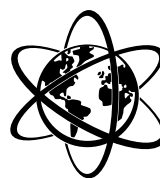


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Public–private partnerships: from contested concepts to prevalent practice

Tony Bovaird

Abstract

This article explores the current state of knowledge in relation to public–private partnerships (PPPs), taken to mean working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector. Since it originally became fashionable over 25 years ago, the concept of PPPs has been strongly contested. However, PPPs are now to be found in the public domain in many countries around the world and their number has been increasing in recent years. This article looks at how this has happened, what have been the strengths and weaknesses of this development and what the future may hold for PPPs. It argues that we are still at an early stage of learning which types of PPP are appropriate for which tasks and at managing PPPs to increase public value. It will be essential to apply principles of good governance to the future development of PPPs – but it will also be necessary to ensure that these principles are genuinely appropriate to the context in which these PPPs are working.

What does partnership mean to me? Just a way of transferring my work to the private sector, where it will be done for lower pay and worse conditions of service. (Public service employee)

We have found that when the public sector proposes a ‘partnership’, what they generally mean is that they want to transfer the responsibility for a particularly difficult service or issue to us, and give us a lower budget to deal with it than they were previously spending themselves. (Director of an NGO)

We think that we have shown the public sector how to do the work faster, cheaper and better – and that there are lots of other areas in which similar public–private partnerships could work. (Manager of a private company doing outsourced work for a local authority)

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Introduction

This article explores the current state of knowledge in relation to public–private partnerships (PPPs). For the purpose of this article, the definition of PPPs will be quite simple — they will be taken to mean

working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector.

Consequently, they will embrace public sector partnerships with both business and organizations in civil society (including community organizations, voluntary organizations and NGOs). Moreover, while the focus will be particularly on new-style collaborative partnerships and alliances, often without any legal underpinning, we will also examine partnerships which are backed by contracts but where partners display levels of commitment to each other over and above those contracts. We will, therefore, exclude as ‘partnerships’ those relationships between organizations which are based simply on the traditional contracting principles of management, monitoring and enforcement of a detailed specification contained within a legally binding agreement — although such relationships are sometimes labelled as ‘partnerships’ by the parties concerned.

Since they originally became fashionable around 30 years ago (Gibelman and Demone, 1983; Bovaird, 1986; Kettner and Martin, 1989), the concept of PPPs has been strongly contested. It has faced several sources of animosity, both conceptual and practical. From the perspective of ‘traditional public administration’, PPPs are suspect because they dilute political control over decision-making, while from the New Public Management (NPM) perspective, long-term partnerships may be suspected of undermining competition between potential providers. At the practical level, trade unions have often resisted PPPs, fearing they will reduce jobs and conditions of employment, while citizens and service-users have sometimes expressed concerns about having service providers who are driven by the profit motive.

Even PPPs between government and bodies in the non-profit sector have given rise to concern. Salamon (1995: 103) suggests that they can pose government with problems of exercising management supervision, ensuring a degree of accountability and encouraging coordination, when decision-making is widely dispersed and vested in organizations with their own independent sources of authority and support. Moreover, Salamon (1995: 103) points out that PPPs may also raise major governance issues for the non-profit sector itself, because of its potential loss of independence (particularly the dilution of its advocacy role), ‘vendorism’ or the distortion of the agency’s mission in pursuit of available government funding and the resulting loss in the flexibility and local control that have traditionally been the greatest strengths of this sector.

However, in spite of these widespread and longstanding concerns, PPPs are now to be found in the public domain in many countries around the world. Furthermore, their growth has sometimes been dramatic. The European Commission (2003) has noted that ‘recent years have seen a marked increase in cooperation between the public and private sectors for the development and operation of environmental and

transport infrastructure'. In the UK, the Private Finance Initiative (which is just one of the PPP mechanisms used in the public sector) accounted for over £8 billion of capital works contracts signed between 1997 and 1999 (HM Treasury, 2000). A recent survey suggested that half of UK local authorities now use partnerships as an approach to supplier relationships and a further 9 percent intend to introduce them in the future (Birch, 2001). Furthermore, PPPs are now written into legislation in many countries (e.g. urban policy legislation in the UK and USA, into national industrial policies in France and into economic development policies in Italy, The Netherlands and the UK).

