

Methodological note

CLARIFICATION ON THE IMPLICATIONS OF COVID-19 MEASURES ON THE STATISTICAL TREATMENT OF EXISTING PPPS AND CONCESSIONS

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1. In order to mitigate the economic and social impact of the COVID-19 pandemic, governments are initiating (or considering initiating) measures that give private partners in PPP and concession arrangements some form of relief from performance targets/ indicators, as well as to convey financial compensation.
2. In some cases, these measures implement express provisions of relief and/or compensation in the PPP or concession contract or provisions available under general law (e.g. the COVID-19 pandemic is treated as a force majeure event).
3. In other cases, these measures are beyond the scope of the express provisions of the PPP or concession contract or the provisions available under general law, and therefore effectively supplement, clarify or change the terms of the PPP or concession contract as agreed pre COVID-19.
4. Eurostat's view is that the COVID-19 pandemic is an exceptional external event, with significant and unforeseeable consequences. As such, and, in accordance with the principles of the Manual on Government Deficit and Debt (MGDD), it is a risk that government may elect to bear without necessarily resulting in the reclassification of a PPP¹ or concession asset on government's balance sheet².
5. In this context, government bearing the risk of the COVID-19 pandemic implies that government may, for example, step-in to deliver the project itself and/or give the private partner:
 - relief from the performance of contractual obligations;
 - relief from the consequences of non-performance of contractual obligations; and/or
 - compensation for revenues lost and/or additional costs incurred.

¹ For PPPs, see § 79 in chapter 6.4 “Public-Private Partnership” of the MGDD. As regards “force majeure” events, it is written, “such risks could be retained by government without requiring the classification of the assets on its balance sheet”, in cases where the absence of responsibility of the partner is unquestionable. It is likely that, in the situation originated by COVID-19, the partner could bear no responsibility for events related to delays in construction or services failures or increase in costs, in a context in which government is directly taking decisions that might affect the performance of the contract.

² For concession, see § 26 of chapter MGDD 6.3 « Contracts with non-government units related to fixed assets », when it says, related to events resulting from « force majeure », that « *in the context of exceptional and dramatic unfavourable economic conditions, a temporary limited support provided by government might not lead necessarily to a reclassification of the assets* ».

6. However, in order for this not to affect the statistical treatment of an existing PPP or concession asset (i.e. not resulting in a reclassification on government's balance sheet), the relief and/or compensation measures that government offers to its private partner / concessionaire must be reasonable, proportionate and limited in time. This will vary from project to project, but in all cases means that the time and amount of relief and/or compensation must:
 - be strictly limited to dealing with the direct effects of the COVID-19 pandemic (including any government action taken in response to the pandemic, such as restrictions on movement, closure of buildings and services etc.); and
 - take account of reasonable steps that the private partner / concessionaire can take to mitigate the impact on its performance, costs and losses.
7. Where any such measures offered by government comply with the conditions set above, a reassessment of the statistical treatment of the relevant PPP or concession assets will not be required.