(De)politicization dynamics in public-private partnerships (PPPs) : lessons from a comparison between UK and Flemish PPP policy

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Title: (De)politicization Dynamics in Public-Private Partnerships (PPPs): Lessons from a comparison between UK and Flemish PPP policy

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INTRODUCTION

A major challenge to democratic governance in the 21st century is the growing influence of technocratic experts in public policy. It is part of the wider theme of depoliticization, which basically means shifting functions and responsibilities away from elected political actors to specialized ‘technical’ actors (shielded from much public scrutiny and control). Although the shift towards depoliticized modes of governance is no new phenomenon, there are some contemporary challenges. The global financial crisis of 2007-2008 seems to have led to renewed interest in the topic (Flinders & Wood, 2014).

The world of long-term infrastructure projects financed with private capital and operated through private consortia – also known as public-private partnerships (PPPs) – is such a recent manifestation of depoliticization. Essential public infrastructure (roads, schools, hospitals, prisons, etc.) with a high budgetary and social impact is placed in the hands of consortia of private contractors. Democratic politics is supposed to be ‘unsuited’ to deal with these kinds of projects because it is said to be too short-sighted, unstable and politically selfish (Roberts, 2010, pp. 117-134). Long-term contracts with specialized private actors were designed to avoid the pitfalls of electoral politics and offer better ‘value for money’. Many evaluations of PPPs however have shown how unreliable these assumptions have been (Ball, Heafey, & King, 2003; Siemiatycki & Farooqi, 2012; Wall & Connolly, 2009). The impact of the global financial crisis further affected the ‘value for money’ that PPP contracting could and can deliver (Hodge & Greve, 2013). Depoliticized PPPs seemed vulnerable to the same flaws as conventional democratic politics.

This article suggests developing the concept of depoliticization both conceptually and empirically by looking at PPPs. Wood & Flinders (2014) propose to study the consequences of depoliticization using a cross-disciplinary approach that goes beyond the narrow governmental analyses of this phenomenon. Hay (2014) also emphasizes the need for more empirical studies to advance our understanding of depoliticization. That is what this article tries to offer. It is crucial to recognize the political nature of long-term infrastructure projects which are privately financed and operated. The article analyses the (de)politicization dynamics in complex and technical policy matters like PPPs, which is deemed necessary given its social impact and budgetary consequences for the years and generations to come. The global financial crisis and its aftermath provide an excellent window of opportunity to present this argument, because PPP policy needs to be reinvented (just as the role of the government in the broader economy needs to be redefined) (Hodge & Greve, 2013).

This article wants to address the following question: what can we learn from the empirical case of PPPs about the dynamic interplay between (de)politicization tendencies? Based on a comparison between PPP policy in the UK and Flanders
(northern region of Belgium), this article describes what the impact may be of various levels of (de)politicization. We argue that PPP policy needs to be (re)politicized at the broader societal and discursive levels (Wood & Flinders, 2014); which means that their public nature is recognized and that policy alternatives are debated in the public and political forums. Finally we claim that the Public Finance Initiative (PFI) reassessment process in the UK may serve as an example of (re)politicization (although it may have failed to live up to the expectations in terms of real policy changes).

DEPOLITICIZATION

The concept of depoliticization describes both the displacement of decision-making away from elected politicians as well as the exercise of power by non-state actors. Flinders & Wood (2014, p. 135) call it “the denial of political contingency and the transfer of functions away from elected politicians.” Although it is a key concept in political science, sociology and public administration (Bauman, 2002; Bourdieu, 2003), it is studied in many diverse ways. Some studies focus on issues like professionalism of bureaucracy (Peters & Pierre, 2004), others on the pluralism and ‘pillarization’ of society (Lijphart, 1975), or on regulatory governance and the role of non-majoritarian institutions (Moran, 2011), and the EU as a special case of technocratic governance (Radaelli, 1999). This withdrawal of electoral politics from public decision-making is often associated with technocracy; a stronger influence of technical experts. Like depoliticization, the study of technocracy is quite established (Fischer, 2009). It is important to note that technocracy (the influence of expertise) and depoliticization (the drift of decision-making away from politics) are related but distinct concepts.

Both concepts – technocracy and depoliticization – are clearly not new. Moreover, they are not problematic by definition. Given the increasing complexity of modern governance, a certain level of technocracy and depoliticization is unavoidable (Vibert, 2007). Two parallel trends however tend to make this process of depoliticization problematic (Flinders & Wood, 2014). First, there seems to be a growing concern that there is something wrong with the democratic nature of contemporary public decision-making (Crouch, 2004; Flinders, 2012; Hay, 2007; Papadopoulos, 2013). Studies document a sense of deep public distrust (or even apathy) towards politicians and the political system, leading to a disconnect between the citizens and their political leaders (Mair, 2013). The weakened influence of democratic politics on public decisions favours mainly a broad array of specialized and often private actors. Vibert (2007) calls it ‘the rise of the unelected’.

