

PPP FOR SCHOOLS IN FLANDERS: COMPLEX STRUCTURE IN A COMPLEX CONTEXT

INTRODUCTION

While PPPs are popular in the public sector across the world and frequently discussed by politicians, practitioners and academics, there is a remarkable lack of empirical research into the actual governance of PPPs (Hodge, Greve, and Boardman 2010; Bloomfield 2006). PPPs present important management and governance challenges, like governance by public and private actors in a complex multi-level or/and multi-actor context (Flinders 2010; Skelcher 2010; Donahue and Zeckhauser 2012). Increased involvement of different actors and tiers makes public tasks and corresponding responsibilities more ambiguous and confused. This article focuses on the interaction between elements of complexity, the governance structure of PPPs, and its combined effect on performance. After discussing the research strategy, the empirical data of a single case study in Flanders is presented. To conclude, this article ends with the lessons learned from the case study.

Gewijzigde veldcode

Gewijzigde veldcode

Gewijzigde veldcode

Gewijzigde veldcode

Gewijzigde veldcode

RESEARCH STRATEGY

Analytical framework

Before discussing complexity and governance issues of PPPs, the 'PPP' concept has to be delineated as a clear and shared definition of 'PPP' is missing (Hodge, Greve, and Boardman 2010). A broad spectrum of arrangements between traditionally procured government projects and full privatization exists, as many different ways of cooperation/partnership between public and private partners try to fill this space, differing from country to country (OECD 2008; Grimsey and Lewis 2007). Given this lack of definitional clarity, an alternative way to grasp the nature of the concept PPP is to accept this diversity and attempt to classify different types of PPPs. This article explicitly focuses on so called long-term DBFM (design build finance maintain) programs related to public infrastructure.

Gewijzigde veldcode

Gewijzigde veldcode

Gewijzigde veldcode

Long-term PPP contracts are complex and risky undertakings, and governments hoping to achieve the theoretical benefits of long-term contracting with a private partner are confronted with daunting management and governance challenges (Bloomfield 2006). Since the knowledge about specific factors that contribute to PPP governance and project success or failure is still limited (Bloomfield 2006; Hodge 2004), Van Gestel et al. (2012) introduced an analytical framework to help and fill that gap. This framework tries to capture the entire cycle of the process of a PPP in order to improve the understanding of how governance of PPPs affects their performance.

Gewijzigde veldcode

Gewijzigde veldcode

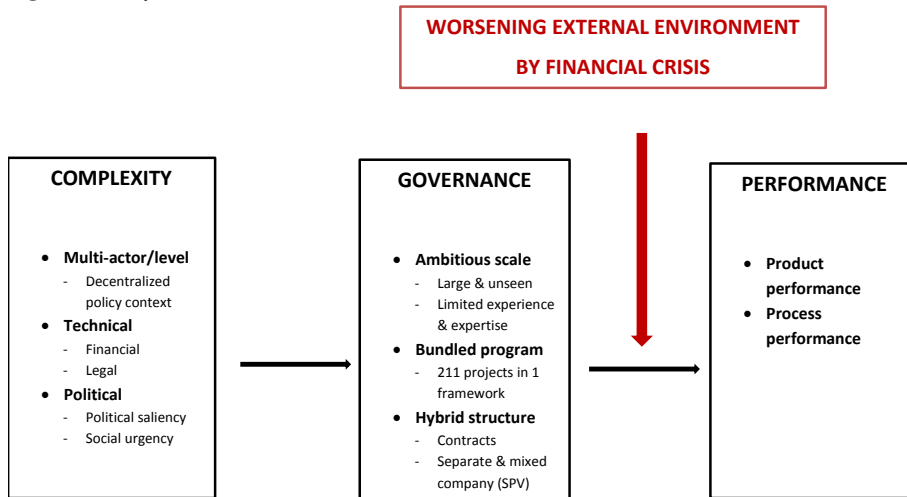
Gewijzigde veldcode

Gewijzigde veldcode

Using the case of a complex PPP program to develop school infrastructure commissioned by the Flemish government, this article tries to contribute to the understanding of the 'black box' called PPP performance. Evaluating PPPs performance or 'value for money' is not easy, given the different goals PPPs are supposed to serve. Hodge (2010) states that many evaluation studies are rather weak and the data dirty, resulting in evaluations with mixed and contradictory results. He calls for more evidence-based learning and synthesis, combined with a cross-disciplinary set of perspectives and skills. This article is a modest contribution to this justified ambition. First important elements of complexity are scrutinized, subsequently governance mechanisms to manage those complexities are looked at, and finally some results are presented (See Figure 1).

Gewijzigde veldcode

Figure 1: Analytical framework



Methodology

Since the article aims to uncover social mechanisms behind the interplay between complexity, governance and performance of PPPs, a qualitative approach seems most suitable. Various authors see qualitative research as an important first step in the process of theory construction (Eisenhardt and Graebner 2007; Yin 2009; Geddes 2003). The presented analytical framework will be applied to a particular case (i.e. PPP project) through a detailed description of its attributes and the relationship and dynamics within it. It is an illustration of what Yin (2009) calls a 'case description'.

