

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

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*Public Investment and PPPs  
Main Challenges for  
European Policy Makers*

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*Miklós Tátrai  
Senior State Secretary  
Ministry of Finance, Hungary*

*8 March, 2007.*



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## *Growing investment needs*

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- Large, public infrastructural investments are necessary to be competitive and to develop (first of all in case of transport infrastructure).
- There is a growing demand for quality service.
- Innovative solutions are needed for competitiveness.
- The public sector adapts slowly to the new challenges.

*Answer: step by step involvement of the private sector in public investments via partnership.*



## *The benefits of PPP*

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- Use the knowledge, efficiency and innovative potential of the private sector
- Allocation of the risks according to the comparative advantages in handling them
- Value for Money



## *Proper PPPs*

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PPP can be a tool of efficiency, but results value added only if it is used properly

- good institutional, legal, methodological framework
- harmonisation of the different approaches of the partners

### Threats

Making projects in the lack of these may lead to high transaction costs and inefficient services

### Suggestion

- strengthen the institutional, legal, methodological background;
- understand the approach of the other.



# *Budgetary aspects*

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## **Threats**

Taking commitments neglecting the medium and long term budgetary effects restricts the resources in the future.

That is why the procedure for PPPs has to be embedded in the different budgetary frameworks  
(EU, medium-term, annual)

## **Suggestion**

- strengthen the medium-term budgetary planning;
- control the portfolio of long-term commitments;
- survey and handle the fiscal risks.



# *Accounting*

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## **Threats**

- The possible beneficial consequences on the deficit and debt is an incentive for using PPP in cases where the Value for Money would not confirm the application of PPP.
- The statistical treatment can not be predetermined, simply because of the subsequent nature of statistical evaluation.

## **Suggestion**

European nations should define more precise the aim of statistical evaluation and develop more robust rules if it seems necessary (different accounting for investments / amortisation).





*Thank you for your kind  
attention*