A second trend that reinforces the problematic nature of depoliticization is bureaucratic and has to do with the relationship between the government, market and society. For years bureaucratic solutions have been distrusted and market solutions have been searched for. The global financial crisis challenged certain
dominant assumptions (Jessop, 2014). The crisis “served to politicize a set of issues that had for some time been lost beneath a certain sense of inevitability or the more robust logic of TINA (that is, ‘there is no alternative’).” (Flinders & Wood, 2014, p. 137) The ‘optimistic’ feeling that no political choices could and/or should be made – because it revolved around the efficient and technical, even scientific, management of public policy based on indicators (Davis, Fischer, & Kingsbury, 2012) – was questioned. Some policy issues (e.g. stronger regulation of banks, limits to bonuses for public sector managers) became more politicized, which means that they became openly subject to a political and public debate.

Moving beyond governmental depoliticization

Alasdair Roberts (2010) captures these trends under the banner of the (depoliticized) ‘logic of discipline’ – which clashes with the (politicized) ‘logic of democracy’. The ‘logic of discipline’ is a way of thinking about the organization of government functions that has been applied in many different areas and countries over the past three decades. It has, according to Roberts, two components. The logic begins with an argument for reform, driven by a profound scepticism about the merits of conventional methods of democratic governance (see also Crouch, 2004; Flinders, 2012; Hay, 2007); these usually lead to public policies that are short-sighted, unstable and designed to satisfy the selfish concerns of powerful and well-organized interest groups and bureaucracy itself. The call for reforms should thus aim at exactly the opposite: far-sighted, stable and ‘public spirited’ public policies. The second part has more to do with tactics – what is the best way to change governmental processes? Certain essential public functions are best shifted away towards technocrat-guardians who can make decisions on behalf of the public, according to this logic. This tactical move is what Roberts calls depoliticization, because it basically means removing crucial decision-making power from elected politicians. It is often accompanied by the introduction of legal instruments like contracts to accompany the shift of authority. This powerful ‘logic of discipline’ is described through many examples: central bank independence, autonomous and private airports and seaports, independent regulators, fiscal rules and tax collection, changing role of courts, etc.

Flinders & Wood (2014, p. 135) describe depoliticization as possibly “the dominant model of statecraft in the 21st century”, which is gaining visibility and prevalence, but is at the same time becoming more elusive. In the American political context, Rubin (2012) writes about hyper-depoliticization. Although the concept depoliticization is very interesting, there is more conceptual precision needed. Wood & Flinders (2014) have distinguished three faces of depoliticization. First, governmental depoliticization focuses on the transfer of issues or functions from the governmental sphere to the public sphere through its delegation by elected politicians towards arm’s length agencies, boards, commissions or judicial structures. Second, societal depoliticization involves the transfer of issues or functions from the public sphere to the private sphere and the shift towards individualized responses to collective social
challenges. It is for instance about the media, special interests groups and corporations shifting issues off the agenda for public debate. Third, discursive depoliticization involves the transfer of issues or functions from the private sphere to the realm of necessity in which things just happen and are portrayed as if they are natural or normal. It is the denial of contingency, or the capacity to control/change, through language or speech acts.

Existing research has to a large extent focused on the narrow institutional or governmental dimension, while its broader dimensions may offer a more fine-grained analysis of depoliticization. This article argues that this richer conceptualization has a lot to offer to the study of PPPs and vice versa. In the next section we explain why PPPs are so interesting to study in terms of depoliticization and what we can learn from them.

DEPOLITICIZATION OF PPPs

Many arguments have been used to justify PPPs; Hodge & Greve (2013) list 18 of them. The initial reasons to start with PPP were mainly of a budgetary nature: getting around restrictions on formal public sector debt levels. It was a way of providing infrastructure without increasing public sector borrowing as recorded in the public accounts, or raising tax levels. PPPs also promised to reduce the pressure on public sector budgets and provide more ‘value for money’ for taxpayers. Other arguments have been: the shift of risks from governments and citizens to private sector, improved accountability for performance, on-time and on-budget delivery of infrastructure, greater innovation, long-term life-cycle benefits (Wall & Connolly, 2009).

In spite of the portrayal of PPPs as a new and neutral procurement method for delivering public services, the choice for PPPs also has political meaning. The choice for PPP delivery rather than traditional procurement or government production has social implications that touch upon the core functions of the state such as public infrastructure and services like roads, schools, hospitals, social housing, prisons, urban development projects, etc. In the past few years some authors have recognized the political consequences of PPP policy (Coghill & Woodward, 2005; Flinders, 2005; Shaoul, 2005), but they remain a weak voice in a in a field dominated by a chorus of financial, legal, engineering and managerial experts. In the 'International Handbook on Public-Private Partnerships' (Hodge, Greve, & Boardman, 2010) some attention is devoted to the political nature of PPPs and the authors are concerned that the transfer of public tasks and responsibilities to private actors may lead to a broken democratic chain of delegation. Skelcher (2010, p. 299) states that “PPPs raise important issues of democratic governance due to the changed nature of the state when it engages in cooperative activities with private actors”. He warns for a democratic deficit due to a shortfall in accountability arrangements. Flinders (2010,
pp. 120-121) points to “the existence of a splintered logic in the sense that the values and principles on which PPPs are based and promoted are at odds with those traditionally found within the political and public sphere”.