Gewijzigde veldcode

In this article the focus is on the school infrastructure PPP (DBFM) program of the Flemish government. The case was selected in an information oriented way, namely as an “unique case” containing lots of interesting and relevant material (Flyvbjerg 2006). The PPP program for Flemish school infrastructure is a single case characterized by different elements of complexity, and therefore a promising example to find out how complexity, control and the applied governance strategy relate to each other, and how that interaction affects overall performance. In short, Flemish PPP school infrastructure offers an example of how a government opts for a complex solution for a complex challenge (with the unfortunate event of a worsening wider environment). It remains to be seen whether this was the most optimal choice in terms of performance. The methods used are twofold: a broad document analysis and various (n=9) semi-structured interviews with key players.

CASE STUDY: THE FLEMISH PPP PROJECT ‘SCHOOLS OF TOMORROW’

The PPP project ‘Schools of Tomorrow’ is one of the largest PPP programs introduced by the Flemish government. Before applying the analytic framework, first the context wherein the PPP project took its actual form will be outlined.

Context

The state of school infrastructure in Flanders (northern region of Belgium) is problematic for several reasons. Decades of structural underinvestment due to public savings since the late seventies resulted in an old and outdated school infrastructure, no longer meeting current standards. Recently, Flanders also faces a school infrastructure shortage in many cities due to demographic evolutions. Almost 2.650 dossiers for subsidy applications are on the waiting list of AGION (public agency for school infrastructure) worth EUR 2,65 billion in September 2012 (AGION 2011) and the investment need of 'GO!' (Community Education) is estimated at EUR 1,9 billion, totaling over EUR 4,5 billion. The estimated waiting time for new school infrastructure is more than ten years and many schools take refuge in provisional prefabricated 'container classes'.

Main educational networks calculated that annual subsidies need multiplication by factor 2.5 à 3 to reduce the waiting list in a reasonable time span. The Flemish government hence looked for new ways to construct and finance school infrastructure, meeting the needs of the target group (different educational networks and school boards) while respecting their autonomy. The Flemish government also wanted ways providing 'value added' compared to existing subsidies, like accelerated project implementation, better cost control, compliance with higher (innovative) technical requirements, and improved availability and flexibility of school infrastructure. The Flemish government worked on two different ideas in 2003, namely an investment fund trying to get one billion euros from Flemish individual investors to build new school infrastructure, and the implementation of a 'DBFM' PPP-formula.

In 2004, the minister of education (social-democrat) denounced the option of the investment fund, claiming it was too expensive and too complex. The Flemish government (led by a Christian-democrat) choose to put the second idea into practice. In a highly indebted country like Belgium, the Flemish government searched for alternative ways to finance large infrastructure projects without further raising debt and taxes. A two-track policy was therefore developed for school infrastructure. One track was a large catch-up program through PPP totaling EUR 1,5 billion, with new schools designed, build, financed and maintained (DBFM) by a private partner. This DBFM company (SPV) makes school buildings available to school boards and takes care of the maintenance for 30 years. In turn, school boards pay a performance-related availability fee for the contract period, and the building's ownership is transferred to the school boards free of charge afterwards. The second track was an increase of the regular subsidy system through AGION, a public agency subsidizing purchase, construction and renovation of school buildings, with an annual budget of ca. EUR 190 million.

Complexity

The need for new and additional school infrastructure in the region of Flanders was pressing. The Flemish government had to establish an appropriate solution, and set a number of preconditions: (1) accelerated elimination of the existing gap in school infrastructure (short term); (2) maximum realization with limited resources; (3) creation of an additional incentive for employment in the construction industry; (4) creation of modern school infrastructure; (5) creation of a flexible and organic school infrastructure; (6) ESA 95 neutral investment, kept off-balance. In a critical report on PPPs in Flanders, the Belgian Court of Audit confirmed that in the start and preparation stage, budget neutrality was empathized more than societal, operational and financial value added (Rekenhof 2009). The Flemish government wanted to invest significantly in infrastructure, without endebting itself from an ESA 95 perspective, thus embracing PPP as an ESA 95 neutral investment method.

Gewijzigde veldcode

Gewijzigde veldcode

Within this more or less 'mandatory' policy framework, some elements of "complexity" were very crucial for further project structuring and the applied instruments for steering and control. In what follows the most important aspects of multi-actor complexity, technical complexity and political complexity are discussed.

- *Multi-actor complexity*

Freedom of education is a fundamental right safeguarded by the Belgian Constitution, shaping a particular educational landscape characterized by three main educational networks with high autonomy to organize education themselves.

