

**EXECUTIVE
BOARD
MEETING**

SM/15/155
Correction 1

July 9, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Germany—Selected Issues**

Board Action:

The attached correction to SM/15/155 (6/24/15) has been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

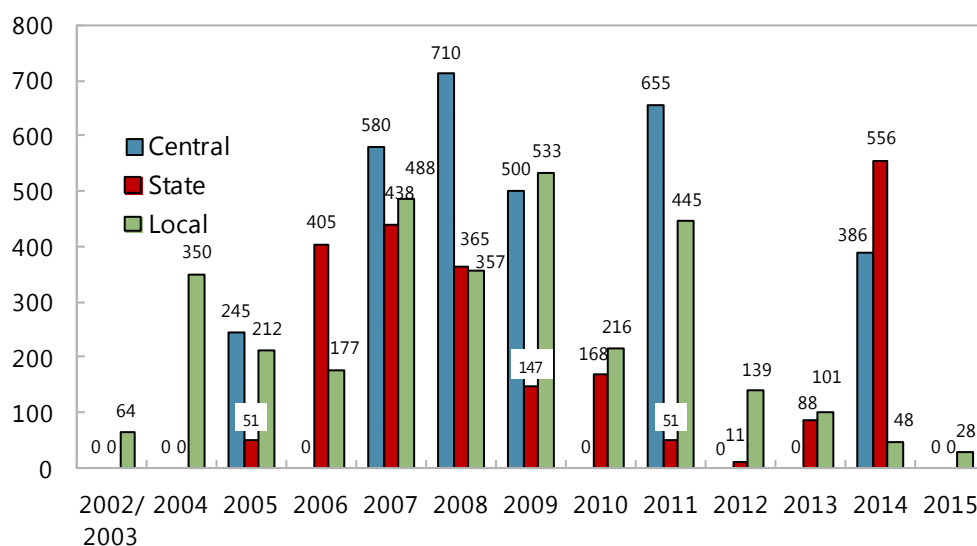
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Questions:

Ms. Detragiache, EUR (ext. 36376)
Mr. Vandenbussche, EUR (ext. 36676)
Ms. Pereira, EUR (ext. 39452)
Ms. Boz, RES (ext. 37506)

that PPP investment volumes contracted by local governments have fallen substantially over recent years, in tandem with the decline in local government investment ratios.

Figure 2. PPP Investment Contracts by Level of Government, 2002April 2015
(Millions of Euros)



Source: PPP-Projektdatenbank.

C. Towards a Better Institutional Framework for PPPs

8. **Germany's institutional framework for PPPs is strong by international standards at the federal level.** Federal investment projects taking place through PPPs are included in the annual budget, and federal budget documentation contains an annex with an overview of current and future PPP-related spending obligations (OECD, 2014). Federal PPP projects are subject to an economic feasibility analysis, so that PPP procurement is only used if it is expected to yield a larger return than traditional procurement. In addition, the Federal Court of Auditors can audit PPP contracts, as with any other federal expenditure. Importantly, at the federal level there are no minimum revenue guarantees granted by the government to private operators, ensuring that risks are shared.

9. **The framework, however, could be improved further, particularly at the subnational level.** At the level of the federal states, minimum revenue guarantees are used in PPPs (OECD, 2014) and reporting requirements are not as stringent as at the federal level. At the municipal level, oversight is provided by the relevant federal state with no direct control by the federal government. The latter promotes adequate management of PPPs at the local level by providing guidance on best practices, including through Germany's main PPP agency *Partnerschaften Deutschland* (PD, an independent agency created in 2008 by the Ministry of Finance, **but** with a **majority minority** private ownership). Consulting with PD is subject to user fees (PD's primary