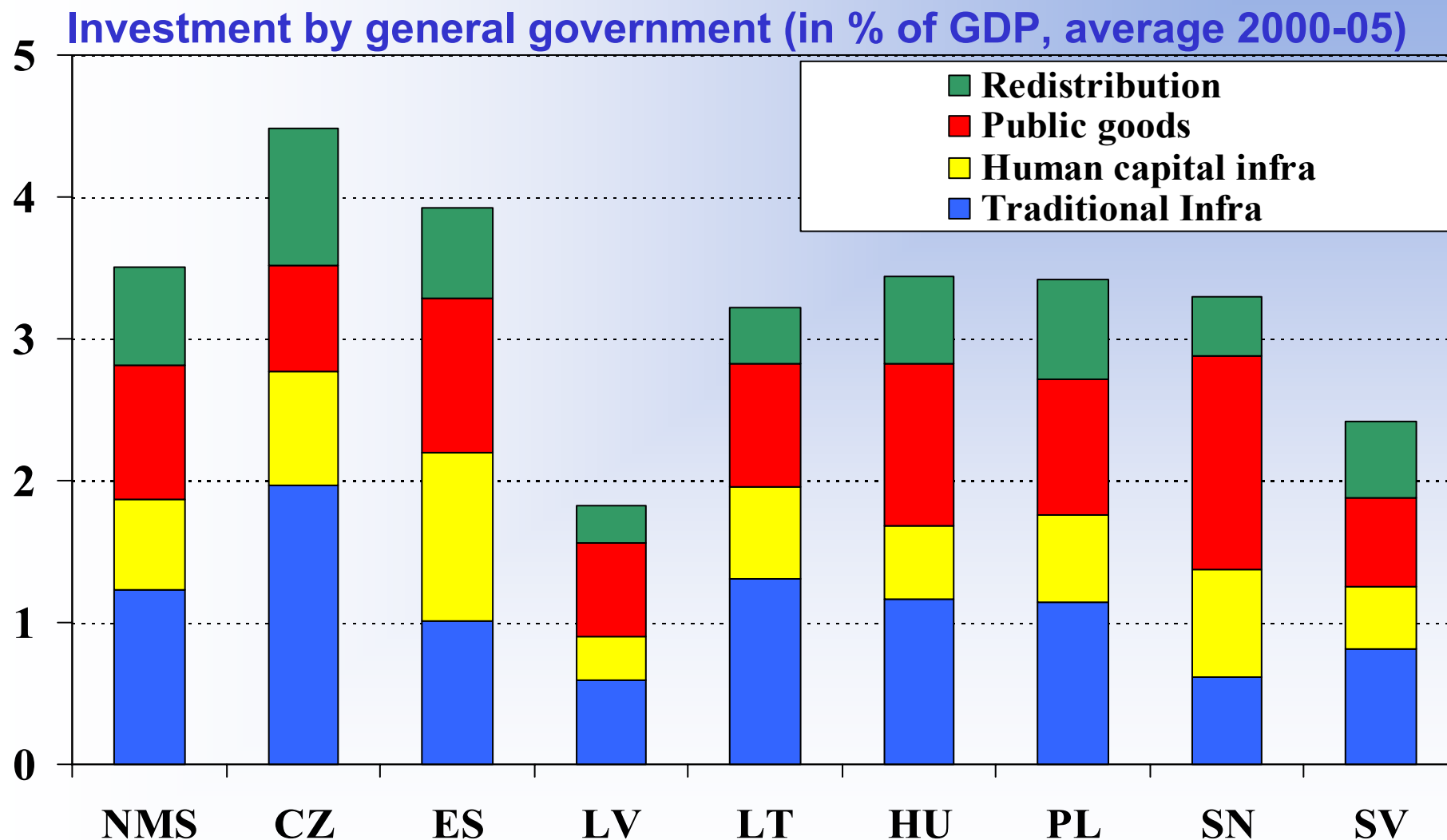


# Half of public investment is infrastructure

Investment by general government (in % of GDP, average 2000-05)



# Composition of public investment: big cross-country differences in NMS





# Public capital stocks continue to grow

- EU-15 public capital stocks have:
  - Stayed stable in relation to GDP
  - Grown in real terms
- Optimal size of public capital stocks?

