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School Buildings in Today's Crisis

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School Buildings in Today's Crisis

By Alastair Blyth, OECD

To get a picture of the impact of the current economic and financial crisis on educational building programmes so far, the OECD Centre for Effective Learning Environments (CELE) has been conducting a survey of member countries and regions. The survey focuses on three main issues: the impact of the crisis on publicly funded projects, the impact on projects funded by private finance initiatives or through a public-private partnership, and the extent to which the crisis has affected the construction industry's ability to build schools.

Initial findings suggest some consistency across countries, for example the use of public sector building programmes to stimulate economies, but the responses are also dependent on the particular national context.

With banks restricting lending on the one hand, and a broad economic downturn on the other, the effects of the crisis on the provision of educational infrastructure are hard to untangle.

One key point has emerged from the survey: although countries are using public sector building and civil engineering construction, including education buildings, as one of the means to stimulate their economies, the primary focus of these initiatives is economic, rather than educational. Education clearly benefits, and the crisis is providing an opportunity for governments and education authorities to address issues such as modernisation, earthquake-proofing and environmental performance of buildings.

While much of what this article reports has been prompted by the banking crisis, the linkages between the financial problems of banks becoming more reluctant to lend money and the economic problems are complex. By last October when the banking world metaphorically fell off a cliff and prompted the scale of financial crisis that has led to the type of government interventions we have seen, economies had already been under financial stress for some time, dating back to the end of 2007 and the emergence of the subprime problem. The responses by countries to this ensuing crisis have been affected by their prevailing economic conditions.

The results reported here were collected during the first quarter of 2009. Since then, more governments have announced stimulus plans and some are considering further stimulus.

The survey is still underway as we widen the participation to include non-CELE members. So far, ten countries have responded to the survey.

One aim is to continue this monitoring exercise to track the actions of governments and the impacts as they become evident. We hope that this will provide insights into how different countries are tackling the emerging problems.

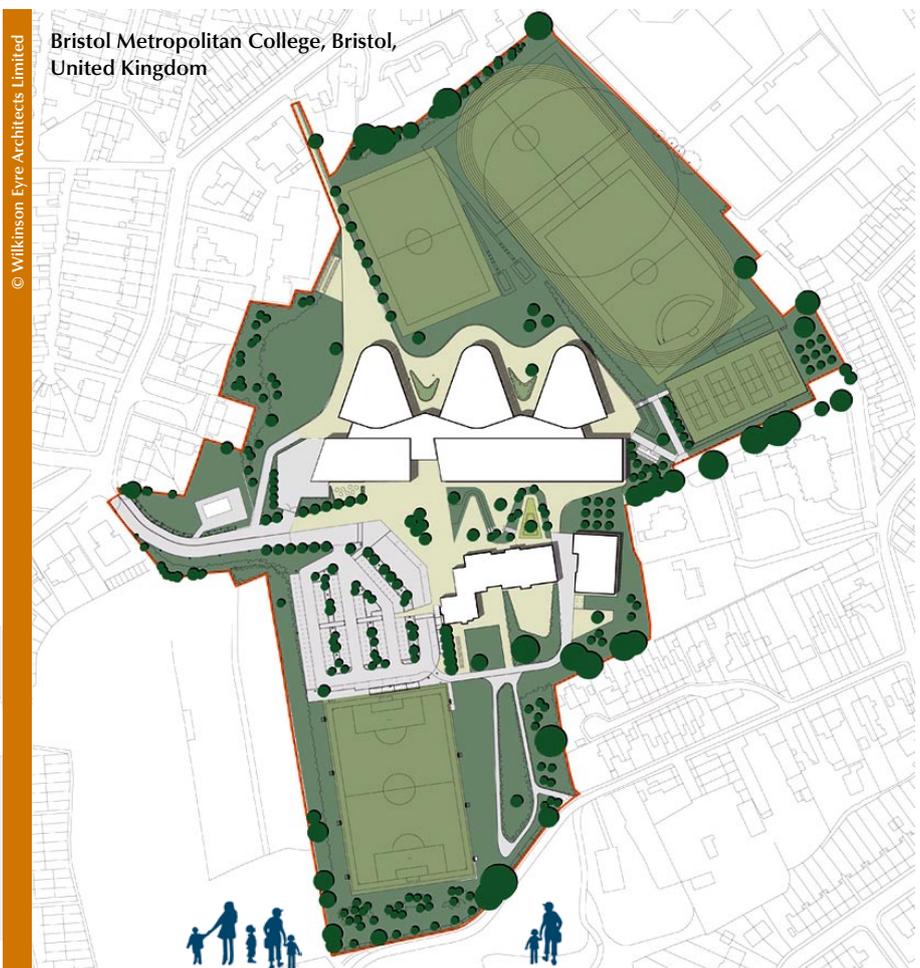
These initial responses relate to school building programmes only. Separate work is being carried out to explore the impact on higher education infrastructure.