Some authors point explicitly to the principle of ministerial responsibility that is challenged by PPPs. Because public tasks and responsibilities are shared with private partners, the Minister loses direct control and Parliament (and thus the people) loses oversight and influence. “The shift towards greater private sector involvement in public service delivery weakens the thread of accountability between citizens, parliament and those responsible for service delivery (the executive)” (Reeves, 2013, p. 78). The tension between the public demands for openness and the private desire for commercial confidentiality of information illustrates this (Siemiatycki, 2007). “Excessive secrecy undermined the ability of legislators, auditors, and advocacy groups to challenge the terms of contracts or monitor performance of private operators.” (Roberts, 2010, p. 127) In addition to the problematic secrecy of the PPP contracts, members of parliament and citizens often lack the resources and expertise needed to scrutinize these specialized and technical legal documents. The complexity and technicality of both the PPP projects and contracts impedes a broad political and public debate to take place.

This ‘democratic deficit’ interpretation is important in both the academic literature and the public opinion, but it does not quite tell the whole story. Other authors in fact suggested that PPPs could improve accountability for performance, or in other words have a higher potential for accountability (Flyvbjerg, Bruzelius, & Rothengatter, 2003; Grimsey & Lewis, 2007). First, conducting ‘value for money’ analyses prior to moving on with a project can be helpful in that regard. Second, detailed contract documents and performance indicators simplify the process of ex post auditing and accountability. Third, private financial participation could result in a more realistic risk assessment, a risk reduction and transfer from government and taxpayers (Reeves, 2013). The overall impact of collaborative forms of governance like PPPs on democratic accountability is thus more messy, puzzling and ambiguous than often presumed (Papadopoulos, 2013).

**PPP: a focal point of depoliticization**

There are at least three reasons why PPPs are an interesting case of depoliticization. First, PPPs go beyond technocratic policy-making; it is also about shifting public functions and responsibilities towards specialized private companies (beyond the direct control of elected politicians). Most traditional studies of technocracy do not look at the diffusion of responsibilities between public and private. Second, PPPs are also an interesting micro-case for what is happening on macro-scale in terms of the changing relationships between the government, market and society (and the impact of the global financial crisis on it). Third, although depoliticization is a much studied theme, we argue that the relatively ‘young’ research field of PPPs can add some new
insights that contribute to a more sophisticated and comprehensive account of the ‘old’ concept (see Wood & Flinders, 2014 for a plea on cross-disciplinary approach). Up to now ‘depoliticization’ has been studied mainly in terms of economic, monetary and fiscal policy (Buller & Flinders, 2005; Burnham, 2001; Jessop, 2014)

Depoliticization in PPPs is however not entirely straightforward or clear-cut. In spite of certain tendencies towards more depoliticization in PPPs, elected politicians do remain key decision-makers in those projects in some regards. It is the Minister who takes the decision to proceed with a specific long-term infrastructure project. It is also the Minister who takes the decision to proceed with these projects as a PPP. Members of parliament are informed about these decisions, approve them through voting and are able to hold the Minister accountable. Colin Hay (2014, p. 302) interprets depoliticization as the process of erasing the politically contested character of governing: it is not about less politics, but about a displaced and submerged politics – a politics which occurs elsewhere, typically in sites and forums in which it is less visible to the wider public and less amenable to democratic scrutiny (see also Burnham, 2001). Depoliticization in PPPs is therefore complex and manifests itself in a subtle and implicit manner. For example, it can be found in two distinct phases:

First: in the policy preparation and decision phase. The government has turned increasingly to specialized consultancy and advisory firms to help design and implement its PPP policy and projects. Hodge & Bowman (2006) claim that a ‘real consultocracy’ has emerged, which drives the global spread of the PPP business. Crouch (2004) argues that there is an ‘unchallengeable ideology’ centred on the belief that the expertise of business is superior to that of the government and its public officials. PPPs are illustrative for the heavy government reliance on consultancy and advisory activities (Shaoul, Stafford, & Stapleton, 2007). The high level of complexity in PPPs tends to feed this dependency on technical advisors, which could undermine the decision-making power and autonomy of politicians. The difficulties of coping with the increasing technicality also applies to the account-holders like members of parliament and journalists. Depoliticization should be understood as the possible decrease of public sector expertise and experience.

Second: in the operational phase. PPPs establish a long-term (e.g. 30 years) contract in which the government agrees to pay a yearly amount for services provided by private actors (Hodge & Greve, 2007). As a result, the future budget autonomy of the Parliament is significantly reduced. PPPs thus have a similar effect on the budget as public debts (which need to be repaid and therefore limit future policy choices), but in a more hidden way because PPP investments are not always clearly visible in the public accounts (Hodge & Greve, 2013; Shaoul, 2005; Siemiatycki & Farooqi, 2012). In addition, PPPs are regulated by detailed inflexible contracts. When future policy-makers want to change public policy and adjust PPP contracts, they will face costly renegotiations. Depoliticization should here be understood as the possible limits to
future policy/budget autonomy. PPPs make substantial demands on future political decision-making.

As mentioned above, the problematic secrecy of documents due to clauses of commercial confidentiality further inhibit the public debate. The primacy of politics in PPPs is shifted partly and indirectly away from elected politicians towards unelected and less accountable private actors.