Table 1: Educational landscape in Flanders

Community Education (16,5% of the pupils):	public institution "Community Education" (GO!) is organized on behalf of the Flemish Community, fully subsidized by the Flemish government..
Subsidized Public Education (8% of the pupils)	Subsidized public education comprise municipal education organized by local government. School infrastructure is subsidized by the Flemish government via AGION: ratio 60% for secondary schools and 70% for primary schools. The umbrella organizations of this education network are VSGO (municipalities and cities) and POV (provinces).
Subsidized Private Education (75,5% of the pupils)	Subsidized private education is organized by private initiatives (not by a public authority), mostly Catholic schools, ranging from very large to very small organizing bodies and school boards. The umbrella organization of the Catholic schools is VSKO. Their school infrastructure is also subsidized by AGION at a ratio of 60 and 70 %.

The main source of complexity in the school infrastructure project is this multi-actor character, amplified by the decentralized organization of the educational landscape in Flanders.

The Flemish government is the executive branch of the powers of the Flemish Community, and acts as the initiator for the PPP project for school infrastructure. Within this project, the Flemish government is a multiplex 'public partner'.

Table 2: Different 'faces' of the Flemish government as 'public partner'

Flemish minister of Education	The current Flemish minister of education is also competent for school infrastructure. During the entire course of the project, the education competence was held by social-democratic ministers. Education is a full competence of the Flemish Community. Other ministers involved: the minister of finance and budget (Flemish nationalists) watches over the budgetary implications and the minister-president (Christian democrat) is responsible for general PPP policy.
PMV	PMV is an independent investment government company, participating in the economic sphere of Flanders and providing financial leverage when the market needs it and when necessary financial support for private initiatives is scarce. PMV is working with partners through private funds and public private partnerships.

AGION	This public agency finances and subsidizes the purchase, construction and renovation of schools for compulsory education and colleges, and ensures the coordination and facilitation of the DBFM program. It is currently an ‘internally autonomous agency with public law legal personality’, so remains under ministerial hierarchy but with some operational decision making authority delegated to the agency head.
School Invest	Together with AGION (50%), PMV (50%) created ‘School Invest’ to invest in the DBFM-company. ‘School Invest’ holds a minority share of 25% +1 in the DBFM company ‘Schools of Tomorrow’.

The DBFM company (SPV) is called ‘Schools of Tomorrow’ and is responsible for the execution of the program. AG Real Estate and BNP Paribas Fortis make up the private partners who hold a majority share of 75% -1. AG Real Estate is a real estate company with extensive experience in developing and maintaining large construction projects and is fully owned by AG Insurance. BNP Paribas Fortis adds financial expertise and know-how to the program. The DBFM company enters into contracts with the delegated developer AG Real Estate CopID (a subsidiary of AG Real Estate), the school boards and other private parties involved (e.g. architects, contractors, urban planners).

- *Technical complexity*

A major technical challenge for the project was the specific situation of the targeted school infrastructure. The list of individual school projects was so diverse that standardization was very difficult: projects were large or small, more technical or art schools with specific demands, new school buildings or renovation of existing schools, some schools were protected as cultural heritage, etc. Many individual projects were too small scale for stand-alone PPPs, due to high transaction costs associated with such a type of partnership. As a result, the Flemish government opted for a bundled or aggregated program of more than 200 projects with high diversity. By placing one huge program in the market for a public tender procedure, the technical complexity increased significantly.

Moreover, the specific situation of and legislation on education (including absolute autonomy of education organizing bodies) and the diversity of educational landscape with each network having their particular procedures and characteristics also complicated things. The specific financial situation was also different: community education was fully funded while the subsidized networks had to secure their own funding up to 20-30% of the investment value of the new infrastructures (which was not obvious especially for the subsidized private schools).

Another major technical issue is the legal and financial structure of the project. Main challenge was finding a way to get the project off the government’s balance sheet, while retaining some government control and steering in the process and providing an extended government guarantee on the long-term loans (lowering overall cost price). Yet, financing a DBFM program with a total value of more than EUR 1.5 billion proved very difficult, especially in financial turbulent times. Complexity was increased because of the huge and unseen scale of the project. PPP contracting automatically brings along some legal and financial complexities, but these are amplified because the ambitious nature of the project and the lack of a proven track record. Without much first-hand experience and expertise regarding DBFM projects, the Flemish government opted for a ‘big bang’ option: implementing one large catch-up program at once; with much emphasis on public expertise development along the way.

- *Political complexity*

Political complexity of the project is closely related to multi-actor complexity (e.g. existence of different school networks). These various school networks are rooted in the ideological struggle of Liberals and Socialists on the one hand and Catholics on the other hand about the role of the state in education and the position of private education during the nineteenth and twentieth century. Today, this struggle is no longer prominent, but there remains a delicate balance between the different networks, and consequently between the different political parties. Education is a political salient issue and constitutes almost 40% of the total expenditures of the Flemish government. It also has a strong tradition of elaborated deliberation with the ‘field’ (umbrella organizations, unions, etc.). Moreover, given the value of EUR 1.5 billion of the DBFM program, all relevant political actors watch it closely. Political complexity is also increased by the societal urgency of the project.

PPP governance

When looking at the actual governance of the PPP project ‘Schools of Tomorrow’, it will become clear how the complexities are handled with in order to pursuit the initial objectives of the program (See figure 2).