There have been several reasons behind this change, often country-specific, but there have been two key drivers in most countries. First, the fiscal problems of the state have meant that the mobilization of private funding for public services has become critically important – and even, in some cases, encouraged by national legislation and funding regimes. Of course, this gives rise to the possibility that these partnerships have not been marriages based on love, or even on respect for the qualities each could bring to the relationship, but rather marriages for money. However, capital-starved public organizations have often felt they had little or no choice in selecting this route for service development. Second, the exponential rise in interest in e-government has driven governments to work more closely with private companies in the ICT sector, both in order to gain access to capital for the massive investment programmes which are needed and also, often more importantly, to access the expertise of these companies. The risks involved are all the greater because the public sector has little or no experience in these new technologies (Langford and Harrison, 2001), unlike the situation in traditional outsourcing, where the public organization had traditionally undertaken at least some of the activity in-house. However, the imperative to mine the potential of the web and intranet for on-line service provision and for improved interaction with stakeholders is too great to hold back, even in the face of these significant risks.

The commitment to PPPs with private companies (albeit with caveats) is well illustrated by a recent speech by Gordon Brown, Chancellor of the Exchequer, UK (*The Guardian*, 4 February 2003, p. 8):

It must be right that government seeks to secure, over the long term, the most cost effective infrastructure for our public services. The Private Finance Initiative enables us to do this by binding in the private sector into open and accountable relationships with the public sector . . . Those who say PFI is privatization have got it wrong because, while the private sector is rightly helping in public service delivery, the public interest is paramount.

This article looks at how the move to PPPs has happened, what have been the strengths and weaknesses of this development and what the future may hold for PPPs. It argues that we are still at an early stage of learning which types of PPP are appropriate for which tasks and at managing PPPs to increase public value.

Potential purposes for PPPs

Clearly there are a number of different purposes which PPPs might fulfil:

- *policy design and planning* (e.g. land-use and transportation studies with consultants, where the consultants become a central part of the planning function over a long period);
- *policy coordination* (e.g. allocation of responsibility for particular policies to specific agencies perhaps through a policy steering group, although typically the final decision will rest in the public sector) or setting priorities;
- *policy monitoring* (e.g. policy steering group with partners from public, voluntary and private sectors);
- *policy evaluation and review* (e.g. policy steering group with partners from voluntary and private sectors);
- *policy implementation and service delivery* in one of three ways: in-house (with external partners in advisory capacity, e.g. management consultants), co-production with external partners (e.g. joint venture for waste disposal) or full externalization (e.g. selling of social housing stock to housing associations);
- *resource mobilization* (e.g. sponsorship or fundraising management);
- *resource management* (e.g. ICT or facilities management).

In the case of each of these underlying purposes, there has been a long tradition in the public sector in most countries of in-house provision within traditional hierarchical structures. However, PPPs with a strong collaborative character may be instigated as an alternative approach to make the most of existing resources and competences — or, alternatively, in order to explore the potential for innovative approaches, bringing in new resources and competences. This can also be seen as the drive to harness partnerships for the empowerment of all people associated with public services — both internal empowerment and external empowerment (Kernaghan, 1993).

Clearly, each of these different purposes is likely to require partnerships with different membership, strategies, structures and operational processes and there are likely to be different criteria against which the partnerships will be monitored and evaluated.