**Recognizing the political nature of PPPs**

Roberts (2010) calls long-term infrastructure projects and contracts (PPPs) one of the most powerful illustrations of the pervasive force of depoliticization (Jessop, 2014, p. 216). From the end of the Second World War until the early 1970s, the western advanced economies had expanded their public infrastructure (roads, highways, schools, hospitals, social housing, etc.) significantly, with political actors taking the main decisions. From that point on public sector spending on public infrastructure began a steady and prolonged decline. The argument for more private provision of infrastructure gained ground. This trend was driven by a combination of governments being in budgetary distress due to the crises of the 1970s, financial investors being able to operate in a global capital market, large construction firms becoming internationally active and powerful lobby groups promoting the private financing, constructing and operating of infrastructure projects (Roberts, 2010, pp. 121-122). The private financing of public infrastructure significantly increased in the UK due to the expansion of the Private Finance Initiative (PFI) under the ‘New Labour’ Government of Tony Blair in the late 1990s (Ball, Heafey, & King, 2007; Burnham, 2001; Flinders, 2005). Other countries worldwide followed the same path. The most visible form of recent PPPs (especially in Western Europe) are long-term infrastructure contract partnerships that most of the time are organized within a Design, Build, Finance, Maintain model (DBFM) (Hodge & Greve, 2013).

Roberts (2010) states that the enthusiasm for PPPs provided solid evidence of the logic of discipline at work. First, the transfer of infrastructure responsibilities to private contractors would help to remove undue political interference in service provision (e.g. rewarding political supporters). Second, it also would help to benefit from the specialized expertise and experience of private contractors in building and operating infrastructure projects (which is allegedly not the core task and expertise of civil servants). Besides, private contractors were more likely to deliver their promises due to performance related rewards and penalties. Third, PPPs would also help to deal with the short-sightedness of conventional budget decision-making. It is no longer feasible to cut back on maintenance costs since they are integrated within life-cycle contracts. Politically difficult decisions on toll tariffs are shifted towards private companies. Henceforth, the constant political pressure to lower (or even eliminate) the tolls disappeared. Fourth, long-term infrastructure contracts (often more than 25 years) would also lead to stability, diminishing the risk that changing political ruling
elites and their changing attitudes or opinions would lead to inconsistencies in the long run.

The recognition of the political nature of PPPs is an illustration of a larger agenda of repoliticizing public decision-making (Bauman, 2002; Bourdieu, 2003). Certain policy choices are too easily accepted or policy debates too easily silenced, by stating that they are either unavoidable or logical according to econom(etr)ic models (Jessop, 2014, p. 9). John Kay calls the impression of rationality these models convey spurious and points to their grave limits as objective basis for decision-making (Financial Times November 30th 2011). He elaborated on this topic in his key note speech delivered at the ‘International Research Society for Public Management’ (IRSPM) Conference in Rome in April 2012 entitled ‘Beware of Franklin’s Gambit in making decisions’: “we claim to believe that there is an objective method by which all right thinking people would, with sufficient diligence and intelligence, arrive at a good answer to any complex problem. But there is no such method.” (see also Financial Times April 18th 2012)

The time is now?

In this next section we will argue that the financial crisis provides a window of opportunity for bringing politics back in. It turned out that poorly regulated capital markets were vulnerable to the same flaws as conventional democratic politics, as pointed out by Roberts (2010): short-sightedness, instability, selfishness. The crisis unmask the depoliticization argument, as the government and its politicians instantly were forced to take their place behind the driving wheel. As Flinders (2012, p. 108) claims: “The market-led theories that had defined the reform agenda for at least three decades suddenly crumbled in the face of massive injections of public money to stabilize the market, and politicians from across the political spectrum suggested a need to politicize certain functions as part of a more interventionist and statist position.” (original emphasis)

First of all, timing is crucial because the economic seed-bed of PPP has impoverished during the crisis (Hodge & Greve, 2013). As long as the engine of the (western) advanced economies was running smoothly, there seemed to be no urgent need to question the depoliticization of PPPs. The crisis however caused liquidity shortages in the global capital markets that made PPP projects almost impossible to finance and execute. The financial crisis had an immediate negative impact on the volume of PPP projects in western countries (EPEC, 2012, p. 1; HM Treasury, 2012, p. 16). Yet, despite this significant decrease in closed PPP deals since 2007-2008, PPP policy as such remains on the agenda. It remains worldwide a relevant public procurement method (and even a growing business in countries like China, India and Brazil). The prospect of infrastructure investments without burdening the distressed public budgets has become even more attractive than before. Traditional public investments
in infrastructure are difficult, given the already high public debt and tax levels in Western Europe.

The PPP community is currently adapting to the new financial and economic circumstances. A number of countries tried to make financing available in different ways: the UK set up a temporary bank ‘Infrastructure Finance Unit’ within the Treasury, France set up a large guarantee scheme to support various PPP projects. The Obama administration is putting PPP more and more on the political agenda as a way of stimulating the economy and getting out of the depression. Moreover, international organizations like the European Commission, OECD, IMF and World Bank still believe in PPP as policy tool and promote it as recommendable governance model. PPP policy proves to be rather flexible and has to be seriously rethought by policy-makers (Greve & Hodge, 2013; Wall & Connolly, 2009).