- *Initiating the project structure (n° 3 in figure 2)*

In the literature, two main types of PPPs are distinguished (e.g. Edelenbos and Klijn 2009). In the contractual model (inspired by PFI in the UK) PPP is a turnkey project in which a private actor contracts to design, finance and construct a public sector project. Private maintenance and exploitation may also be part of the contract. In the participative model, public and private actors establish a joint company to develop, maintain and operate projects. Different projects are combined to reinforce each other and to create an value added through real co-production. Because the intertwining of public and private partners is higher in the second model, it can be viewed as an advanced PPP-type. The Flemish ‘hybrid’ model however combines both models (Van Gestel, Voets, and Verhoest 2011). It has a double control and steering structure: (1) a separate and mixed company (SPV) to execute the program and (2) a strict DBFM framework agreement between the SPV and the Flemish government(n° 2 in figure 2), and separate DBM and F-contracts between the SPV and other private partners. This *sui generis* hybrid model is internationally unseen and untested, and hence an interesting test case for an international audience.

To manage all complexities, the Flemish government opted for a SPV responsible for the PPP (DBFM) program of all individual schools. Several advantages of this structure were expected. Firstly, the projects would be performed faster compared to school boards providing full realization of construction or renovation by themselves. Secondly, the SPV could specialize in its core-task: performing integrated contracts for school construction, while school boards focus on the provision of education. Thirdly, the long-term commitment of the SPV would produce sustainable buildings (because the company also guaranteed the long-term maintenance). Fourthly, the SPV would enable the coordination of various parties involved in the construction, which might limit realization time. Fifthly, it enables pooling certain purchasing procedures (called bargaining power: e.g. if the SPV negotiates the insurance-package for the full program, this might be less expensive than if each individual building project had to run through the same procedure) and reduces transaction costs. Finally, the specialized construction coordination could be conducted by specialized personnel in the SPV. Especially the fifth and sixth potential benefit seems to derive directly from the choice for a single project company for the entire program.

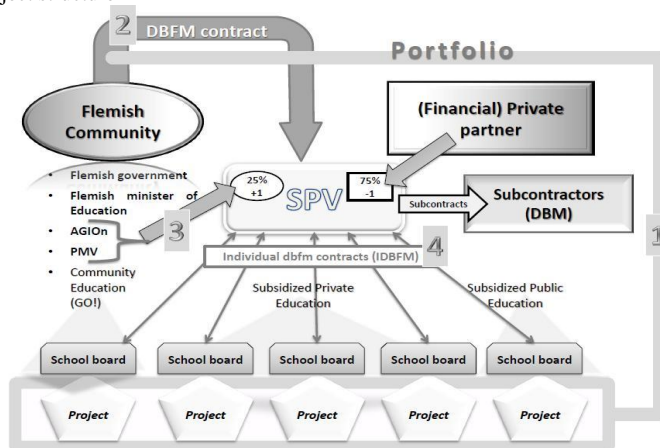
Besides bundling several small projects (n° 1 in figure 2), the Flemish government also opted for a public participation in the project company for several reasons (n° 3 in figure 2).

Gewijzigde veldcode

Gewijzigde veldcode

Because the private partner would mainly act from a profit-maximizing perspective, it was important that a public counterweight watched closely over the educational and societal perspectives. Second, given the large LT (financial) commitment, the public partner wanted a structural direct control over the DBFM program. To ensure ESA-neutrality of the project, the Flemish government opted for a minority stake of 25%+1. This stake provided some minority protection according to company law (de facto veto power in decision making). So, next to an elaborate contract surveillance and steering, the Flemish government can partly control and steer the process through the Board of Directors of the SPV. A specific supervisor of the Flemish government was also appointed as a non-voting member to watch carefully over the execution of the DBFM program. The direct participation also allowed the Flemish government to learn directly from the process; important given the lack of first-hand experience and expertise. Finally, its financial participation lowered the threshold for private partners and a possible financial return in case of a profit.

Figure 2: Project structure



AGION got additional money to set up a subsidiary called ‘School Invest’, sharing it 50/50 with PMV. School Invest then participates in the DBFM company (SPV) for 25% + 1 share, worth EUR 40.25 million (*n° 3 in figure 2*). The Flemish government wanted private *financial* partners with experience in real estate activities and companies. Such an exclusive choice for consortiums with a financial partner (and not for instance large project developers) is rather atypical and inconsistent with international PPP standards and practice, but several elements explain this. The first idea was that a financial partner would lead to a more ‘classical’ approach, namely easier and cheaper financing and more opportunities for smaller contractors and developers. The second idea was to let the financial partners do the project management, although this is not their core business.

The project company then makes school infrastructure available on the basis of individual DBFM contracts with the school boards (*n° 4 in figure 2*). AGION would pay part of the availability fees, following existing subsidized rates in the different educational networks and levels, while school boards pay the remaining part. The advantage for school boards is a standardized contract, instead of every board making additional costs for legal advice.

