

Public Private Partnerships

The Hungarian Experience

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FISCAL RESPONSIBILITY INSTITUTE BUDAPEST



The use of PPPs in Hungary

- 2004-2008 (EU accession – FRF)
- Mainly at central government level
- Area:
 - Tall roads
 - Budapest concert hall
 - Student halls and other university buildings
 - Sport facilities
 - Prisons
- Total current annual fee: ~0,4 % of GDP



The objectives of using PPPs in Hungary

- To circumvent ESA95 statistical rules (*to solve short term political conflicts at the expense of the future generations*)
- To lock the government into civil contracts to maintain the facilities



The experiences and challenges with PPPs

- The private sector was „very proactive”
- There is still no widely accepted methodology to calculate the public sector comparator in the case of special assets
- Politicians interpreted PPPs as an enlargement of the fiscal space



Assessment of the Hungarian system in light of the OECD Best Practice principles

„Establish a clear, predictable and legitimate institutional framework supported by competent and well-resourced authorities”

There was an interministerial committee for ex ante assessment of PPP-projects, but mainly as a political tool

European statistical rules are not clear enough



Assessment of the Hungarian system in light of the OECD Best Practice principles

„Ground the selection of Public-Private Partnerships in Value for Money”

Without a public sector comparator and established benchmarks the question of Value for Money was not even put.

E.g. student halls could completely avoid the committee if the contract met some prespecified rules



Main principles from the best practice

„Use the budgetary process transparently to minimize fiscal risks and ensure the integrity of the procurement process”

Fiscal Responsibility Law (2008-2011):

- account for the investment part in the investment period,
- no new project was started in 2009-2011

Many PPP contracts are secret

In Hungary PPP is a synonym for an expensive budget gimmickry



Thank you!