Second, timing is also important because after more than a decade of PPP policy (almost two decades in the UK) many projects are operational and value for money evaluations based on empirical results become possible. Although research points to mixed and ambiguous results (Ball, et al., 2003; Hodge & Greve, 2013; Siemiatycki & Farooqi, 2012), some possible advantages of PPPs need to be (at least) nuanced. Roberts (2010) puts the PPP model to the test and concluded that it suffered from several weaknesses:

(1) *No short-sightedness?* The use of PPPs turned out to be very attractive for governments because short term benefits (delivery of the public infrastructure or service) could be realized while the costs were spread through annual payments over the long term (often more than thirty years). Hodge & Greve (2007) dubbed PPP as a ‘mega credit card’ for governments, with many political incentives to use it. Some authors claimed that the bill of infrastructure projects was rather blatantly shifted towards the next generations (Shaoul, 2005). An illusion of fiscal discipline was upheld (Roberts, 2010), but in fact governments do pay of course for these projects. Most of the time, they do so at a higher price than they would under traditional public service provision. Or as John Kay puts it: “PPP will increase the efficiency and effectiveness with which the money is spent. But what is spent is still spent. (...) whatever vehicle is used to borrow the money, you still have to pay it back.” *(Financial Times January 31th 1997)* After the financial crisis EU public accounting standards were seriously tightened, in order to match the rather ‘fictitious’ public and private balance sheets with real world liabilities.

(2) *No instability?* The promise of stability rested mainly on the capacity of legal contracts to lock in governments and private operators. The limits of these contracts became quickly apparent in practice. They could be neglected or renegotiated, often in favour of the private contractors. It was assumed that there would be strong incentives to manage these PPP projects well because of the performance related rewards and penalties formulated in the contract. In practice governments appeared
rather reluctant to enforce the contractual terms as stipulated when performance targets were not met. In addition, when private contractors came into financial trouble, governments often chose to bail them out or give them extra loan guarantees, especially when it concerned crucial public infrastructure like public transport systems. When the private contractors were not in trouble, contracts were however not open for renegotiation and huge windfall profits were made (Shaoul, 2005). “When things go right the private sector appears able to make significant financial gains. When things go wrong it sometimes appears to be difficult for the public purchaser to impose very significant penalties on the private contractors” (Roberts, 2010, p. 132). The effect of neglecting and renegotiating PPP contracts appeared to be ‘privatize profits but socialize losses’, just as happened in the broader financial sector and the bail-out of several ‘too big to fail’ banks.

(3) No selfishness? The promise of ‘public-spiritedness’ was based on the idea that the competitive market would take public procurement out of the hands of politicians working for their constituencies. The previous paragraph however indicated that the satisfaction of private interests was not eliminated, but transmuted to different interests: the private interests of the PPP business (e.g. construction, law, finance and consultancy firms) replaced the private interests of politicians, bureaucrats or political friends. Some private contractors have made huge windfall profits with PPP projects at the expense of tax money, which led Vecchi & Hellowell (2013) to plea for mechanisms to limit (and share) ‘one-sided’ consequences of the partnership. John Kay says that “from the start, Private Finance Initiative (PFI) conflated the desirable aim of exploiting private sector management in project supervision with the undesirable aim of obscuring public finances with complex funding structures. It created an industry of advisers with a vested interest in its own expansion” (Financial Times February 16th 2011).

**COMPARISON BETWEEN UK AND FLANDERS**

Hodge & Greve (2013) define PPP moving from a narrow to a broad understanding. PPPs can be studied as (A) a specific project or activity, (B) a management tool or organizational form, (C) a policy, or statement as to the role of the government in the economy, (D) a governance tool or symbol, or (E) an historical context and a cultural set of assumptions. In this article we make use of the broader lenses of PPP. The (western) world of PPPs has been affected by the financial crisis: the number of closed PPP deals has fallen, long-term private finance has become more expensive and difficult and accounting rules have been tightened (EPEC, 2012; HM Treasury, 2012). Yet PPP policy remains an interesting case to study, because it is here to stay in new ways as an important investment and procurement method.

The reason for choosing to study the UK is the prominent role played by the UK government in developing PPP policy and spreading the PFI model to the rest of the world. According to a recent market update the UK is still the largest PPP market in
value terms and the most active market in terms of numbers of transactions (EPEC, 2012). Flanders is an interesting case because it is a PPP laggard. Therefore we can assume that learning from international experiences led to adapting best practices. It is worth mentioning that we do not aim to compare both in detail, but point to some interesting PPP policy tendencies based on studying key document and media reports. Besides it would be hard to make such a direct comparison, because there are huge differences in terms of the scale of PPP activity and maturity in each country/region. Furthermore, they also have a different political-administrative contexts. While Flanders has been more reluctant to move away from the traditional bureaucracy, the UK are close to Anglo-Saxon managerial model (Pollitt & Bouckaert, 2011). Nevertheless, this does not mean that we cannot look into the PPP policy in each country/region to detect interesting (dis)similarities and learn from both of them.

The Big UK PF2 Rebrand

The Major Government launched PFI in 1992 allegedly as a way of benefiting from the management skills and commercial expertise of the private sector. The overall goal of the PFI policy was to achieve better value for money for the taxpayers by guaranteeing that infrastructure projects were delivered on time and on budget, and that the assets were well maintained through a lifecycle approach (Ball, et al., 2003; Wall & Connolly, 2009). It brought some private discipline to the delivery of public infrastructure projects. More than 700 PFI projects with a total capital cost of 66 billion euros have reached financial close since then. Projects are found in a broad range of sectors including schools, roads, hospitals, prisons, housing and defence (HM Treasury, 2012, pp. 15-16). It has been a relatively small (10 à 15%) but important part of the UK Government’s overall investment policy in public infrastructure and services. Although the British PFI model was enthusiastically transferred to other countries worldwide, it has always been rather controversial in the UK both in the academic literature (e.g. Ball, et al., 2007; Flinders, 2005; Shaoul, 2005, 2010; Shaoul, Stafford, & Stapleton, 2011) and in the press (e.g. John Kay in Financial Times February 16th 2011 and January 31th 1997).