The structure seemed to meet some elements of complexity. Yet, some other actors, including the Flemish PPP Knowledge Centre, pointed to potential challenges of this structure. The

project structure, for instance, deviated strongly from international standards on PPP. Critical questions included: Are smaller clusters not preferable above such a large program? Are consortiums based on financial institutions the most appropriate private partners for realizing a school infrastructure program? Are deviations from international standards wisely when first-hand experience and expertise is missing?

- *Public-public stage: Process (n°1 in figure 2)*

Following the publication of the project in 2004, the school networks were asked to respond to the plans. As expected, their main concerns related to the ownership structure (different for different networks), distribution of resources across the networks, additional costs of alternative financing (especially for the subsidized school networks), critical mass of projects, and difficulties in ex ante specification of the existing needs. After this initial consultation, feedback to education networks was limited. Despite the decentralized educational landscape, 'the largest PPP project in Flanders' was set up in a fairly centralized manner. Moreover, the key players feared that a broad interactive process with many stakeholders would lead to slow and 'sticky' decision-making. As PPP promised faster implementation, such an interactive approach was no option.

Because of the enormous complexity of the project (no previous experience with such projects, limited expertise, huge scale, bundled large program, 'hybrid' PPP governance structure, multi-actor complexity, financial and legal complexity), the project structure was in practice elaborated by a small group of experts. Flemish minister of education and his cabinet worked on the project structure with the support of specialized law and financial firms, more or less decoupled from other actors like the Flemish PPP Knowledge Centre or other ministers in the Flemish government. Although most Flemish PPP projects follow the participative model (with PMV included as one of the shareholders), it is remarkable how much the project structuring differs each time. Probably the specificity of the educational policy domain explains this 'unique' project structuring.

The educational field – most notably subsidized private education - considered transparency and communication towards the education networks insufficient. The subsidized private education feared that the uniqueness and specificity of its network – most notably the fact that they were not entirely subsidized – was neglected, and that this structure was not the cheapest solution for their school boards. To build trust, the final selection of the projects was done by a selection committee with extensive representation from the representative umbrella organizations of school boards. This committee helped to limit concerns on distribution of resources between the different networks.

- *Selection stage (n°2 in figure 2)*

The Flemish government decided in 2006 that AGION would conduct the negotiation and award procedure for the selection of the SPV-partner. Candidates were expected to take the role of equity provider, to formulate a proposal with respect to the overall financing, and to have the necessary experience and expertise relating to real estate development. This negotiation process was guided by an advisory committee (with PMV, Department of Finance, Inspection of Finances, AGION and the cabinet of the minister of education).

The public tender procedure (a negotiated procedure with prior publication of a notice) was open for consortiums with a financial partner. The competitive process lasted for two years and four candidates entered the BAFO phase: DEXIA/KBC, Fortis Bank/Fortis Real Estate (in 2008 BNP Paribas bought 75% of the shares of Fortis), Cofinimmo / Gemeentelijke Holding, Barclays Capital / Meridiam Infrastructure / NIB Capital. In December 2008, the Flemish government approved the proposal by the contracting authority to select Fortis as the

preferred candidate. Due to the financial crisis in September 2008 which had a tremendous impact on Fortis (Fortis was first nationalized and then sold to BNP Paribas), the final negotiations were delayed. Fortis had to rely on other banks like Dexia and KBC to secure the financing of the program. To keep the project on track, in addition to an already extended sub sovereign guarantee scheme, the Flemish government provided a refunding guarantee in respect of the private lender. In August 2009, the contract was closed, except for the financial part. The financial close finally took place on June 10, 2010, three and a half years after publication of the tender.

During the tendering procedure, the school networks received little information and mostly through informal channels. Under these conditions, the school networks tried to form the blueprint of the final project structure and procedure.

In 2010, nearly four years after the selection of projects, the SPV was founded. Its goals are:

- Exert all possible means to maximize individual DBFM contracts with school boards to finish the school building projects as soon as possible;
- Ensuring the financing of school buildings;
- The implementation of the design, construction and maintenance of the institutions that are the subject of the construction program and described in the individual DBFM contracts in accordance with the competition rules set in public procurement rules;
- Ensuring the project management and coordination of the construction as well as supervising the construction and maintenance;
- Exert all possible means to build and maintain each institution as cost-efficiently as possible without lowering quality;
- Transfer the infrastructure after 30 years without charge;
- Set up a system of risk management.

The DBFM framework agreement between the SPV and the Flemish government, detailing these goals, is secret because of confidentiality issues (despite heavy pressure from the main education networks). The issue of commercial confidentiality hampering transparency and eroding public legitimacy of PPPs is something various authors warn for (e.g. Coghill and Woodward 2005; Flinders 2005; Shaoul 2005). Nevertheless, a number of provisions relating to risk sharing that have a (potentially) strong impact on future development of the project could be deducted. One issue is the allocation of the volume risk on the side of the Flemish government. Despite the ambition of the Flemish government to shift the volume risk towards the private partner (next to including maintenance in the program of school infrastructure), the volume risk eventually shifted back towards the Flemish government. As a result, an important incentive for the SPV to keep as many schools as possible on board, was eliminated. In that way it became a fortiori important for the Flemish government to convince as many school boards as possible. Two calls were organized to the subsidized private education network.