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# **EU-15 public investment not affected by EMU**

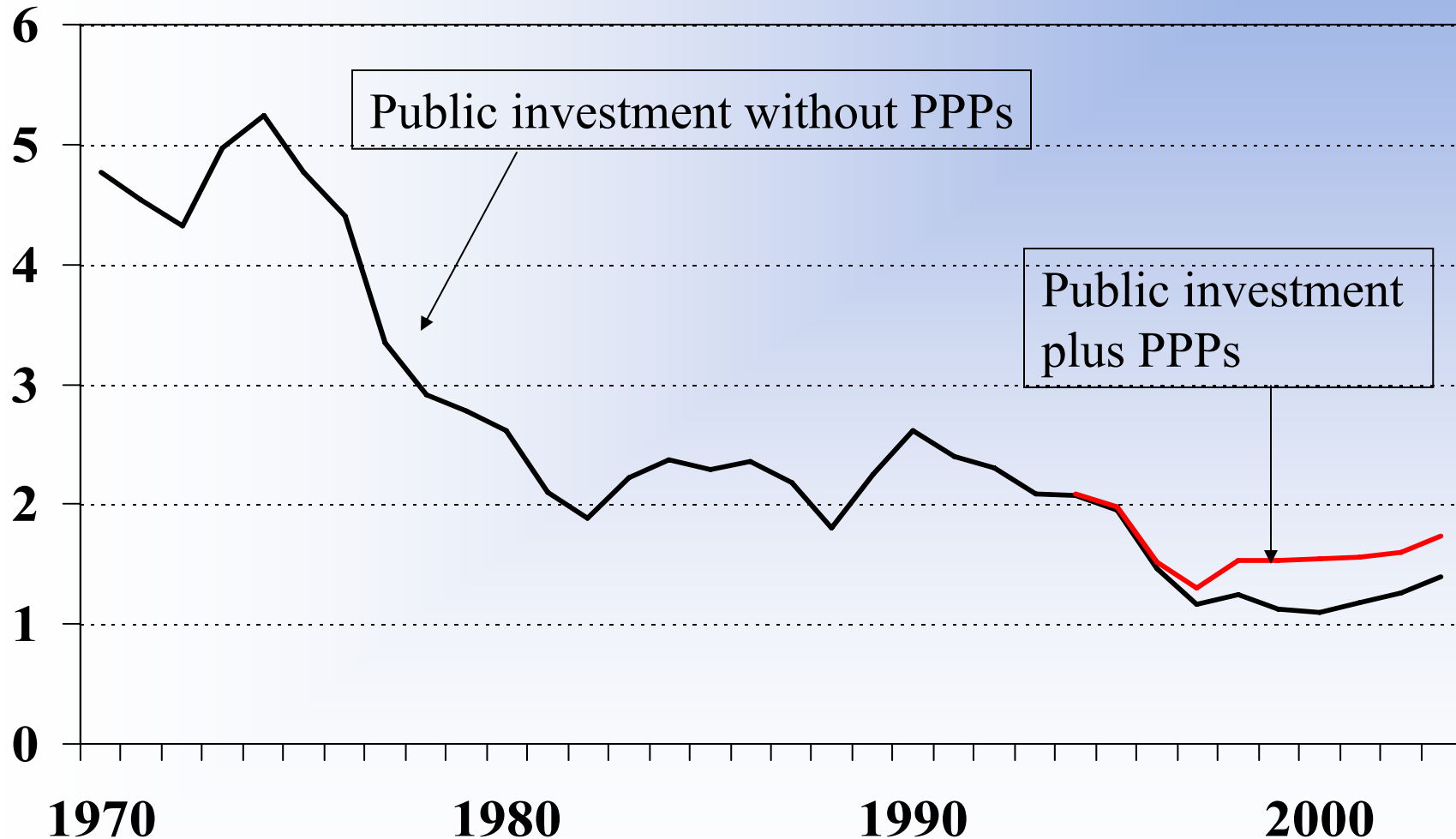
- EMU, per se, has not affected public investment in EU-15, and certainly not in Cohesion countries
- Instead, drawn-out fiscal problems and consolidation, unrelated to EMU, explain the downtrend in EU-15

