



SPEAKING NOTES

29 October 2008

FORUM ON EFFECTIVE PARTNERSHIP AND GOVERNANCE THURSDAY 30 OCTOBER AT 10H00 – RIGA

BUSINESSEUROPE'S RECOMMENDATIONS ON HOW TO IMPROVE PPPs ADDRESS BY ERNEST-ANTOINE SEILLIERE, PRESIDENT OF BUSINESSEUROPE

Dear Prime Minister,
Dear Director of the State Chancellery,
Dear President,
Ladies and Gentlemen,

- I would like to thank BUSINESSEUROPE's Latvian member LDDK, its President Mr Gavrilovs and its Director General Ms Egle, for inviting me in Riga to meet and share views with members of the Latvian government and the Latvian business community.
- Let me briefly recall who we are. BUSINESSEUROPE is the Confederation European Business. Through our 40 members federations present in 34 countries across Europe, we represent more than 20 millions small, medium and larger companies.
- The Latvian Employers' Confederation became a member of BUSINESSEUROPE in 2004 as Latvia joined the European Union in an historical enlargement to ten new Member States from Eastern and Central Europe.
- Over the past four years, Latvia, as the other "newcomers", has contributed a lot to EU growth. The dynamism of your country has been remarkable with a growth rate above 10% ever since its accession to the EU.

Economic and Financial Crisis

- However, future growth prospects have significantly darkened, for Latvia as for the rest of Europe. We are faced with an unprecedented global financial crisis which will be followed – also in Latvia – by an economic downturn that could lead us into stagnation in 2009.

- On Monday we published our autumn Economic Outlook based on the economic prospects of our member federations. We expect the EU27 GDP to grow by only 0.4% in 2009. As for Latvia, our study estimates that national GDP growth rate will not exceed 0.9% next year. The labour markets will be affected as well. For the first time since 1992 employment will shrink in the Euro area. For our economy, for our workers and for our companies, we need to act to reverse this bleak outlook.
- Public authorities acted and rescued banks with national plans amounting to total commitments of up to €1800 billions. This was urgent, appropriate and, let us hope, effective. Undoubtedly, French President Nicolas Sarkozy, in his capacity of President of the European Council, has played an active role in bringing EU Member States to a common position and coordinated actions.

BUSINESSEUROPE's priorities

- At the same time, to make sure that companies as well as workers are able to seize opportunities once the peak of the turmoil has passed, the structural reforms agreed under the Lisbon Strategy coupled with sound budgetary policies and sound wage developments must be pursued. In other words, BUSINESSEUROPE will continue to advocate the creation of the right framework conditions for European companies.
- With all the Presidents of our member federations, we have set six priorities in order to make the European Union a competitive area:
 1. We urgently need to implement the necessary reforms for growth and jobs. The Lisbon strategy is good. It identifies the right priorities. But clearly the goals will not be achieved without a stronger commitment to reform at political level. In addition we need to look already now at how the strategy will have to be pursued beyond 2010. Member States from Central Europe demonstrated in the past their remarkable adaptation capacity. This should be an asset for Latvia to continue reform processes now.
 2. Deepening the EU single market and ensure effective enforcement of rule is a must. The enlargement of the EU in 2004 has breathed new dynamism into the internal market, extending its scope and significance. With now 500 million people in 30 countries (EU-27 plus Norway, Liechtenstein and Iceland) the single market of is a tremendous instrument to strengthen European companies in order to face global competition.

However the enlargement of the internal market came with some concern and emotion. Workers from Central and Eastern European neighbours – especially Poland – were unfairly pictured as a potential threat to jobs and social standards in some Western European

countries. Better enforcement of the single market, notably of the services directive, will also prevent those situations of mistrust by ensuring that the rules are known and apply to all the players.

