

PPPs in Education

An alternative route

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The financial crisis affects the real economic conditions in all countries. The main issue which will play the most important role is the lack of trust between the financial institutions.

As a result, the cost of money is rising and the governments are forced to intervene with specific policy plans in order to reinforce trust in the market and enforce financial flows.

Such PPP projects as the educational infrastructure ones that are based on availability payments should now become much more attractive to the market and financial institutions for two reasons. First, because of the lower risk they present and second because one of the partners is the public sector.

In addition and specifically in Greece, economic conditions, such as fiscal policy restrictions (public deficit) and, at the same time, the need for economic growth, position the School Buildings Organisation (SBO) as the basic regulating vehicle, capable of developing educational infrastructure while keeping public debt at lower levels.

Furthermore, PPPs allow for a faster response to the social educational infrastructure needs and a larger-scale construction of projects as they result in increased funds availability, mild impact on public investment funds, economies of scale, and the grouping of projects by geographical regions.

SBO's main objectives are the elimination of double-shifting, the substitution of leased buildings and the replacement/refurbishment of old buildings. In order to achieve these objectives, SBO has planned the construction of 1,227 schools with a total budget of _3bn. Taking into account that the company's annual turnover is _240-260m, it is estimated that through conventional methods these schools would be constructed in 12 to 14 years. However, by using both conventional methods and PPPs these schools will be finished within 5 to 7 years.

SBO's action plan begins with the company's reorganisation including the creation of a new specialised PPP unit, in order to be able to implement PPP programmes; the modification of its processes so as to co-operate effectively with the consultants; the identification of possible market players and financiers; and the co-ordination with the central government's procedure.

The following projects are in the pipeline of SBO's action planning:

Attica

Construction, operation and maintenance of 24 schools. For this project the consultant has already been selected, working with SBO on the financial model and the declaration of interest has been submitted.

Central Macedonia

Construction operation and maintenance of 30 schools. The project is about to be tendered.

East and West Macedonia, Thrace, Epirus and Ionian Islands

Construction, operation and maintenance of 23 schools.

Thessaly, West Greece and Mainland Greece

Construction, operation and maintenance of 24 schools. This project is in the process of being approved.

**Peloponnese, North and South Aegean Islands
and Crete**

Construction, operation and maintenance of 26 schools. This project is in the process of being approved.

Due to the fact that there are a number of projects under way, SBO has already acquired significant experience regarding market's interest and the PPP procedures.

Regarding the international tenders for consultants, SBO's experience has shown that there is substantial interest for the PPP market in Greece from European consultants, companies of all sectors and well structured prospective consortiums. Overall, the tender procedures are marked by mature conduct and as the number of tenders increase there is a gradual improvement of their offers.

As far as consultants' fees are concerned, although initially there were some debates on levels between the public and private sectors, the market seems to have reached an equilibrium, under which the projects are running smoothly.

SBO's experience, from the co-operation with the financial consultants for the Attica projects, has shown that both parties are gradually adapting to each other's culture and processes, and specific issues arising are being dealt with in a very professional manner.

In order to ensure success during procurements, it is necessary that the individual characteristics of each project should be taken into account and relevant adjustments should be made according to each project's needs. For example, it is important to

determine the specific management and maintenance requirements of the market since these will in turn define the obligations of the contractors undertaking the facility management of the projects. Finally, know-how and implementation methods– such as facility management – should be adjusted, in order to be able to function smoothly in the Greek environment.

Regarding the actual procurement processes, SBO is in constant and co-ordinated co-operation with the Special Secretariat for PPPs set up in the Ministry of Economy and Finance, dealing with all legal issues to ensure proper operation.

PPP projects depend on secure funding through public investment funds (for consulting, construction, operation and facility management), and administration of the availability payments' mechanism throughout the duration of the projects.

Although the PPP market in Greece, is still in the development stage, the market has reacted in a positive manner and showed signs of further developments in other economy sectors as well. Even though the discussion for future growth of the PPP market, methodology and structure to some might be premature, it is necessary to consider and debate it, in order to be ready, when the time is right. Therefore, the following proposal should be considered and discussed accordingly.

Within the scope of the expected reform of the country's administrative structure, two key public entities – SBO and 3rd level local authorities – have the ability to obtain funding from the private sector. By utilising the experience and best practices of other European countries, especially those used in UK (Local Educational Partnerships model – Building Schools for the Future programme), SBO and local authorities (peripheries) can enter into strategic agreements leading to Local Educational Partnerships. It is SBO's belief that these schemes represent a possible and viable evolution of PPPs in Greece. These partnerships will comprise SBO (10% participation), 3rd level local authorities (10% participation) and private sector (80% participation) much like the corresponding UK model.

The implementation of such a model will result in the increase of market interest, value for money, economies of scale, immediate response to the local authorities' needs and standardisation of procedures and documents.

Macro-economic issues are always important in designing and applying economic policy. However, micro-economic matters are also important for the same reasons. Successful economic policy applications, in order to increase economic growth, must find a way to co-ordinate masterfully macro- and micro-economic issues. PPPs as an alternative method for financing infrastructure and services combine such macro and micro-economic characteristics, and if implemented successfully, could become the catalyst for achieving economic growth and prosperity.