Types of partnership

There are a number of different typologies which we can apply to PPPs. They include:

- *sectoral basis* — partnerships with third sector organizations and civil society associations, with private business, with both business and the third sector;
- *relationship basis* — loose network, collaborative, power-sharing, contractual;
- *economic basis* — supply-side, demand-side or mixed demand/supply-side partnerships;

- *policy area* — policy objectives of partnerships (e.g. promoting economic productivity, empowering clients and the disadvantaged, tackling social inclusion); and
- *scope* — vertical, horizontal and mixed partnerships.

Each of these types of partnership has a different rationale. Not all these rationales are equally attractive — it depends on the priorities of the government. Some types of partnership (e.g. conglomerates bringing together a wide variety of unrelated activities and businesses) have some special dangers, if the evidence from private sector equivalents is accepted as relevant. Here we find a paradox: in the public sector, one of the key reasons for forming partnerships is sometimes to set up an organization which will focus on a single issue or narrow range of problems, to get away from the problems of diffused focus which bedevil many public sector agencies. However, the desire to join up services across agencies to meet the holistic needs of clients may often drive in the opposite direction — making PPPs, as well as their constituent public and private partners, more aware of and sensitive to the multiple objectives which all public policies and actions might achieve.

In some ideologies, there is a special emphasis on the role of private businesses in PPPs (e.g. the focus on the Private Finance Initiative in the UK under Major and Blair). While this can be partly understood as a response to fiscal pressure, it can be damaging if it takes attention away from the full spectrum of potential partnership arrangements, including partnerships with NGOs and community groups in civil society.

Why are partnerships so liked . . . and so hated?

From this, one lesson is immediately clear — PPPs usually mean heterogeneity, not tidiness. Indeed, some authors (e.g. Löffler, 1999) have gone further, suggesting that a major problem of a partnership approach to public issues is that it brings *fragmentation of structures and processes*, which in turn leads to *blurring of responsibilities* and of *accountability* — as each agency has sacrificed some of its sovereignty in joining the partnership, it can also claim that the partnership, rather than itself, is the accountable body — yet there is often no direct mechanism by which these partnerships can be held accountable in a proper fashion. Wettenhall (2001) argues that, under NPM in Australia, there was a blurring of the sectors giving rise to governance problems and that the rise of partnerships has partly been a consequence of this — yet many of these partnerships have, in turn, given rise to similar problems. The issues of accountability and governance are all the more acute when the partnership is reluctant to divulge information to outsiders on the grounds of ‘commercial confidentiality’ (particularly in the case of partnerships which involve private firms) or on grounds of ‘data protection’ (which can be used as a ground for secretiveness in virtually all partnerships) (Roberts, 2002).

Moreover, we can identify a number of other positions from which partnerships can be seen as insidious and undesirable:

- *Staff* fear losing their jobs or experiencing worse conditions of service when a partnership takes over responsibility for their area of work. This has indeed been

the experience of many public service employees but there is the contrasting experience of the many employees who have successfully made the transfer and found the new working environment congenial and more rewarding. There is little research into the balance of these tendencies. Instead, the polemic of those who fear the worst (e.g. Whitfield, 2001) is simply countered by a similar level of rhetoric from those who assume the best (e.g. Savas, 2000).

- *Politicians* fear losing control over policy-making and service management. This is perhaps an example of the perennial reluctance of politicians to share power, e.g. with other partners, even though doing so would widen the realm over which power is exercised, e.g. by 'growing the business' to serve other areas. There are now examples of PPPs where the opportunities for wider working have been grasped and, as a result, politicians have been able to further their own vision of how public services should be delivered. (An interesting example is provided by the private company set up by North Tyneside Council in the UK to provide its own imaginative model of combined nursery education and children's day care in other areas of England.)
- *Service-users and citizens* fear becoming objects of a profit-making calculus rather than a public service ethos (Rosenau, 2000). This fear is real and surfaces in many public consultation exercises around the move to a 'mixed economy of provision' involving PPPs. However, it is also clear from public opinion surveys that many service-users are unaware of (and uninterested in) the precise legal standing of the organization which provides their service – and quite content with whatever configuration is used to provide service, as long as the service quality is satisfactory.
- *Voluntary organizations and NGOs* are reluctant to become principally service-providers in partnership with public sector organizations (Osborne, 2000), because they fear that as 'agents' they would lose their independence and, therefore, their ability to be critical of the policies and practices of their 'principals'. Moreover, they often suggest that the funding available for working as an agent is often lower than the public agency spent when it carried out the function 'in-house' (Smith and Lipsky, 1993).