PUBLICLY FUNDED PROJECTS

A preliminary analysis suggests that governments are following different approaches when it comes to using public sector educational building programmes as part of a strategy to stimulate their economies. To some extent these are being driven by other factors within the economy. One approach is to keep the same spending level on educational buildings for 2009/10 in a context where spending on other areas is being cut, for example in Ireland. Another approach is to bring forward expenditure without injecting any additional money into the programme, for example in the United Kingdom (England, specifically). A third approach is to introduce new money. Other approaches combine introducing some new money and bringing forward expenditure. One country is seeing spending frozen altogether, and another is in part accelerating its programme by reducing the procurement timetable.

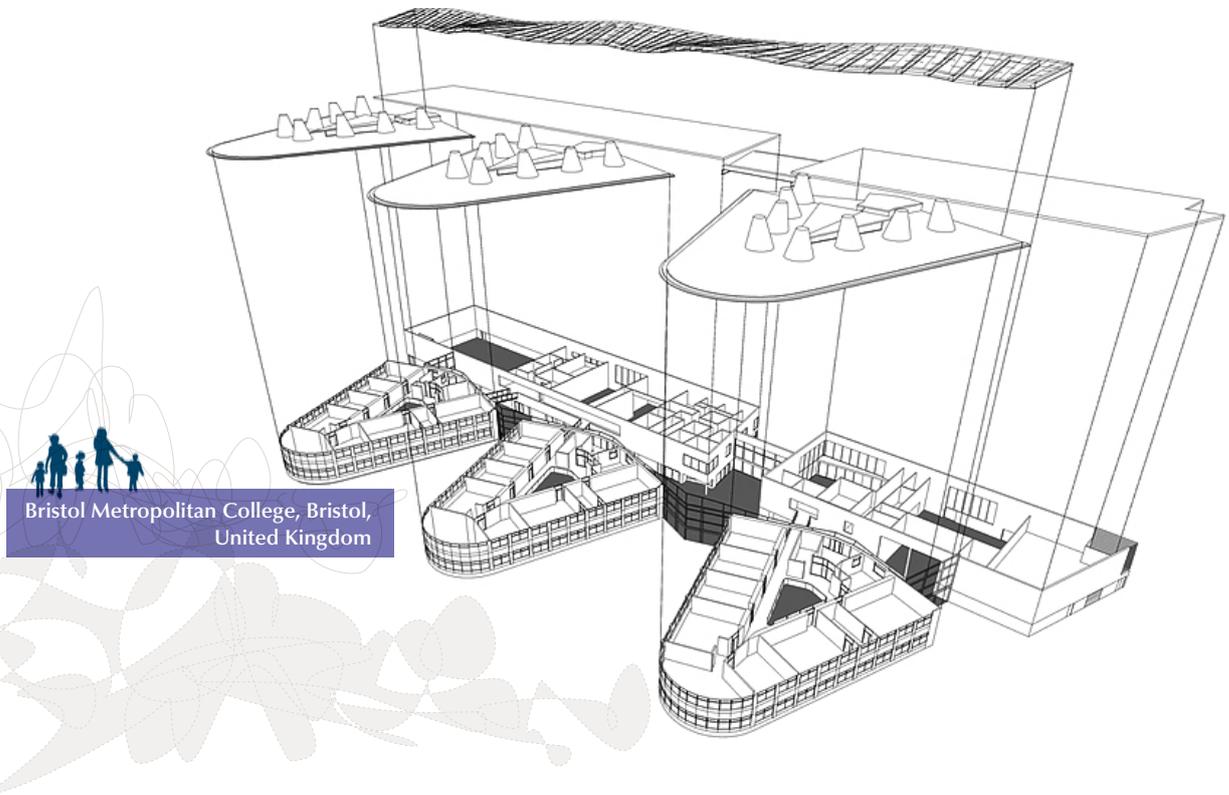
Some countries already had relatively large-scale school modernisation or renewal programmes underway before their governments announced measures to stimulate their economies, but not all of these are being affected by the government measures. For example in England, money being brought forward comes from devolved spending, that is money spent directly by the local authorities, rather than from their Building Schools for the Future programme.