When in May 2010 Gordon Brown lost the general election in the UK, PFI policy was put to a test. While in the opposition, the current Chancellor of the Exchequer George Osborne called the PFI a ‘discredited’ model; an accounting wheeze beset with perverse incentives (The Guardian May 27th 2013 & The Financial Times December 5th 2012). Before the 2010 election, Nick Clegg, now Deputy Prime Minister, also branded PFI as ‘dodgy accounting’. Despite these criticisms, both kept working with similar private financing schemes when confronted in Government with a harsh economic and financial reality. Moreover, the Conservatives wanted to take some distance from PFI, because of its association with Gordon Brown and New Labour, but ideologically they were in favour of expanding private influence and finance in key investment decision-making (The Conservatives, 2009, p. 37). It thus made a lot
of sense in political strategic terms to question PFI policy. In 2011 the Cameron Government initiated a fundamental reassessment of PFI, based on a broad consultation with all professional stakeholders involved (academics, private contractors, consultants, public officials, action groups, etc.). In March 2011 the Treasury Select Committee of the House of Commons announced an inquiry into the future of PFI, building further on the previous study work of the National Audit Office and the House of Lords Economic Affairs Committee. On August 19th 2011, the Treasury Select Committee concluded that PFI does not provide taxpayers good value for money and that stricter criteria should be introduced to govern its use. A similarly critical report was published one month later by the Public Accounts Committee (PAC) of the House of Commons, stating that returns to investors have been too high which led to huge excess costs for public authorities. After dozens of inquiries and interviews with the PPP field, they found no convincing evidence of the better value for money of PFI, and thus no justification for its use.

Although these two parliamentary reports had definitely put pressure on the PFI model, the (political) incentives to keep using it remained strong. The UK economy faced a deep recession and needed extra public spending and investments. PFI enabled the government to do this, while paying later and in such a way that the official level of public sector borrowing remained unaffected. Mark Hellowell however predicted that some kind of change was coming: “While the balance sheet benefit of PFI must be retained, there is a political imperative for change – even if it’s only a change of acronym. (...) The key question is whether the reform will go far enough.” (in Public Finance Opinion November 29th 2011) In January 2012 the Government responded to these reports, as did the Office for Budget Responsibility (OBR) and the National Audit Office (NAO). In December 2012 the Government presented a new investment strategy for public infrastructure PF2. The PF2 model promises more flexibility, transparency and better value for money. The ambitions were formulated as follows:

‘We have sought to provide access to wider sources of equity and debt finance to improve the value for money of financing projects; to increase the transparency of liabilities created by long-term projects and the equity returns achieved by investors; to speed up and reduce the cost of the procurement process; and to provide greater flexibility in the provision of services. The taxpayer will become a shareholder in projects and share in the on-going investor returns.’ (HM Treasury, 2012, p. 3)

The response to PF2 was rather predictable and mixed: those in favour of the old PFI were relieved that the model survived the reassessment, while those who were critical of PFI saw little improvement. It is illustrative that DLA Piper, a major legal firm involved in PPPs worldwide, reacted to PF2 in their brochure called ‘PF2 – The Big Rebrand’ as follows: “To the relief of the infrastructure community, the Treasury has not ‘thrown the baby out with the bathwater’ and has taken much of the learning
generated since the launch of the Private Finance Initiative in 1992 to form the foundation for what it has rebranded as ‘PF2’.” (DLA Piper, 2012, p. 1) Or, in other words: “The new model PFI is similar to the old one, with only a few minor changes.” (Financial Times December 5th 2012). PF2 is described as “a rebrand and refinement which seeks to entice new investors into the market by limiting their financial exposure and keeping more risks with the public sector” (The Guardian May 27th 2013). Because equity is a more expensive way of raising money than debt, the price paid by taxpayers for the projects may rise, especially in combination with the reduced risk transfer towards the private sector. “Increasing equity to these levels will make the project more expensive. It’s difficult to see how this can be value for money to the taxpayer.” (Richard Abadie, head of projects and infrastructure of PWC, quoted in Financial Times December 5th 2012). The rationale behind this shift towards costlier capital for less risk transfer is attracting large institutional investors like pension funds and insurance companies.

In practice PF2 has had a difficult start as three high-profile PF2 investments are currently falling back on public funds: the ‘priority school program’ (2.4 billion euros), the Future Force 2020 scheme for military accommodation (1.2 billion euros) and the rolling stock for the Crossrail project (1.2 billion euros). This return to traditional public finance does not have to be a bad thing, as it leads to more options and choices (beyond PPP), but it does lead to less investment projects in total. The scarce public investment funds are being used as substitutes for faltering PF2 projects, which is probably not the best investment policy for the UK economy that needs extra stimuli and new infrastructure (The Economist March 9th 2013, p. 30-32). Mark Hellowell still calls PF2 ‘the only game in town’ and points to the difficulties of a fundamental reform of PFI, because it is almost irresistible for politicians due to the budgetary advantages. According to him, it is very telling that the banker Geoffrey Spence – a former head of PFI policy at the Treasury and adviser to Alistair Darling – is currently the head of the Infrastructure Unit team at the Treasury. The much-maligned acronym ‘PFI’ is on the way out, but key personnel stay on board just as the commitment to off-balance sheet financing is likely to remain (in Public Finance Opinion December 6th and March 23rd 2012).