- *Operational stage (n°4 in figure 2)*

In March 2009 the establishment of 'School Invest' was speeded up. In anticipation of the start of the SPV, School Invest got the task to prepare the first twenty projects in the DBFM portfolio. The relevant school boards were extensively briefed on their role and that of School Invest in a plenary information session and individual consultation sessions on the spot.

In the subsequent discussions between the schools and School Invest, especially for the subsidized networks, a number of problems came up: the possibility to amend the proposed project, the assessment of the financial feasibility, listed buildings (cultural heritage) and the

Gewijzigde veldcode

Gewijzigde veldcode

Gewijzigde veldcode

problem of the already appointed architects. Although no immediate solution was available, School Invest engaged itself to quickly create clarity not to jeopardize the successful development of the DBFM program. Meanwhile, the preparation of the project proceeded. At the end of 2009 AGION asked school boards to update their building programs.

In 2010, the SPV was finally operational. Due to the constitutional right of freedom of education, school boards could not be forced to take part in the DBFM program. Their initial commitment however was high because the PPP 'promised' improvement of their infrastructures more rapidly. The schools were also allowed to stay in the second policy track by obtaining their spot on the regular waiting list, ensuring that the choice for PPP had no ex ante negative consequences. However, the ranking of many schools improved during the years that the PPP was being set up, weakening the promise of earlier realization through PPP.

After the SPV was established, further information and communication actions started towards the school boards, inviting them to participate in the DBFM program. Although school boards were visited individually and the contract and the program was explained, many questions concerning the actual implementation of the project remained unanswered.

The fact that the original ambition in 2006 of 702,000 m² gross and 211 school projects worth EUR 1 billion was downsized in 2010 to a considerably smaller volume of investments (625,000 m²) and 167 school projects for a total of 1.5 billion, reinforced the fear of the subsidized networks. Concerns about the cost of DBFM, already voiced in 2005, were reinforced as well. For the community schools, enjoying 100% subsidies, the DBFM program was no risk and even a welcome addition to the regular funding.

Meanwhile, the pressure on school boards increased from September 15th 2010 onwards, as the official invitation to join the DBFM project was sent, giving them 75 days to approve it. However, due to uncertainties about the program, many school boards were not inclined to participate. Firstly, in some cases, the contribution (the "availability fee") of school boards (subsidized networks) would take 80 percent, with peaks up to 120 percent of their operating budget, for a thirty year period. Completely 'unfeasible' and 'unaffordable' was the reaction of the subsidized networks. Secondly, because of the delay in the kick-off of DBFM, a number of the selected projects could be realized in the regular system in the period 2007-2010.

The Flemish government then decided to provide the subsidized education within the DBFM program with an increase of 11.5% in subsidies; and AGION asked the networks themselves to actively try to promote the program. The school boards however remained wary, lacking prior knowledge and specific expertise and trying to interact with a highly specialized SPV supported by a battery lawyers and experts that had full understanding of all the clauses of the DBFM agreement. Neither the network organizations nor the school boards had access to the actual DBFM framework between the Flemish government and the SPV and its contents, making them dependent on secondary sources (e.g. the individual DBFM contracts) to understand the regulatory context of these transactions. The networks claimed some critical issues were not yet solved (e.g. the needed input of own resources, accelerated repayment, references to the framework agreement, third party use of future school infrastructure).

These uncertainties forced AGION and the SPV to ensure that none of the school board would be deleted from the portfolio just because of exceeding the deadline of 75 calendar days to decide on their participation. By the end of 2010, it became clear that the quota for the subsidized private education for the portfolio was not going to be met. In accordance with the framework agreement between the government and the private partner, a new call was

launched. If this call failed, the remaining quota would be passed on to the other networks (Community Education). As a result, in July 2011 the quota was reached. The delays so far increased the pressure to accelerate the closing of the individual DBFM contracts.

Mid 2012, the DBFM company signed 167 pre-contracts corresponding to at least 200 schools: 108 for subsidized private education, 28 for subsidized official education and 31 for state education. The project was finally on track, at least for what the number of participating schools was concerning (although the number represented less m²). The ambition for realizing all projects was shifted towards 2017, and the start of the construction stage of the first project is expected late 2012.

Performance

Six years after the ratification of the decree concerning the catch-up in school infrastructure in 2006, not a single school has been built or renovated within the PPP-framework. Although evaluating PPPs is a difficult task because they harbor so many different promises ((Hodge (2010) lists fifteen of them), table 3 presents the various objectives and a prudent estimation of the current situation.