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While the motivation may be primarily economic, countries are taking the opportunity to address further issues although these are context specific. For example, some countries emphasise “green” construction; another (Japan) is focusing on earthquake-proofing as well as introducing money for green schools; and others are concentrating on renovation.

Three particular issues emerged during discussions with interviewees. First, is a concern that there might be a negative impact on the quality of school building, specifically where programmes are accelerated. The concern here is that the early stages of projects, the crucial brief development stages, could be shortened to meet ambitious completion dates. Trying to increase expenditure and spend the money quickly might leave some governments open to the criticism that the quality of school construction could be compromised by economic expediency, and that consequentially the opportunity to create innovative learning environments to meet 21st century learning needs may be lost. While this issue was raised during the interviews, the survey has not picked up any evidence so far that there is or will be an adverse effect on education buildings.

The second issue that arose is the expectation that, at some stage, governments will start to rein in spending to tackle increasing debt, and they may cut expenditure on infrastructure projects and focus it on other parts of their economy.

The third is whether education authorities responsible for building programmes have the capacity to manage a sudden increase in workload.

PROJECTS FUNDED BY PFI OR THROUGH A PPP

Several countries in the survey – England, Ireland, Japan, Hungary and Korea – use some form of private finance initiative (PFI) or public-private partnership (PPP) for school projects, and these types of projects have been affected in various ways. Countries that provided details on the effects were cautious about how much detail is published and attributable because of commercial sensitivities.



The school and gymnasium are tightly arranged around a courtyard called the "Community Garden", through which the students enter the building.



Haruhino Elementary and Lower Secondary School, Kawasaki City, Kanagawa Prefecture, Japan
A PFI-funded public school which opened in April 2008

As has been widely reported, many banks reduced or ceased lending, and therefore sources of private finance vital for some school construction projects virtually disappeared. Although interviewees said there were more banks lending to this sector, they tended to be lending far less, leaving bidders having to borrow money from several banks for one project. Countries reported that this is complex, time consuming and not always successful. One government is now co-funding such a project, in other words temporarily acting as a bank. The UK National Audit Office noted, in its report on the Building Schools for the Future programme published in February 2009, that the last PFI agreed in the secondary school sector dated from October 2008 and that a local authority which had intended to use a PFI in January had to postpone it and use conventional funding instead.¹

Further, in Mexico and Turkey other external funding sources used in projects are declining, although these projects are not PPP projects as such. Also, in Turkey investment in private schools stopped because of the difficulties with borrowing money.



Gervasio García, Durango, Mexico
A recently refurbished elementary school

CONSTRUCTION INDUSTRY'S ABILITY TO BUILD SCHOOLS

CELE is also interested in the broader impact of the financial and economic crisis on construction, and the consequential effect that this might be having on the construction of educational buildings. For example, falling construction output elsewhere in the economy might lead to falling construction prices as professional consultancies, construction firms and materials suppliers compete for business.

It is too early to judge the effect of this, although for example in Ireland, Turkey and the United Kingdom, there were indications of falling construction tender prices. However, many of the projects being undertaken at the time of this survey were tendered before October last year, and therefore the impact of the crisis would not necessarily have fed through into the system.

1. National Audit Office (2009), "The Building the Schools for the Future Programme: Renewing the Secondary School Estate," National Audit Office, London, February.

In Turkey for example, construction prices have fallen due to cheaper workmanship. However, in Mexico construction costs increased, because the cost of materials rose as a consequence of the exchange rate with the US dollar.

