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Central
Statistics
Office

CSO Summary of Eurostat Public Private Partnership Guidance

GOVERNMENT ACCOUNTS CLASSIFICATIONS

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Introduction

[A Guide to the Statistical Treatment of Public Private Partnerships](#) (PPPs) was published in September 2016 by Eurostat and the European PPP Expertise Centre (EPEC). The Guide sets out the sixteen themes under which all PPP contracts are analysed by the Government Accounts Classifications Division in the Central Statistics Office (CSO). The CSO analysis is forwarded to Eurostat who are the final arbiters on whether a PPP contract should be included on the balance sheet of government or the private partner.

The table below summarises the impact of the sixteen themes on the analysis of a PPP contract¹. Chapter 4 of the [Guide](#) summarises the methodology that Eurostat uses in practice to reach a conclusion on the statistical treatment of a PPP.

Conclusion

Guidelines to concluding the Statistical Treatment Assessment

According to Eurostat there would be a strong presumption that the PPP is OFF BALANCE SHEET for government if after analysis it has:

- No more than one VERY HIGH importance provision, no HIGH importance provisions and no more than two MODERATE importance provisions; or
- No VERY HIGH importance provisions, no more than two HIGH importance provisions and no more than one MODERATE importance provision; or
- No VERY HIGH importance provisions, no more than one HIGH importance provision and no more than four MODERATE importance provisions; or
- No VERY HIGH importance provisions, no HIGH importance provisions and no more than seven MODERATE importance provisions.

¹ This table should not be used on its own as a tool for determining the statistical treatment of a PPP. It must be read in conjunction with the text in Chapter 3 of the [Guide](#) which explains the particular features of the typical PPP contract provisions that influence the statistical treatment. At the same time, it is important that users recognise the limitations inherent in Chapter 3 itself (i.e. that while Chapter 3 contains an overview of a comprehensive set of provisions in typical PPP contracts it cannot, by its nature, take into account all of the facts, circumstances and provisions of individual PPPs).



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
THEME 1 – THE PROJECT SITE						
1.1	Identifying and obtaining the project site					Does not influence statistical treatment
1.2	Site ownership and partner rights to access the project site					Do not influence the statistical treatment
THEME 2 – DESIGN AND CONSTRUCTION OF THE ASSET						
2.1	Responsibility for design			✓		
2.2	Responsibility for construction					Does not influence statistical treatment
2.3	Construction completion			✓		
2.4	Snagging works			✓		
2.5	Partner reimbursement of authority costs			✓		
2.6	Partner performance guarantees					Does not influence statistical treatment
THEME 3 – OPERATION AND MAINTENANCE OF THE ASSET						
3.1	Responsibility for operation and maintenance			✓		
3.2	Operations and maintenance standards	✓				



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
3.3	Maintenance plan: issues with authority approval reducing partner risk			✓		
3.4	Maintenance plan: issues with requiring partner to incur costs				✓	
3.5	Maintenance funds					May influence the statistical treatment. Requires further analysis (see Guide)
3.6	Partner performance guarantees					Do not influence statistical treatment
3.7	Staffing issues					Do not influence statistical treatment
THEME 4 – THE PAYMENT MECHANISM						
4.1	Structure of the operational payments (availability-based payments)					Does not influence statistical treatment
4.2	Adjustments for unavailability and poor service performance	✓				
4.3	Defining availability/ unavailability	✓				
4.4	Defining service performance					Does not influence statistical treatment
4.5	Measuring availability and performance			✓		
4.6.1	Quantifying availability and performance deductions - unavailability deductions					May influence the statistical treatment. Requires further analysis (see Guide)



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
4.6.2	Performance deductions or performance points					Do not influence statistical treatment
4.6.3	Rectification periods				✓	
4.6.4	Minimum deduction amounts					Do not influence statistical treatment
4.6.5	Ratchets and multipliers					Do not influence statistical treatment
4.6.6	Unavailable but used				✓	
4.6.7	Temporary alternative facilities					Do not influence statistical treatment
4.7.1	Relief from deductions for availability and performance failures - excusing causes			✓		
4.7.2	Grace periods				✓	
4.7.3	Tolerances / de minimis exceptions for deductions			✓		
4.7.4	Caps on deductions	✓				
4.8	Adjustments for use (availability-based payments)			✓		
4.9	Structure of the operational payments (demand-based payments)					See Theme 4.10



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
4.10	Quantifying the operational payments (demand-based payments)					May influence the statistical treatment. Requires further analysis (see Guide)
4.11	Structure of the operational payments (mixed availability / demand-based payments)					May influence the statistical treatment. Requires further analysis (see Guide)
THEME 5 – OTHER PAYMENT ARRANGEMENTS						
5.1	Commencement of operational payments	✓				
5.2	Benchmarking and market testing of services					May influence the statistical treatment. Requires further analysis (see Guide)
5.3	Utilities costs				✓	
5.4	Indexation				✓	
5.5	Third party revenues from the asset					May influence the statistical treatment. Requires further analysis (see Guide)
5.6	Timing for making operational payments					Does not influence statistical treatment
5.7	Late payments					Do not influence statistical treatment
5.8	Disputed payments					Do not influence statistical treatment