One could thus argue that in recent years PFI has been (re)politicized in the UK at both the societal and discursive levels through parliamentary inquiries, consultations of the PPP field, media reports and eventually evoked a new policy approach. Although the end result named PF2 may disappoint most commentators, the main point is here that it was put explicitly on the political agenda and that a broad public debate took place on this technical and complex topic. These parliamentary and public processes of evaluating PPP policy may seem evident, but the Flemish counterexample shows that it is not.
The Big Flemish Silence

Flanders started rather late with PPPs. During the 2004-2009 legislature the Flemish Government launched several large PPP projects for an estimated sum of 6 billion euros in diverse policy sectors like road infrastructure, public transport, social housing, schools, welfare, sports facilities, etc. (Leterme, 2004). PPPs were undertaken to achieve societal, operational or financial added-value, according to the PPP decree (Flemish Government, 2003). The Belgian Court of Audit (2009) has published a critical report on PPPs in Flanders. They examined in 2008 the preparation and initiation of 11 PPP projects. They noticed that in the start and preparation stage a higher emphasis was placed on budget neutrality (read: off-balance sheet in the European System of Accounts) than on the proclaimed added value. The Flemish PPP path turned out to be a slow and difficult one, because of a variety of reasons: some large PPPs were put on hold due to planning discussions and protests of action groups, others like the school infrastructure project faced complex implementation difficulties (with more than 200 schools bundled in one ‘design, build, finance, maintain’ program). Moreover, the Government chose for a very specific and complex ‘hybrid’ (contractual and participative) PPP model which was internationally unseen and untested. In addition, the global financial crisis of 2007-2008 brought the three main Belgian banks to the brink of bankruptcy (Fortis, KBC and Dexia).

After a decade of Flemish PPP projects and policy, the track record is modest: some projects are operational and evaluated rather positively (e.g. Via Invest Zaventem, Liefkenshoek Rail Link in the Port of Antwerp), many large PPP projects are still in preparation or early execution which makes an assessment of value for money premature (e.g. sports facilities and school infrastructure). The promise of quick delivery of large infrastructure projects has however not been fulfilled, as the Flemish Government is still mainly dealing with the first generation PPPs. At the regional level only a few new PPP projects have been added. Other PPP projects like the megaproject Oosterweel highway link in Antwerp (estimated value 3.25 billion euros) and the North-South highway link in Limburg (estimated value of 377 million euros) are failures. They are contested by local action groups and politicians due to planning concerns, and not due to their PPP nature. There is a lively debate on the precise location of the project and its spatial and environmental implications, but not on the way of financing or operating it. The rationale for this debate seems to be not PPP related, albeit not in a direct manner. It may be possible that the size and scope of both projects, which turns them nowadays rather quickly into privately financed ones, has influenced and even fuelled the public contestation.

In Flanders PPP policy as such is no longer visible on the political agenda and not explicitly discussed in the public forum. While PPP policy is continued in practice, the PPP label has become politically contaminated. Some examples illustrate this. Between 2004-2009 there was every year a specific policy note on PPP written by the
Flemish Prime Minister, but since 2009 this initiative was abandoned. In the current 2009–2014 Flemish coalition agreement (in total 125 pages) the word PPP was only mentioned twice and the word DBFM once. It is stressed in official communication that PPP is just another procurement method. On January 7th 2014 the Flemish Prime Minister presented the 7th annual progress report on large PPP projects in the commission ‘general policy, finance and budget’ (Flemish Parliament, 2014, pp. 6–8). Although the total sum of investments through PPPs is estimated at 9.9 billion euros (Flemish Government, 2013, p. 42), there were only four members of parliament who briefly responded to the presentation. They requested some additional information, but they did not ask profound questions on the PPP policy and projects.

It seems that the political status of the label PPP is concealed. No Flemish minister, politician or political party openly defends PPPs (not even the pro-market liberals). Flemish PPP policy has gone under the radar of political scrutiny and thus remains to be (re)politcized. Interestingly, most media reporting on PPP projects are also rather silent about PPP financing and implementation. For example, on February 22nd 2014 the Flemish quality newspaper ‘De Standaard’ reported on the start of the construction works of the new highway A11. Despite its huge cost price of 674 million euros, the article did not mention the PPP nature of this project. Only the more specialized financial newspaper ‘De Tijd’ specified the financing details. Another example is the announcement on October 18th 2013 of 6 large road and water infrastructure projects (so called ‘missing-links’) with an estimated value of 750 million euros. Although this means the continuation of large DBFM projects in road infrastructure (second program of 6 projects), the fact that it is realized through PPP was only marginally mentioned in the press releases and some news articles.

Several reasons could explain this. Flanders has a proportional political system with rather large coalition governments. The coalition agreements typically leave only small margins for political scrutiny and debate. Moreover, in Flanders almost all political parties have once been supporting PPP projects and policy. There is not one party or politician who really embodies PPP that can be used as a political target. Another reason may be the complexity of the particular Flemish PPP model: a hybrid between contractual and concession agreements. The limited legibility of the PPP structures requires considerable study efforts from members of parliament and journalists to understand what is going on. It also requires great communication skills to get criticisms across to a wider public.