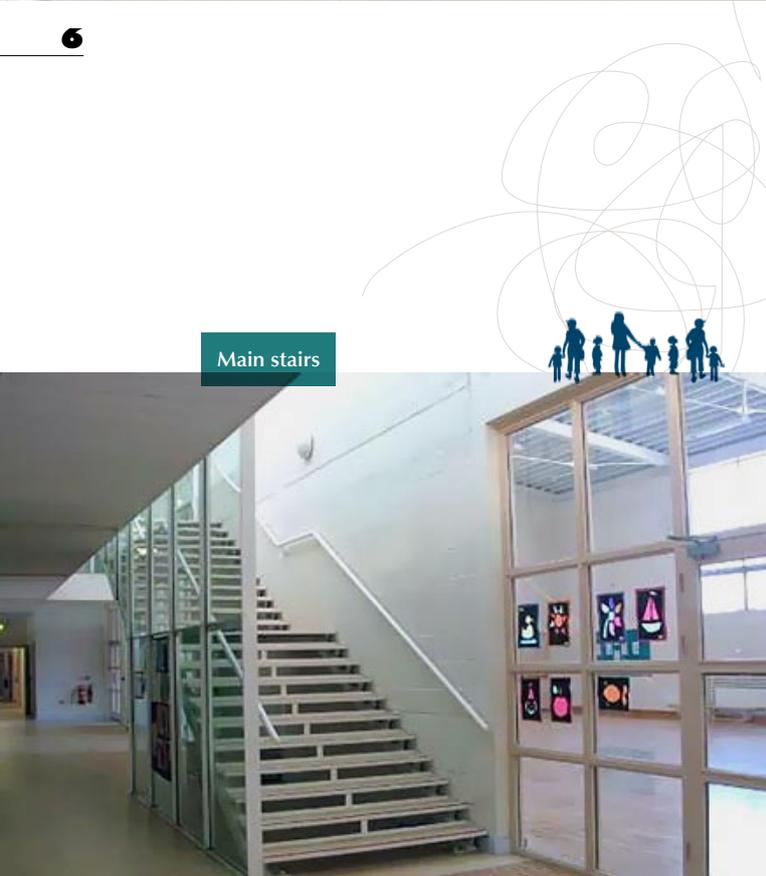
Archbishop Senior National School, Lucan, Ireland
A Generic Repeat Design school

South facing two-storey classroom block and entrance

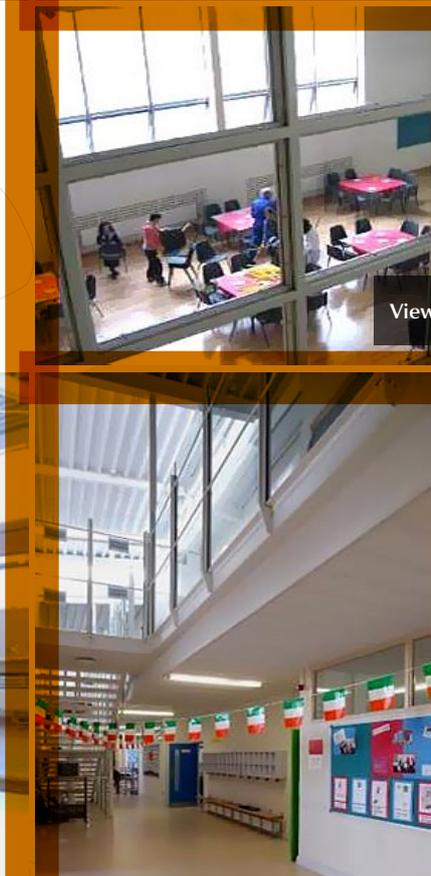


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Main stairs



View to hall



Again, it is too early to record much noticeable effect from construction business failure, whether the businesses be construction companies or professional consultancies. However, interviewees were concerned about this issue. In Ireland, a school building project had recently been affected by the contractor becoming insolvent. The problem with this type of failure is that to complete the project, a new contractor must be found. Not only is this a time-consuming process, but potential new contractors, as well as their insurers, would be concerned by their exposure to risk, for example because of poor construction which is impossible to evaluate where it has been covered up.

Two countries, England and Ireland, noted the consequential effect of fewer housing starts (privately funded), which had led to cancelling proposed school building projects because the demand for school places was no longer sufficient in that local area.

CONCLUSION

These are early results but they do suggest some consistency in that school building programmes are playing a role in economic stimulus plans, but clearly most countries see the economic focus of those plans as the key issue, rather than the school building programme.

Reduced bank lending has had an impact on PFI/PPP type projects but also on other projects which rely on some private sector investment.

It may be too early to see the effect of falling construction prices and the impact of construction business failures. However, both of these could become more significant features, and in the coming months tenders may reflect a fall in construction prices. This may depend on the context, and the extent to which there is an effect on labour and materials costs.

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