

‘Rules & Laws of European Economic Governance’ workshop
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(Re-)shaping the market through accounting case-law: The rise and demise of public-private partnerships in Europe

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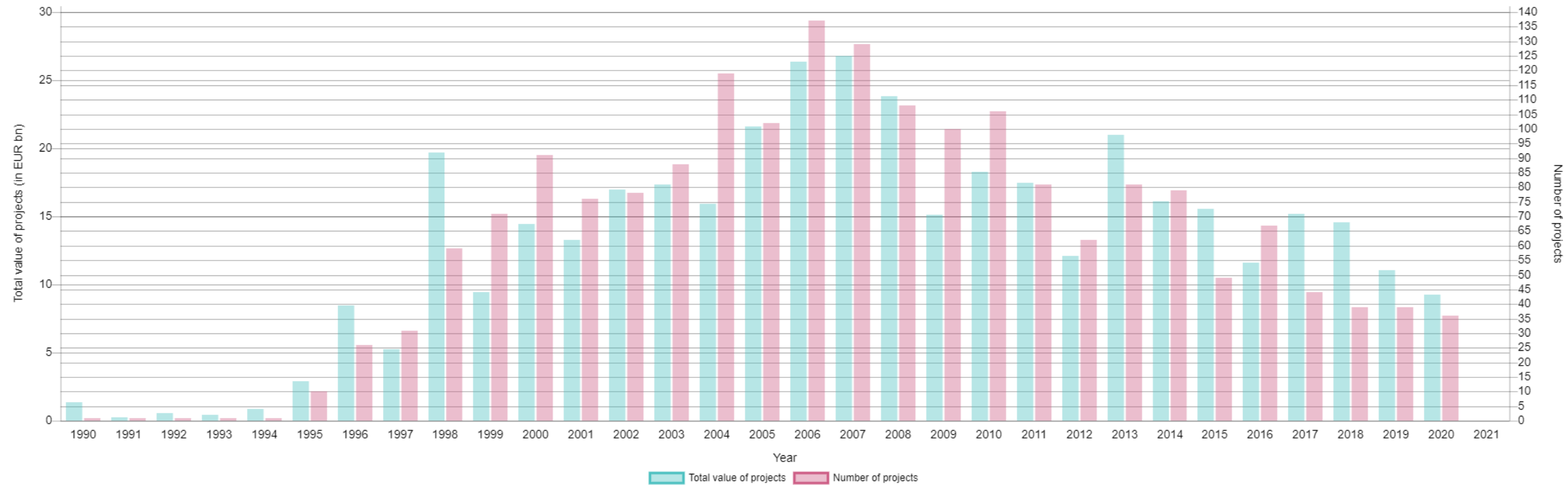


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Introduction

Evolution of the PPP market by year / all sectors



Source: EPEC (<https://data.eib.org/epec/sector/all>).

Introduction

- The paper retraces the genealogy, controversies, and effects of the **accounting treatment of PPPs in Europe**
- **Focus:** power struggles over the legitimate definition of PPPs and the conditions of their **“off-balance-sheet” recording**
- **Theoretical perspective:** critical political economy, Foucauldian analytics of government (Foucault, 2008; Miller and Rose, 2008) & sociology of accounting (Hopwood and Miller, 1994; Chapman et al., 2009)
- **Data:** in-depth documentary analysis & 30 interviews with senior EU and Belgian officials

- **Twofold impact of Eurostat’s accounting “case-law” on EU PPP market:**
 - 1) **Growth** explained by advantageous accounting treatment compared with “traditional” modes of public infrastructure funding
 - 2) **Subsequent decline** rooted in strengthening of Eurostat’s powers and “case law”

1. The development of the PPP market in Europe

- **Policy background:** efforts of EU institutions to promote PPPs in the early 2000s
- **Political economy & PPP literatures:**
 - Whiteside (2020): PPP management transformed public infrastructure & services into **vehicles of profit-making**
 - Liebe & Howarth (2020): role of policy-entrepreneurs within the **EIB** in promoting PPPs
 - Rising interest for “**off-balance-sheet policymaking**” (Guter-Sandu and Murau, 2022; Piron, 2024) as “**state-led enabling of market-based finance**” (Mertens and Thiemann, 2019)
- Endrejat (2024): focus on **Eurostat** and (conflicting) interactions with EIB & Commission
- Yet, understates the **asymmetries of power** surrounding the accounting treatment of PPPs in the multi-level EMU (Piron, 2022)
- Need to explain **Eurostat’s ascendancy & ability to effectively resist pressure** to review its strengthened case law on PPPs + its impact on PPP model & EU PPP market
- Contribution: focus on **growing juridification of EU accounting harmonisation** and its effects

2. Eurostat's accounting case-law at the service of the growth of the PPP market in Europe

1) “Disciplining without punishing”: the growing juridification of European accounting integration (1995-2010)

- ESA in Regulation, accounting “case-law”, codification in MGDD, network of experts (CMFB),...
- In contrast, symbolic sanctioning powers

2) Eurostat's “liberal” case law paved the way for the development of the PPP market

- Focus on “risks & rewards” (inspired by the UK): “openness” towards off-balance-sheet recording (2004)
- Yet, fierce criticism & put to the test of national and local implementation

3) Exploring the boundaries of Eurostat's case-law: The Flemish “participative” PPP model

- Decisive influence of Eurostat's case law, but peculiar features: participation of public agencies, blocking minority, public guarantee...
- Consequence: Eurostat questioned the adequacy of an off-balance-sheet treatment

3. The European PPP market put under pressure by strengthened accounting case law

1) The advent of a European auditor of public finance statistics

- EU accountants successfully used the “Greek statistical crisis” to obtain dramatically increased competences
- New legal-accounting architecture: “dissuasive effect” of the ability to impose fines, access to accounts, increased staff...

2) Eurostat’s strengthened accounting case law on PPPs (from 2010)

- Restrictive approach of “off-balance-sheet” PPPs to end “abusive” interpretations → Spate of reclassifications
- International context: growing dissatisfaction of international accounting standard-setting bodies with the “risks & rewards” approach

3) Off-balance-sheet recording, at any price?

- Far-reaching financial and organisational consequences of the “off-balance-sheet” PPP model promoted by Eurostat’s accounting case law
- Conditional on commodification and quasi-privatisation of ‘public’ infrastructures → Increased financialization of national investment policies

Conclusion

- At first, **Eurostat’s “liberal” stance** on PPPs decisively favoured the growth of the European PPP market
- Yet, imbued with new powers and resources in the wake of the eurozone crisis, it subsequently **strengthened its case-law on PPPs**
- Eurostat also ensured that Member states respected these criteria and **resisted political demands** for a more flexible interpretation

- **Consequence:** the “pure” ‘off-balance sheet’ PPP model favored by Eurostat is not an escape route from EU budgetary constraints, but rather **the culmination** of the EU programme for disciplining national public finance and investment policies
- This restrictive and standardised interpretation of off-balance-sheet PPPs involves significant additional costs and leaves public authorities increasingly submitted to the profitability requirements of private investors

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