Gewijzigde veldcode

Table 3: Performance

<i>"[...] school boards could focus on the provision of education."</i>	The detailed and formalistic character of the DBFM approach, with a financial focus, requires diligent action from the school boards, and a structured, professional and above all well-timed monitoring system. All this in order to avoid compromising their liability and safeguarding their rights regarding the DBFM company. If the school boards want to fully exploit the potential benefits regarding qualitative school infrastructure embedded in the current DBFM-scheme, they still have an important task during the availability stage.
<i>"The long-term commitment of the SPV would produce buildings that are sustainable"</i>	Out of the scope of this article, but the first results are promising. There are a lot of innovative designs with great attention to sustainability. In addition, the SLAs are of a higher level of severance than is usually the case, making it difficult to compare the maintenance component. Especially in Subsidized Private Education, the maintenance aspect is strongly linked to the available (and limited) budgets.
<i>"[...] a favorable effect on the realization time."</i>	Not yet verifiable.
<i>"The possibility of pooling certain purchasing procedures and reduce transaction costs."</i>	Ex post evaluation of this item must be awaited. A tender procedure for subcontractors has been carried out. The selected consortia will be able to compete for individual projects.
<i>"The specialized construction coordination could be conducted by specialized personnel in the SPV."</i>	The delegated developer AG Real Estate CopID has a team of ca. 50 specialized people to execute the program.
<i>"The projects would be performed faster than if the school boards had to provide the full realization of the construction or renovation by themselves."</i>	During initial forecasts in 2006 it was expected that in 2011 all schools within the project would be realized. Early 2012, this forecast shifted to 2017. 11 years (2006-2017) after the ratification of the decree concerning the catch-up in school infrastructure, this aspect of value added will have lost its authority entirely.
<i>"The program makes a contribution to maximum realization with limited resources."</i>	Not in the scope of this article, although it is clear that this investment could not be made within the conventional budget.

<i>“The creation of an additional incentive for employment and the construction industry”</i>	Not in the scope of this article.
<i>“The creation of modern and appropriate school infrastructure”</i>	Not in the scope of this article, although it looks that this objective will be achieved, but it might also have been achieved in a standard public procurement procedure.
<i>“The creation of a flexible and organic school infrastructure”</i>	No information available.
<i>“ESA-95 neutral”</i>	Uncertain. The ESA95-neutrality of the project may be compromised because of the government guarantees deemed necessary in relation to the bankability of the project.

CONCLUSIONS

Nowadays PPP is a widely used method for creating and delivering public goods or services. Nevertheless, there is still need for further research in order to gain insight into the actual governance of PPPs and the impact on its performance. Therefore, this article tries to make a contribution to the PPP research and literature in two ways: by presenting a useful analytical framework to investigate PPP performance; and by applying it to a complex Flemish PPP project through detailed description. The Flemish school infrastructure DBFM program offers a good example to examine how complexity and governance of PPPs affects overall performance.

The Flemish government faced a difficult policy challenge, namely to rapidly create new school infrastructure in the complex decentralized educational landscape with a long tradition of consultation. Budget constraints forced the Flemish government to explore new ways (ESA neutral) to finance this operation. A DBFM formula was chosen with the promise of budget neutrality as the main driver, but other advantages were anticipated (short term results, maximum realization with limited resources, modern school infrastructure, low energy buildings, professionalization). While most DBFM projects are rather complex by nature, the Flemish government added complexity by choosing a very large, bundled program, and multifaceted ‘hybrid’ governance structure which was internationally unseen and untested. The main reason for the latter was the strong desire to retain some direct control.

Not only is this DBFM program an ongoing learning process for the Flemish government, it also developed rather isolated from other relevant actors. The minister of education and his cabinet, supported by specialized law and financial firms, structured and shaped the PPP project, without much cross-departmental expertise exchange or learning. This centralized decision-making structure based on a small group of experts clashed with the rather decentralized educational landscape and was negative for building trust between the clients (educational networks and school boards) and the providers (SPV) in the program.

Despite reasonable and well-intended arguments for choosing this large ‘bundled’ DBFM program and this particular ‘hybrid’ governance structure, this paper explained that the Flemish government chose a very difficult and complex option which deviated from the international PPP standards and practices. This may seem odd because Flanders was rather late with developing a PPP policy, and one could expect the Flemish government to really more heavily on international best practices, and tested and competitive models (instead of introducing new ones). The complexities of the PPP-setting were also influenced negatively by unforeseeable external events, most notably the financial crisis in 2008. In short, the PPP

school infrastructure in Flanders illustrates what can happen when a complex solution is chosen for a complex problem in a worsening environment. In this case it led to many delays, incremental costs and various difficult implementation obstacles.

Although evaluating PPP performance is never easy and many goals need to be reckoned with, it is interesting to run through the results so far. According to the original plans, most schools had to be built by the end of 2012, but no new school infrastructure has been built yet following the PPP-scheme. The current estimated completion date of all school projects is 2017. Moreover, the program started with 211 school projects estimated EUR 1 billion, and changed to 167 school projects (with a total of 211 school buildings) estimated EUR 1.5 billion. Furthermore, not all intended advantages were achieved (see table above). The overall picture is somewhat disappointing, to understate the obvious conclusion. It is definitely an achievement that in such financial turbulent times the DBFM program did not fail, but the high expectations are not (yet) realized.