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
5.9	Pass through costs					Do not influence statistical treatment
5.10	Payment mechanism reviews					May influence the statistical treatment. Requires further analysis (see Guide)
THEME 6– COMPENSATION, RELIEF AND FORCE MAJEURE EVENTS						
6.1.1	PPP contract mechanisms for compensation events			✓		
6.1.2	PPP contract mechanisms for relief events			✓		
6.1.3	PPP contract mechanisms for force majeure events			✓		
6.1.4	Quantifying compensation and/ or relief			✓		
6.1.5	Paying compensation					Does not influence statistical treatment
6.2	Public law doctrines on compensation, relief and force majeure events					May influence the statistical treatment. Requires further analysis (see Guide)
THEME 7 – CHANGES TO THE PPP CONTRACT						
7.1	Changes proposed by the Authority			✓		
7.2	Changes proposed by the Partner			✓		



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
THEME 8 – CHANGES IN LAW						
8	Change in Law				✓	
THEME 9 – INSURANCE						
9.1	Insurance requirements					Do not influence statistical treatment
9.2	Reinstatement of the asset			✓		
9.3	Insurance costs			✓		
9.4	Uninsurability			✓		
9.5	Unavailability of required insurance terms					Does not influence statistical treatment
THEME 10 – WARRANTIES AND INDEMNITIES						
10.1	Warranties					May influence the statistical treatment. Requires further analysis (see Guide)
10.2	Indemnities given by the Partner			✓		
10.3	Indemnities given by the Authority			✓		



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
THEME 11 – EARLY TERMINATION OF THE PPP CONTRACT						
11.1	Partner default termination					Does not influence statistical treatment
11.2	Authority default termination			✓		
11.3	Authority voluntary termination					Does not influence statistical treatment
11.4	Force majeure termination					Does not influence statistical treatment
11.5	Termination linked to uninsurability					Does not influence statistical treatment
THEME 12 – COMPENSATION ON EARLY TERMINATION OF THE PPP CONTRACT						
12	Compensation on early termination of the PPP contract			✓		
12.1.1	Partner default termination compensation – no compensation payable					Does not influence statistical treatment
12.1.2	Partner default termination compensation – no provision in the PPP contract for compensation					May influence the statistical treatment. Requires further analysis (see Guide)
12.1.3	Partner default termination compensation – market value of the contract					May influence the statistical treatment. Requires further analysis (see Guide)



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
12.1.4	Partner default termination compensation – book value of the asset					May influence the statistical treatment. Requires further analysis (see Guide)
12.1.5	Partner default termination compensation – senior debt compensation					Does influence the statistical treatment. Requires further analysis (see Guide)
12.2.1	Compensation for costs and losses					Does not influence statistical treatment
12.2.2	Book value of the asset					Does not influence statistical treatment
12.3	Authority voluntary termination compensation					Does not influence statistical treatment
12.4	Force majeure termination compensation				✓	
12.5	Uninsurability termination compensation					Does not influence statistical treatment
12.6	Payment of compensation					Does not influence statistical treatment
12.7	Partner obligations on termination					Do not influence statistical treatment
THEME 13 – EXPIRY OF THE PPP CONTRACT						
13.1	Expiry date					Does not influence statistical treatment
13.2	Allocation of the asset on expiry				✓	



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
3.3	Condition of the asset on expiry			✓		
13.4	Partner obligations on expiry					Do not influence statistical treatment
THEME 14 – FINANCING ARRANGEMENTS						
14.1	Timing of financial close					Does not influence statistical treatment
14.2	Interest rate adjustments			✓		
14.3	Availability of financing					May influence the statistical treatment Requires further analysis (see Guide)
14.4	Authority/government participation in financing					Does influence the statistical treatment. Requires further analysis (see Guide)
14.4.1	Milestone or other lump-sum payments					Does influence the statistical treatment. Requires further analysis (see Guide)
14.4.2	Loans					Do influence the statistical treatment - requires further analysis to determine if the project falls within Eurostat's definition of a PPP



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
14.4.3	Equity					Does influence the statistical treatment – requires further analysis to determine if the project falls within Eurostat’s definition of a PPP
14.4.4	Financing guarantees					Does influence the statistical treatment. Requires further analysis (see Guide)
14.5	Other forms of authority/government support	✓				May influence the statistical treatment Requires further analysis (see Guide)
14.6	Refinancing					Does influence the statistical treatment. Requires analysis under 14.6.1 / 14.6.2 of Guide)
14.6.1	Refinancing – authority approval to refinance					Does influence the statistical treatment. Requires further analysis (see Guide)
14.6.2	Refinancing – refinancing gains	✓				
14.7	Foreign exchange rate risk					Does not influence statistical treatment
14.8	Lenders’ step-in rights				✓	



Themes		Automatically on balance sheet	Very High	High	Moderate	Comment
THEME 15 – GOVERNMENT INFLUENCE						
15.1	Authority share in the ownership of the partner					May influence the statistical treatment Requires further analysis (see Guide)
15.2	Authority rights of approval					Do not influence statistical treatment
15.3	Authority step-in rights				✓	
15.4	Caps on partner profit or revenues	✓				
THEME 16 – MISCELLANEOUS PROVISIONS						
16.1	Dispute resolution procedure					Does not influence statistical treatment
16.2	Information and confidentiality					Does not influence statistical treatment
16.3	Compliance with law					Does not influence statistical treatment
16.4	Restrictions on assignment (transfer) of the PPP contract					Do not influence statistical treatment