Yet, PPPs have long-term societal and financial consequences which limit the future budget autonomy of the Parliament and future public policy options for the next 30 years or more. Large PPP infrastructure projects and their merits/costs need to be discussed and questioned because of their PPP nature. When the current Flemish PPP projects are fully operational the Flemish Government will have to pay yearly an estimated sum of 672 million euros (with the megaproject Oosterweel link in Antwerp not even included) (Flemish Government, 2013, p. 45). This is a huge amount of
money given a total public budget of 28 billion euros, and a public investment budget of around 4 billion euros. Meanwhile, fiscal stress is increasing. Hence, PPP will most likely become even more attractive in the near future.

While the contents of many PPP projects may attract some controversy, the much needed public discussion of PPP as a mode of governance is lacking. It is however necessary to break the disturbing ‘silence’ surrounding them (Keane, 2012). The UK PFI review could serve as an admittedly imperfect step up towards this politicization of PPPs.

**DISCUSSION**

The contemporary policy choice for PPP as mode of governance is largely apolitical, meaning that it has been argued for as something that is obvious, logical and even inevitable. PPP has been reduced to a neutral management or procurement tool, of which the political character is concealed. We argue in this article that PPP policy needs explicit political and societal support given its budgetary and social impact for the years and decades to come. This argument for introducing a (re)politicizing dynamic in PPP policy should not be interpreted as a critique on private financed and executed public service provision as such, but as a critique on the fact that the PPP policy is mostly taken for granted (and shielded from public scrutiny and control).

PPPs are a prime example of governmental depoliticization; meaning that the tasks and responsibilities are transferred from the governmental sphere to the non-governmental sphere through its delegation towards specialized private consortia. Although this narrow ‘institutional’ dimension is as such relevant, it has been rather well established in the literature. There are however two broader and implicit dimensions of depoliticization which are often overlooked. As said before, societal depoliticization is about the media, interests groups and corporations shifting issues off the agenda for public or political debate. It means that the public nature of infrastructure projects and service delivery is no longer recognized and there is a shift going on towards more individualized responses to collective social challenges. Discursive depoliticization is the third dimension; policy choices are portrayed as being natural or normal because supposedly there is no alternative. It therefore focuses on the role of language and speech acts to depoliticize tasks and responsibilities (Hodge & Greve, 2010; Klijn, 2010). Figure 1 visualizes this growing depoliticization dynamic in PPP infrastructure projects.

**FIGURE 1 : Three dimensions of depoliticization in the UK and Flemish context**

When applied to Flanders, depoliticization in PPP policy is steadily expanding in all three dimensions. First, PPP policy is continued in the facts, more tasks and responsibilities are placed at arm’s length of the Minister. Second, PPP policy is no longer clearly visible on the political and public agendas, and the public nature of
infrastructure or service delivery is concealed and silenced. Third, PPP is portrayed as the only option for doing large and complex infrastructure projects in budgetary difficult times. It shows that the impact of depoliticization runs deeper than just the governmental dimension. The societal and discursive ones are equally important, but receive less attention because they happen more gradually and opaquely.

The evaluation of the PFI model and the launch of the PF2 strategy in the UK can be considered as adjusting the dynamic interplay between (de)politicizing tendencies in PPP policy, especially at the societal and discursive levels: parliamentary inquiries were held, a broad consultation of the professional PPP field took place, parliamentary reports were very critical and clear in their recommendations, the media picked up on this complex and technical storyline and the Government defended a new policy strategy. All these facts gave some counterweight and contributed to the necessary restoration of the balance between different (de)politicization tendencies in PPPs (as shown by Figure 1). Yet, a fundamental reform of PFI is more than just changing the name of the brand and attracting a different kind of private finance (e.g. pension funds and insurance companies). The political incentives to enter into schemes of off-balance sheet financing are still there and can become even greater due to a shrinking public budget. Although the (re)politicization dynamic should thus not be overestimated, the UK stands in sharp contrast with the troublesome unilateral depoliticization in Flanders.

**CONCLUSION**

This article argues that there are outspoken depoliticization tendencies in PPP policy and that they are a cause for concern. Flinders (2012, p. 93) states that: “Depoliticization, in all its forms, represents a dangerous illusion. It is the denial of politics while continuing politics by other means.” An issue or a policy becomes no less political in terms of its impact or importance, just because its decision-making process is shifted towards places that are less publicly visible and controllable. By emphasizing the problematic societal and discursive depoliticization in PPP policy, we have advanced the empirical understanding of the (de)politicization dynamics, based on a cross-disciplinary approach (as plead for by Flinders & Wood, 2014; Hay, 2014). It is important that the political nature of PPP projects is recognized and that policy alternatives are debated in the public forums. This may give the impression that democratic politics is all good and depoliticization all bad, while it is of course not that clear-cut and easy. The challenge is to get the mix right. Depoliticization in PPP policy making in Western European countries has been taken too far with substantial democratic implications. This balance needs to be adjusted. The comparison between UK and Flemish PPP policy learns us that the UK has made some progress towards this goal compared to Flanders. Yet, even in the UK a lot of work lies ahead in terms of real policy changes.
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