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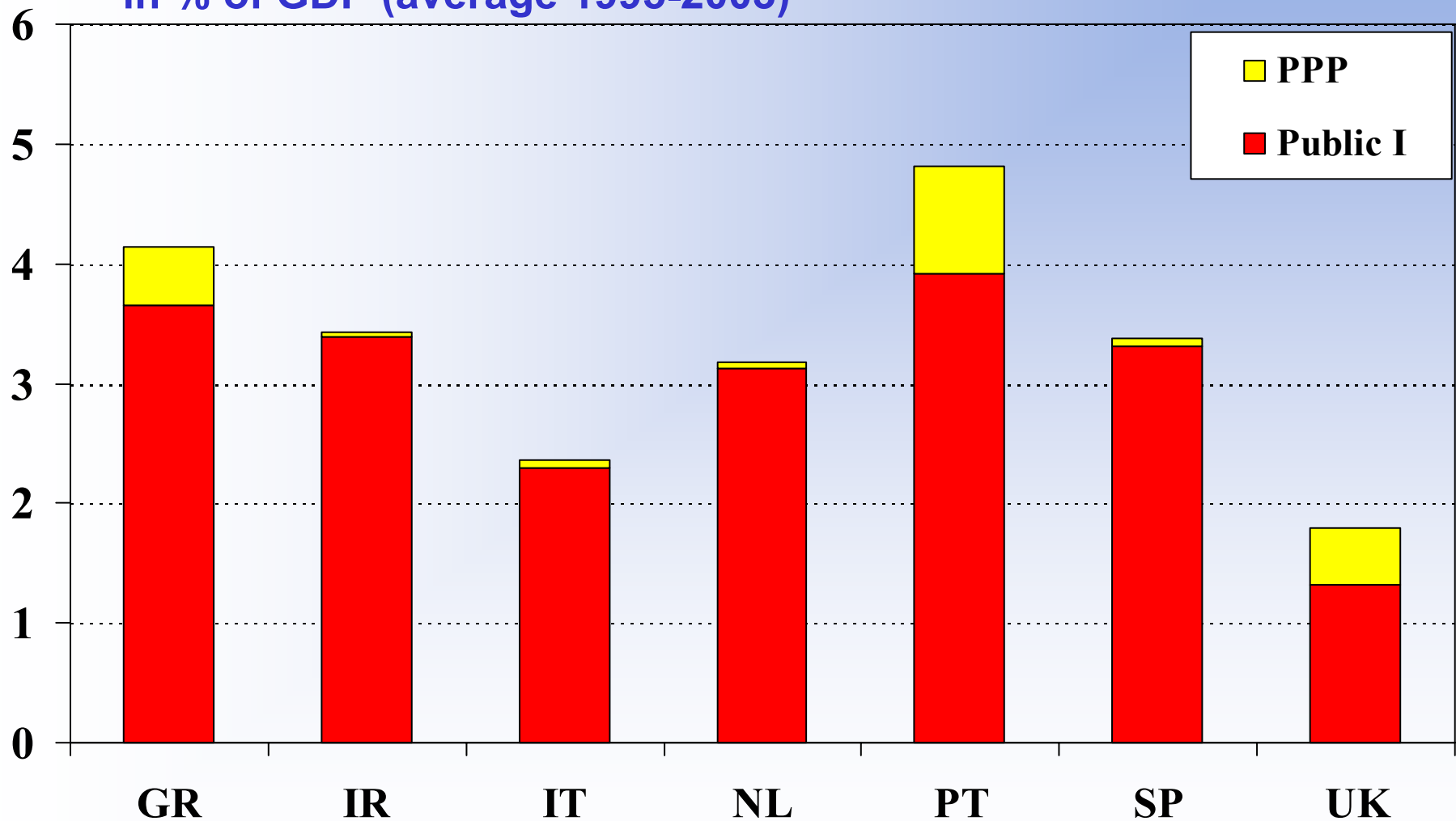
# PPPs not turned the trend even in UK

Public investment as a share of GDP, %



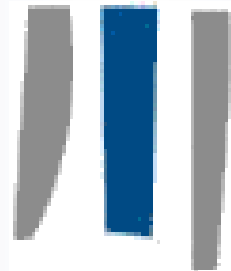
# PPPs significant in UK, Portugal

Signed PPP contracts (stock) and public investment (flow),  
in % of GDP (average 1995-2003)



# Conclusions

- Public investment is not infrastructure investment.
- Public investment has declined in non-cohesion countries only. But public capital stocks have not.
- The decline is due to drawn-out episodes of fiscal consolidation, not to EMU's fiscal rules per se.
- PPPs have been geographically concentrated and significant in size only in the UK and Portugal.
- PPPs can lead to more infrastructure investment, but they are not a substitute for fiscal flexibility



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