Myopic PPPs: Risk allocation and hidden liabilities for taxpayers and users

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Abstract: Drawing on evidence from three case studies, we show how the State's Financial Liability has worked in assigning risk in large PPP contracts in Spain. Project failure and the concessionaires' bankruptcy have resulted in the government having to assume heavy financial obligations, which have ultimately been absorbed by taxpayers and users. In contrast, Spain's leading construction companies, which were also major investors in the concessionaires, have been able to minimize their risk. Myopic PPPs have been entered into based on the transference of liabilities to taxpayers and users, and the, consequent, minimization of risks for the main private investors.

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