Theoretical underpinnings of partnership working

In understanding the role of partnerships in the public sector, we need to examine the very different conceptual frameworks which are frequently used to examine inter-organizational behaviour in the public and private sectors. This involves a consideration of the commissioning and providing roles of an organization (see Table 1) and the coordination of the networks in which these commissioning and providing roles take place.

In the NPM bible, based on traditional economic principles, competition provides the path to true enlightenment. Since the time of Adam Smith, economists have argued that resource allocation is most 'efficient' when it is arranged through markets in which potential suppliers compete with one another to cut costs and to attract customers by improving the quality of the goods or services. This analysis, which was

Table 1 Economic analysis of partnership working

	Public sector	Private sector
Provision of services	<i>Public sector involvement in provision, whether alone or with partners, is needed only where market failures cannot be eliminated through regulation of private providers — and, even then, public sector providers should be made to compete in 'quasi-markets', whether or not they are working in partnerships</i>	Private provision should always be organized through <i>competitive behaviour</i> — cartels masquerading as 'partnerships' must be regulated by public competition policy, which should seek to eliminate them or reduce their effects (reducing 'horizontal integration' of firms) <i>Competitive outsourcing</i> of activities, rather than collaborative partnerships, will result in the most 'efficient' provision (reducing 'vertical integration' of firms)
Commissioning of services	<i>Joint commissioning to increase joint outputs or reduce joint costs is cost-effective</i>	<i>Joint commissioning</i> of goods or services is only acceptable where it does not give significant market power to the partnership concerned

traditionally applied only to the private sector, was also applied to the public sector from the 1980s onwards, giving rise to experiments in privatization, outsourcing and internal market mechanisms for the provision of public services.

However, the NPM approach largely restricted the application of this economic analysis to the service provision role of the public sector. The commissioners or purchasers of services in the public sector were expected to make their decisions on political grounds, after doing a full policy analysis of the options. On occasion, policy analysis would show the potential for economies of scale or economies of scope if the commissioning authority were to work with one or more other agencies — e.g. economies of scale from buying in bulk through purchasing consortia for the purchase of paper, furniture, etc. or economies of scope through sharing of some expertise, e.g. specialist music teachers, consumer fraud enforcement staff, etc. Such partnerships were seen by economists as potentially efficient.

These theoretical underpinnings suggest that PPPs can play a useful role within NPM but only in very restricted circumstances. Certainly, partnership working within the private sector must be scrutinized very carefully to ascertain if it masks anti-competitive behaviour, such as cartels — and similar suspicions will be aroused where public sector organizations seek to act in consortia. Where private partners are

brought in to provide services in the public sector, there can be a similar concern that the public sector simply wants to raise maximum revenues by granting private firms the right to act as a monopolist (and some of the privatizations of utilities showed that the Thatcher government in the UK and other governments elsewhere in the world were alive to the financial advantages of this possibility). Furthermore, some analysts are suspicious of the long-term risks which private firms run when they enter into long-term partnerships with monopsonists, which many public sector service purchasers are, and argue that the results of such partnerships can be lower payoffs for the final service user (Parker and Hartley, 1997). However, if political realities mean that no other form of privatization is acceptable, apart from allowing private sector firms to act in partnership with public agencies, then NPM tends to welcome this partial move to quasi-market mechanisms.