3. We also attach the utmost importance to good governance and a swift ratification of the Lisbon Treaty. After the disappointment of the Irish referendum, BUSINESSEUROPE is pleased that the ratification process is continuing, and urges the five countries that have not yet done so to complete ratification without delay.
4. In addition we want to fight all kinds of protectionism in the European Union and in the world. This is the only way forward. We reiterated this message at a high-level conference we organised this week gathering key EU policy-makers under the motto “Going Global: the way forward”.
5. Hand in hand with these policies we must modernise our social systems and reform labour markets in order to meet the demands of an ageing society and the lack of skilled people. The flexicurity approach is key in this respect.
6. Finally, the issue of energy and climate change is certainly the key topic for BUSINESSEUROPE these days. Industry is often considered to be part of the problem. We see it above all as part of the solution to tackle the challenge of global warming.

BUSINESSEUROPE is committed to promote a secure, competitive and climate-friendly energy system. However, companies are concerned about a number of elements in the energy and climate package put on the table by the European Commission in January. The additional costs – 80 billions euros a year – deriving from the revision of the Emission Trading Scheme and from the EU renewables policy will seriously hurt in particular energy-intensive industries. Clearly, mitigation measures will be needed to alleviate the competitiveness pressures. We will not be able to evolve towards a low-carbon energy system if the competitiveness of European industry is to be sacrificed.

Further, BUSINESSEUROPE is firmly convinced that there will be only one way to meet the climate change challenge successfully, from an environmental as well as an economic point of view: by finding a global agreement engaging all CO₂ emitter countries. The conferences in Poznan (December 2008) and Copenhagen (December 2009) are the forums in which such an agreement should be negotiated and concluded.

Public-Private Partnerships (PPP)

- I would like now to turn to the topic of today's Forum and share with you the views of BUSINESSEUROPE on public-private partnerships (PPP) and governance.
- The business community is a strong supporter of PPPs. If managed correctly, PPPs can:
 - improve the quality of services;
 - allow for faster delivery;
 - provide greater choice for citizens;
 - improve control of public spending.
- PPPs take different forms across Europe but they tend to share a number of characteristics that contribute to bringing better services to citizens, for instance:
 - a new approach to risk;
 - flexible contracting;
 - more measured performance;
 - a competitive supply chain.
- Many opportunities exist for PPPs to be developed in a wide range of areas (e.g. transport, water, telecoms, health and social service). However, PPPs represent a very modest proportion of today's overall procurement activity in Europe. In our view this represents a missed opportunity for both society and the economy.
- Indeed, PPPs, if managed correctly, really help to deliver better public services for citizens. In this context, some of the main benefits that PPPs can bring include:
 - More choice: PPPs enable public services that are often more responsive to customers' expectations.
 - Better value for money: Greater efficiency of PPPs comes from a well-managed procurement process and life-cycle analysis of costs and benefits.
 - New sources of financing: Private funding offers a new way of funding for expensive infrastructure projects where the financial risk is borne primarily by business.
 - Better performance: In PPPs, payments are linked to the delivery of targets and this gives providers the incentive to invest in the development of skills and training.

- A boost to innovation: Businesses know that they will only win and keep public service contracts if they are able to innovate, improve performance and efficiency, and keep citizens satisfied.
- Faster and flexible delivery.
- In light of the above, BUSINESSEUROPE calls on the EU and public authorities in Europe to remove barriers that restrict partnerships between the public and private sectors. Especially, public authorities should support a wider use of PPPs as key way to improve public service innovation.
- Fair competition between providers from the public and private sectors should be further promoted to ensure that the best provider available can meet our citizens' needs.
- Member States should encourage the exchange of best practices across Europe to improve public services through PPPs. They should also dedicated sufficient means to information and training programmes for Europe's civil servants to enhance their capabilities in working with PPP contracts.
- Lastly and more importantly, public authorities should work closer with the European business community – key user and funder of public services – to help shape a positive vision of PPPs across Europe.

Conclusion

- To conclude, BUSINESSEUROPE is convinced of the benefits of PPPs and will continue its efforts to raise awareness of PPPs.
- We must not forget that the European single market has at its heart the principle that effective competition, strong markets and consumer choice deliver the best outcomes for citizens. We need to carry on working towards ensuring that this principle equally applies to public services delivered across Europe.
- In this context, I strongly welcome the joint initiative of the Latvian Employers' Confederation and the State Chancellery of the Republic of Latvia to organise today this Forum on Effective Governance and Partnership.

Thank you for your attention.

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