



EUROPEAN COMMISSION

EUROSTAT

Directorate D: Government Finance Statistics (GFS)

Luxembourg,
ESTAT/D1/LA/RJ/DC/ps

Mr Reginald Massant
President
National Accounts Institute
Rue du Progrès 50 B-1210
Brussels BELGIUM

Subject: Clarification about public funding in Public Private Partnerships (PPPs)

Ref: Your letter N° T/ICN/2020/001541 dated 18 December 2020

Dear Mr Massant,

With a letter dated 18 December 2020, the Belgian National Accounts Institute (NAI) asked for a clarification on the interpretation of a paragraph included in the *Guide on the Statistical Treatment of PPPs* (from now on *the Guide*) issued by Eurostat, the European Investment Bank and the European PPP Expertise Center in 2016.

The paragraph for which further clarification is required is the following, included in *Theme 14.4 Authority/government participation in financing*, at page 121 of the *PPP Guide*:

“Financing by a public entity classified outside the general government sector (e.g. a national public bank classified as a public corporation) is considered to be government financing if the public entity is considered by Eurostat to be acting on behalf of or on an express or implied instruction of government in connection with the project (see comments on the statistical sector classification of the Partner in Chapter 2)”.

NAI’s doubts derive from the fact that in many Belgian PPPs, a SPV is created, to facilitate the financing of the PPP project. These SPVs are often consortia of private corporations and they directly finance a small part of the PPP through equities, while the bulk stems from financial institutions in the form of loans. However, **some of these private SPVs have not only private shareholders, but also public shareholders, that might belong or not to the government sector.**

Commission européenne, 2920 Luxembourg, LUXEMBOURG - Tel. +352 43011
Office: BECH E4/831 - Tel. direct line +352 4301-32707 - Fax +352 4301-35199
<http://epp.eurostat.ec.europa.eu>; luca.ascoli@ec.europa.eu

NAI therefore asked Eurostat to clarify whether *Theme 14.4 Authority/government participation in financing* of the *PPP Guide*, applies to the following situations:

1) A private corporation, not a public bank, **has a shareholder which belongs to the government sector** and

a) Takes an equity share in an SPV which will in turn provide funding for a PPP project

b) Grants loans to an SPV, which will co-fund a PPP project.

2) A private corporation, not a public bank, **has a public shareholder which is not classified in the general government sector** and

a) Takes an equity share in an SPV which will in turn provide funding for a PPP project

b) Grants loans to an SPV, which will co-fund a PPP project.

Eurostat clarifies that all the cases above must be treated according to the rules established by theme 14.4 Authority/government participation in financing of the PPP Guide, with an influence on the statistical treatment of the PPP according to the percentages described in the *Guide*.

Theme 14.4, page 120, specifies that both loans and equity should be considered as financing.

Theme 14.4 applies to government and public entities, and it applies whether their participation in the financing of the PPP is **direct or indirect** (via a private corporation in which the government/public entity is a shareholder).

Chapter 2, page 21, of the *PPP Guide* in fact establishes that “**any relationship between the SPV (financing the PPP) and a public entity that is classified outside the general government sector will be deemed by Eurostat to be a relationship between the SPV and government, if the public entity is acting on an express or implied instruction of government in the context of the specific project.**”

Theme 14.4, page 121, as quoted on the first page of this letter, recalls Chapter 2 of the *PPP Guide*. It implies that, in case a public entity not classified in the government sector is participating (directly or indirectly) to the financing of a PPP, the PPP contract must be submitted to Eurostat, that will establish if the public entity is acting under the expressed or implied influence of government.

Procedure

Eurostat is prepared to give its view on the statistical treatment of entities and transactions, provided it is in possession of all of the necessary background information.

This view of Eurostat is based on the information provided by the country authorities. If this information turns out to be incomplete, Eurostat reserves the right to reconsider its view.

We would like to remind you that Eurostat is committed to adopting a fully transparent framework for its decisions on debt and deficit matters, in line with Council Regulation 479/2009 and the note on ex-ante advice, which has been presented to the CMFB and cleared by the Commission and the EFC. Eurostat therefore will publish this advice on its web site.

Yours sincerely,

(e-Signed)

Luca Ascoli
Director