Some loose ends in the economic analysis of these propositions did give some concern, even at the time when NPM was gaining ground in the public sector. For example, public choice theorists continued to be sceptical of the argument for public sector provision or regulation based on market failure, either because they believed that the market failures were not sufficiently important or, alternatively, because they felt that the damage done by public sector intervention would generally be worse than the effects of the market failures themselves. From this perspective, PPPs do not go far enough — they are only ‘half-way’ solutions and outright privatization would almost always be preferable.

However, the perceived role of PPPs was more affected by two other strands of economic theory — principal–agent theory and transactions costs analysis.

At the very time that NPM was becoming a highly successful paradigm in many countries, adherents of principal–agent theory were beginning to cast significant doubt on the extent to which ‘principals’ (e.g. public service commissioners and purchasers) could influence ‘agents’ (e.g. private providers of outsourced public services) to undertake their commissions in a manner which was ‘socially efficient’ (Halachmi and Boorsma, 1998).

A similar set of doubts was also emerging from another stream of economics — transactions costs analysis, particularly as practised in the ‘markets and hierarchies’ school deriving from Oliver Williamson (Williamson, 1975; Walsh, 1995). This latter school quickly became widened out into the ‘markets, hierarchies and networks’ school, partly from the influence of the frameworks proposed by Ouchi (1980) and Powell (1990). It argued that transactions costs were an important facet of market transactions, particularly where complex contracts were needed. Where contracts were complex, the high costs of designing, letting, monitoring and enforcing these contracts meant that organizations might well be better off undertaking many activities in-house (even where they were relatively bad at these activities) unless relational contracts could be set up. Relational contracts rely on trust (rather than the purely economic incentives in traditional or ‘transactional’ contracts) and form the basis for long-term relationships. They can apply at the level of strategic partnerships but also at the level of outsourcing small-scale services to sub-contractors — the basic criterion for moving to a relational contract is whether the transactions costs of detailed specification-based contracts outweigh the likely benefits of such an approach.

The Williamson analysis suggested that the traditional approach to contracting in the public sector had often been fundamentally misguided, leading to confrontational contracting which was based on the mutual attempt to take advantage of the other party. It suggested a new partnership-based approach to contracting, in which both parties would find it advantageous to find ways of helping each other to be more successful.

Meanwhile, other currents in the strategic management literature were reinforcing the importance of partnership and collaborative working, as opposed to competitive behaviour. Although international cross-licensing agreements were a widespread form of cooperation in manufacturing as early as the 1930s and, after 1945, a large number of large corporations formed joint ventures with local companies in order to start up operations in foreign countries, it was not until the 1980s that real strategic alliances began to develop (Dussauge and Garrette, 1999). Joint ventures and consortia have the advantage of minimizing the risk for the parent organizations (if the venture crashes, their liability is close-ended and there is limited opportunity for partners to 'steal' each other's expertise) but they can also provide opportunities for each partner for 'cost dumping' and 'benefits raiding'. Longer-term strategic alliances typically involve rather closer cooperation than this, with relationships based on trust, sharing of assets (including knowledge bases) and a commitment to mutual learning opportunities (Lorange and Roos, 1992; Dror and Hamel, 1998).

The strategic management literature suggests that partnerships can contribute to competitive (or collaborative) advantage in three very different ways:

- providing *economies of scale* (and perhaps critical mass) in the provision of certain services or activities;
- providing *economies of scope* (or, in different terminology, the ability to exploit more fully the complementary capabilities and competences which exist in the partner organization) in the provision of certain services or activities; or
- providing *opportunities for mutual learning* between the partners (which may be intended to lead to a long-term dynamic process or interchange or to expedite merely a transitional process by which one or more partner catches up with the more advanced partners).

