



# The governance of public–private partnerships in sports infrastructure: Interfering complexities in Belgium

Martijn van den Hurk <sup>\*</sup>, Koen Verhoest <sup>1</sup>

*Department of Political Science, University of Antwerp, Sint-Jacobstraat 2, BE-2000 Antwerp, Belgium*

Received 2 December 2013; received in revised form 9 April 2014; accepted 29 May 2014

## Abstract

Although public–private partnership (PPP) in infrastructure development has gained foothold in Flanders (the northern part of Belgium) over time, dissimilar results are evident and the controversy around PPP remains. This paper investigates the contradictory achievements of the Flemish Sports Infrastructure Program. It shows that the form of governance as applied by the Flemish Government was inadequate and led to interferences of political, multi-actor, and technical complexities, which in turn compromised the performance of the Program. A mismatch is revealed between the complicated governance approach and the relatively straightforward infrastructures that were developed, hence the argument that a better sense of contingency is required in future PPP programs. Moreover, governments across the globe are recommended to think twice before embarking on PPP programs which include bundled procurement and mandating agreements: severe complexities are likely to emerge and convincing evidence on the merits of bundling and mandating has not yet been delivered.<sup>2</sup>

© 2014 Elsevier Ltd. APM and IPMA. All rights reserved.

*Keywords:* Public–private partnerships; Managing projects; Sports infrastructure

## 1. Introduction

It has been ten years since an official policy strategy on public–private partnerships (PPPs) for the development of long-term infrastructure was established in Flanders (the northern part of Belgium) (Flemish Parliament, 2003). PPPs are services or ventures which are financed and operated through a cooperation between governmental and private sector actors and which involve substantial risk sharing between these two partners. Although PPP has gained foothold in the Flemish Region over time, it remains subject to suspicion and

controversy. Realized project volumes do not correspond with the target set and PPP decision-making procedures are behind schedule (Flemish Parliament, 2012a). In fact, PPP globally fails to perform consistently well (Akintoye and Beck, 2009; Yescombe, 2007). It is linked with many uncertainties, ambiguities and risks due to the involvement of multiple actors, high political salience, and difficult technical requirements, particularly when projects of large scale are at stake (Flyvbjerg, 2006b, 2009; Salet et al., 2012; Van Marrewijk et al., 2008). Additionally, the recent financial-economic turmoil has made things worse. Organizational and managerial factors play a vital role in dealing with these difficult circumstances, and we apply the term *PPP governance* to cover these factors (Edelenbos and Klijn, 2009).

If in PPP governance one fails to deal adequately with the imminent or potential complexities mentioned above, policy failure is looming. As we see that governments continue to struggle in their attempts to make PPP successful, doubts rise on whether they are applying the most appropriate approach given the objectives at hand. This paper scrutinizes the governance of PPP in a complex context and its impact on PPP performance. We investigate

<sup>\*</sup> Corresponding author. Tel.: +32 488632412.

*E-mail addresses:* [martijn.vandenhurk@uantwerpen.be](mailto:martijn.vandenhurk@uantwerpen.be) (M. van den Hurk), [koen.verhoest@uantwerpen.be](mailto:koen.verhoest@uantwerpen.be) (K. Verhoest).

<sup>1</sup> Tel.: +32 32655756.

<sup>2</sup> This text is based on research conducted within the frame of the Policy Research Center on Governmental Organization – Decisive Governance (SBOV III, 2012–2015), funded by the Flemish Government. The views expressed herein are those of the authors and not those of the Flemish Government.

whether the performance of a Flemish PPP program has been compromised due to the use of an unsuitable governance approach given the present or imminent complexities. The dilemmas of the Flemish Sports Infrastructure Program are discussed in-depth through a longitudinal, retrospective description. This PPP program (hereafter abbreviated as FSIP) was officially launched in 2008 by the Flemish Government and encompasses tens of projects aimed at solving the severe shortage of sports infrastructure in Flanders. It offers a particularly complicated and interesting example of PPP governance as it includes a bundled approach, implying that a number of projects at lower government levels are jointly procured and tendered to a single private partner who designs, build, finances, and maintains the infrastructure for a fixed period. A second interesting feature of the FSIP is its hybrid nature: it can be qualified neither as a contractual PPP, nor as a participative PPP. This hybridity is rarely seen in other countries, but it has evolved into a typical aspect of Flemish PPP (cf. Willems, 2014).

