



# Governing public–private partnerships for sustainability An analysis of procurement and governance practices of PPP infrastructure projects

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## Abstract

There is a recognized need to incorporate sustainability considerations in infrastructure projects delivered through public–private partnerships (PPPs). The aim of this study is to explore how such incorporation can be encouraged. The research is based on a documentary analysis of 25 Flemish PPP infrastructure projects and two follow-up single-case studies. The findings show that sustainability considerations currently play only a limited role, and that the social dimensions of sustainability are largely neglected. It seems likely that this neglect is due to the difficulties encountered in formulating measurable social sustainability criteria. Based on case studies, several governance instruments are presented that might stimulate more consideration for sustainability. This study should, therefore, be of value to practitioners who wish to procure sustainable PPP projects. However, it must be noted that a “strong” sustainability perspective seems inherently incompatible with the contractual PPP project structure, which requires measurable and enforceable performance indicators.

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## 1. Executive summary

Public–private partnerships (PPPs) are long-term integrated contracts that are used for the provision of public infrastructure. The main goal of the current study is to determine to what degree and in what way governments incorporate sustainability considerations in PPP infrastructure projects and how such incorporation can be stimulated. This article shows that steps towards sustainability may benefit from a governance approach. The findings of a document analysis and case studies suggest several courses of action for policy-makers and practitioners. First of all, in the preparatory stage, questions should be addressed such as which stakeholders to involve and whether it is necessary

to build new infrastructure. Second, it is recommended that sustainability ambitions will be incorporated into the project definition. Furthermore, although it is under certain circumstances possible to set requirements regarding past experience with sustainability in the selection criteria, it is important to act carefully, because selection criteria that are too high can undermine competition and threaten small- and medium-sized enterprises. Moreover, we found that many sustainability criteria are not measurable or enforceable. Measurability issues might be addressed by referring to sustainability standards and instruments set by external organizations, but this method may still exclude social criteria that are not so easy to measure. Another important governance option is to include sustainability considerations in the award criteria and to evaluate them with a substantial weighting. Setting a minimum score for individual sustainability award criteria might help to reduce strategic bidding behaviour. The focus on quality aspects also seems important, but further

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research should be undertaken to investigate whether practices that are used to let bidders compete on quality aspects alone (e.g., a “fixed price”) are worthwhile. The effectiveness of specific incentives such as bonuses for sustainability should also be considered in future research. These recommendations are further clarified in Section 5.2.

## 2. Introduction

Sustainable development is one of the greatest global challenges of our time. Not surprisingly, the importance of sustainability is increasingly recognized in the area of public procurement, as can be witnessed by various EU policies such as the Europe 2020 strategy, the 2011 Commission Green paper (Edler and Uyarra, 2013, p. 224) and international policies on “green” and “social” public procurement (e.g., European Commission, 2010, 2011; Public Services and Procurement Canada, 2016; United States Environmental Protection Agency (EPA), 2017). At lower governmental levels, similar trends can be observed. For example, consider the ambition of the Flemish government to have 100% sustainable public procurement in 2020 (Department of Public Governance, 2013). This article discusses the role of public–private partnerships (PPPs) in achieving sustainability goals with a specific focus on the procurement and governance practices of PPP infrastructure projects in Flanders, Belgium.

Following the definition of Grimsey and Lewis (2004, p. 2), public–private partnerships are broadly defined as follows:

*Public–private partnerships are arrangements whereby private parties participate in, or provide support for, the provision of infrastructure, and a PPP project results in a contract for a private entity to deliver public infrastructure-based services.*

Infrastructure in this definition is asset-based and refers to both economic infrastructure (e.g., motorways, railways and bridges) and social infrastructure (e.g., schools, social housing, hospitals and prisons) (Grimsey and Lewis, 2004, pp. 7, 21). Some typical characteristics that distinguish PPPs from traditional public procurements include the use of long-term infrastructure contracts (LTICs) (Hodge and Greve, 2007), the transfer of certain risks to the private sector, a focus on the specification of project outputs rather than project inputs, and the integration or “bundling” of different functions into a single contract such as design, construction, financing, maintenance and/or operation (EPEC, 2011; Grimsey and Lewis, 2004).

Public–private partnerships are sometimes mentioned as a potential vehicle for achieving sustainability goals (Grimsey and Lewis, 2004; Hodge et al., 2010; Lenferink et al., 2013; Yescombe, 2007). For example, the bundling of various functions into one long-term contract could make it in the interest of private partners to take life-cycle costs into account, since it provides an incentive to think, “beyond the design stage and build in energy-reducing and waste-minimizing features that may cost more initially but result later in lower operating and running costs, and so deliver cost effectiveness over time” (Grimsey and Lewis, 2004, p. 1). However, although it may create economic

benefits for companies to consider some sustainability principles in projects (Gareis et al., 2011), it is not necessarily in a company’s self-interest to consider all sustainability measures. Yet it is doubtful whether private partners in PPPs are sufficiently willing to address and capable of addressing such measures on a voluntary basis. We believe that, in this respect, the role of the public procurer is essential. For example, Lenferink et al. (2013, p. 624) find that public–private partnerships can help to achieve “sustainable synergies”, but that “this might be obstructed in practice by detailed inflexible procurement, which limits freedom in adjusting scope”. In a similar vein, Van den Hurk and Hueskes (2017) find that, in order to deliver PPP projects that go beyond mere financial added value, a strong coordinating role by the public sector client is required.

Sustainability increasingly receives attention not only in procurement and PPP literature but also in the field of project management (see e.g. Silvius et al., 2012). What remains unknown, however, is how public procurers currently deal with sustainability when procuring PPPs and how the incorporation of sustainability considerations can be stimulated. Furthermore, to our knowledge, existing studies on sustainable project management, public–private partnerships and public procurement depart from a triple bottom line approach to sustainability (Elkington, 1999), whereas we believe that elements of a “strong” sustainability perspective should also be included (Neumayer, 2003) (see also Section 3.1).

The central research questions we examine in this article are the following: (1) To what degree and in what way do governments incorporate sustainability considerations when procuring PPP infrastructure projects? (2) How can the incorporation of sustainability considerations in these PPP infrastructure projects be stimulated? It is not our objective to compare PPP infrastructure projects with the delivery of traditionally procured infrastructure projects. Our focus is rather on the governance instruments within PPPs. Our empirical research focuses on public–private partnership projects in Flanders (Belgium) and is based on an analysis of the tender documents of twenty-five PPPs and case studies of two PPP projects.

The remainder of this article is structured as follows: Section 3 explains how sustainability can be understood in the context of PPP infrastructure projects. Moreover, we identify the governance options (theoretically) available in PPPs to stimulate sustainability. Subsequently, Section 4 describes the research methods. Section 5 continues with the findings of the document analysis and the case studies, and offers recommendations for stimulating sustainability in PPPs. Finally, Section 6 discusses the conclusions and limitations of the research.

## 3. Conceptual framework

### 3.1. Understanding sustainability in the context of PPPs

#### 3.1.1. Defining sustainability

Sustainability is often seen as a three-dimensional concept that includes a social, ecological and economic perspective (Carter, 2007). This “three-pillar” or “triple bottom line” approach is

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