As conclusion some lessons can be derived from the case 'Schools of Tomorrow'.

Firstly, there is a real danger in choosing for a 'big bang' and 'one shot' catch-up program. PPP projects are intrinsically complex projects and difficult to manage, especially in a case where no previous experience or exemplary project is available. The bundled structure adds even more challenges regarding coordination and management. Moreover, the close interrelation of numerous projects includes a real contamination risk between projects. If only one or some projects default, the entire PPP scheme can come at risk.

Secondly, innovative and creative PPP structures can look very interesting from a theoretical perspective, but in reality can lead to a long and difficult implementation process. Especially in a market that has become more risk averse and where market players look for projects and structures they know.

Last but not least the most important lesson from this case in terms of PPP performance is probably that when a government is confronted with a very complex policy challenge and context, it is probably less risky to opt for a more cautious incremental approach, which attempts to simplify the governance structure as much as possible and which is supported by international tested standards and 'best practices'.

REFERENCES

- AGION. 2011. **Annual Report**. Brussels.
- Bloomfield, Pamela. 2006. **The Challenging Business of Long-Term Public-Private Partnerships: Reflections on Local Experience**. *Public Administration Review* 66 (3):400-411.
- Coghill, and Woodward. 2005. **Political Issues of Public-Private Partnerships**. In *The Challenge Of Public-Private Partnerships: Learning from International Experience* edited by G. Hodge and C. Greve. Cheltenham: Edward Elgar.
- Donahue, John D., and Richard J. Zeckhauser. 2012. *Collaborative Governance: Private Roles for Public Goals in Turbulent Times*. Princeton, N.J.: Princeton University Press.
- Edelenbos, Jurian, and Erik-Hans Klijn. 2009. **Project Versus Process Management in Public-Private Partnership: Relation Between Management Style and Outcomes**. *International Public Management Journal* 12 (3):310-331.
- Eisenhardt, K., and M. Graebner. 2007. **Theory Building From Cases: Opportunities and Challenges**. *Academy of Management Journal* 50 (1):25-32.
- Flinders, Matthew. 2005. **The Politics of Public-Private Partnerships**. *The British Journal of Politics & International Relations* 7 (2):215-239.

- Flinders, Matthew. 2010. Splintered logic and political debate. In *International Handbook on Public-Private Partnerships*, edited by G. A. Hodge, C. Greve and A. E. Boardman. Cheltenham, UK: Edward Elgar.
- Geddes, B. 2003. *Paradigms and sand castles: Theory building and research design in comparative politics*. Ann Arbor, Michigan: University of Michigan Press.
- Grimsey, Darrin, and Mervyn K. Lewis. 2007. *Public Private Partnerships: The Worldwide Revolution in Infrastructure Provision and Project Finance*. Cheltenham: Edward Elgar.
- Hodge, Graeme. 2004. The Risky Business of Public-Private Partnerships. *Australian Journal of Public Administration* 63 (4):37-49.
- Hodge, Graeme A. 2010. Reviewing public-private partnerships: some thoughts on evaluation. In *International Handbook on Public-Private Partnerships*, edited by G. A. Hodge, C. Greve and A. E. Boardman. Cheltenham, UK: Edward Elgar.
- Hodge, Graeme A., Carsten Greve, and Anthony E. Boardman. 2010. Introduction: the PPP phenomenon and its evaluation. In *International Handbook on Public-Private Partnerships*, edited by G. A. Hodge, C. Greve and A. E. Boardman. Cheltenham, UK: Edward Elgar.
- Hodge, Graeme A., Carsten Greve, and Anthony E. Boardman, eds. 2010. *International Handbook on Public-Private Partnerships*. Cheltenham, UK: Edward Elgar.
- OECD. 2008. *Public-Private Partnerships: In Pursuit of Risk Sharing and Value For Money*. Paris.
- Rekenhof. 2009. Publiek-private samenwerking bij de Vlaamse overheid.
- Shaoul, Jean. 2005. The Private Finance Initiative or the public funding of private profit. In *The Challenge Of Public-Private Partnerships: Learning from International Experience* edited by G. Hodge and C. Greve. Cheltenham: Edward Elgar.
- Skelcher, Chris. 2010. Governing partnerships. In *International Handbook on Public-Private Partnerships*, edited by G. A. Hodge, C. Greve and A. E. Boardman. Cheltenham, UK: Edward Elgar.
- Van Gestel, Kit, Joris Voets, and Koen Verhoest. 2011. Pijlers voor een performante samenwerking. Handreiking voor de PPS-praktijk op basis van vijf Vlaamse PPS projecten. Leuven: SBOV.
- Van Gestel, Kit, Joris Voets, and Koen Verhoest. 2012. How Governance of Complex PPPs affects Performance. *Public Administration Quarterly* 36 (2).
- Yin, Robert K. 2009. *Case study research: design and methods*. Thousand Oaks: Sage.