The contribution of this study is manifold. It complements the literature by addressing a curious Flemish case of PPP governance which is rarely-seen in other countries or regions, but which requires attention given its serious implications at project level. Moreover, although the case is typical to the Flemish PPP landscape, its relevance goes beyond regional and national borders. With a total value of 225 million euro, it is a European social PPP of considerable size. Furthermore, hybridity and bundled procurement are considered internationally as potential contributors to the advancement of PPP. As an example, hybridity issues have come across in the United Kingdom where a larger public sector equity share in public–private ventures has been advocated recently (H.M. Treasury, 2012). As for bundling procurement, Grimsey and Lewis (2007) address the benefits of combining small projects in one large tender in order to spread transaction costs. Finally, this paper is useful to both policymakers and private contractors in that it provides an empirical explanation for the performance of a PPP program.

Our argument takes off with an introduction of PPP and a theoretical discussion of performance, governance and the interference of complexities. Then, we outline the case study strategy and methods used to reconstruct and critically examine the FSIP. The next sections provide the results of the analysis of the FSIP in that they explain the poor performance of the Program. We conclude with a summary of the interplay between governance and complexities, and topics to be considered for further research.

## 2. Conceptual-theoretical framework

*Public–private partnership* is as an act of cooperation between a public party and a private party aimed at the development of infrastructure. PPP policies and projects diverge widely in terms of focus, type, and size, hence it is claimed that unambiguous definition of PPP is not available (Donahue and Zeckhauser, 2011). In this paper, we use Hodge and Greve's (2010) interpretation of PPP as a long-term infrastructure contract and amend it slightly on the basis of the definition provided by the European PPP Expertise Centre (2011). As a result, our understanding of PPP shows a resemblance with the concept of Design–Build–

Finance–Maintain (DBFM) contracts. Five elements form the basis of this definition. First of all, in a PPP the cooperation between the public partner and the private partner is relatively enduring. It encompasses the *lifecycle* of an infrastructure asset: a signed contract is to last for at least ten to twenty years, and often for a longer period. Secondly, the design, build, finance and maintenance (and operation) stages are integrated in a *one-covering contract*. Third, *risk sharing* is a crucial part of the deal. A number of risks that are borne by the public actor in conventional projects are transferred to the private actor. Fourth, both public and private actors make a financial contribution, which implies *private financing* of the project of concern. The fifth and final element is that the public sector party — i.e. the contracting authority — pays *periodically-recurring fees* for the services delivered once a project is operational. These five elements juxtapose with the characteristics of less complicated conventional public procurement methods which hardly allow for a lifecycle approach, let alone risk transfer and private financing.

### 2.1. PPP performance

Scholarly disagreement on how to classify PPP is omnipresent (Kwak et al., 2009; Tang et al., 2010; Weihe, 2008). Hodge and Greve (2007) and Teisman and Klijn (2002) come up with a dichotomy so as to create an overview. On the one hand, PPP can be seen as a “governance tool that will replace the traditional method of contracting for public services through competitive tendering” (Hodge and Greve, 2007), whereas on the other hand, PPP is a political phenomenon, i.e. a means for governments and politicians to exercise power or to appeal to the electorate (see also Flinders, 2005). In this paper, PPP is classified as a governance tool, which narrows the view on PPP, but which also enables a more detailed focus on the interplay between complexities, governance, and performance.

Given the different views on PPP, the challenging task of governing PPP is evident, and the same goes for measuring the performance of PPP. Unilaterally determined substantive criteria do not exist (Akintoye et al., 2003). We employ a twofold approach in order to assess its performance as we make a distinction between (1) the pre-production *process performance* which comprises the establishment and management of a PPP and (2) the *product performance* of PPP (cf. Bult-Spiering and Dewulf, 2006; Voets et al., 2008). In doing so we acknowledge that PPP should not be judged exclusively upon its outputs or outcomes in terms of financial-economic achievements. Process performance brings dynamic aspects in as it concerns the multi-actor setting of a PPP and how this setting is dealt with over time. It comprises two economic aspects: competition and transaction costs. *Competition* is an important factor of performance, as contestability in the procurement phase allows the public sector to harness efficiency. For the public party organizing the tender, competition induces lower bid prices, more available options, and eventually better quality bids and projects. The degree of competition is indicated by the bidders involved (number, size and composition), but also by the tender process (criteria, selection process). As a rule of thumb, solid competition

Download English Version:

<https://daneshyari.com/en/article/6748195>

Download Persian Version:

<https://daneshyari.com/article/6748195>

[Daneshyari.com](https://daneshyari.com)