Of course, one must accept that collaborative behaviour may not be a substitute for competitive behaviour but that it may rather concentrate on finding a local optimum, which is a step along the pathway to finding a more distant 'wider optimum'. More specifically, it is possible to argue that only when all participants have become expert in achieving 'collaborative advantage' with their partners is it likely that the partnership as a whole will be able to gain competitive advantage against other rival partnerships (Huxham, 1993; Kanter, 1994; Faulkner, 1995). This has recently become an important issue in those PPPs in which local authorities have joined forces with major private sector suppliers of 'ICT-based business services' (such as contact centres, call centres, financial processing centres, etc.) with the hope that the PPP will win business from surrounding local authorities (and other public agencies) so that the costs of the service fall (and, potentially, the profits of the PPP rise), giving significant benefits to the local authority concerned. In the UK, there are a number of com-

peting 'centres of excellence' at regional level based on this model, which are engaged in a race to win market share (Allen, 2002).

This strategic management literature laid the ground for the public governance paradigm which evolved during the 1990s (Kooiman, 1993; Rhodes, 1997). The driving force for public governance was not the need to make public sector organizations and public services more efficient (although that remained important) but rather the need to solve 'wicked problems' in society which it had become clear could not be tackled by public agencies acting alone and which, therefore, seemed to require public agencies to be prepared to work with a wide range of other organizations in the public, private and voluntary sectors (Stoker, 1998; Pierre and Peters, 2000).

Within this public governance perspective, many of the conceptual frameworks which underpin NPM are suspect and have to be significantly modified. For the purposes of this article, 'public governance' will be defined as (Governance International, 2003):

the way in which stakeholders interact with each other in order to influence the outcome of public policies.

For example, in the public governance paradigm, key strategic management concepts take on rather different meanings from those which they had within NPM:

- *Accountability and decision-making have to become shared within partnerships and networks* (Bovaird et al., 2002). This, in turn, implies significant trust-building and capacity-building activities so that different members of the partnerships and networks can and will play their allocated roles quickly and flexibly, while not overstepping their remits. Moreover, many partnerships may need to consider more carefully how to conform to norms of democratic accountability and not just managerial accountability (Newman, 2001).
- *Goals and plans have to become coordinated and integrated*, so that partners have to show qualities of mutual adjustment around shared goals which may be only partial and temporary, e.g. where the partnership is undertaking a single specific project or may, in the long term, amount to what Perri 6 et al. (2002) call 'holistic governance', in which, throughout the partnership, there is mutual reinforcement between goals and the related activities of the stakeholders. Goss (2001: 114) suggests that this requires that 'organizations will help each other in the recognition of long-term reciprocity or status in the organizational community rather than immediate return'.
- *Extensive use of relationship contracting rather than in-house provision or transactional contracts with external providers* will mean that there is less emphasis on 'clear divisions of labour for actors' and more on partnership working (Matheson and Kwon, 2003).
- *Joint management of the strategic change process* will mean that, typically, cross-agency teams and project groups will be expected to play the joint roles of designing the overall change process in the partnership or network and also lead the key changes in their own organizations. As Goss (2001: 165) suggests, 'at

best they do not dissolve professional expertise into a social science mush but draw on the precision and illumination of each theoretical framework to create a creative dialogue.

In summary, the mode of strategic management in public governance has to change from attempting to impose strategic control on stakeholders towards the negotiation of meta-strategy frameworks within which the decisions of partners will mutually influence each other. Rather than enforcing a fixed strategic vision, strategists must give strategic direction but then encourage strategic experimentation and diversity in pursuing this direction. The partnerships and networks within which public organizations must learn to operate successfully have some self-organizing characteristics and may behave as complex adaptive systems (Bovaird and Sharifi, 1998).

Clearly, there are much stronger theoretical underpinnings for partnership working as an integral part of the public governance paradigm, as compared to the NPM paradigm. These differences in conceptual background have another consequence — the types of partnership, the roles of partnership in the public domain and the ways in which partnerships need to be managed can be expected to differ significantly between partnerships which are constructed within the public governance paradigm, compared to those which follow the NPM paradigm.

'Good governance' requirements for future PPP arrangements

In a world which recognizes the importance of good governance and not just the efficient delivery of public services, the requirements placed upon the working of PPPs will necessarily be rather more demanding than under the NPM paradigm. For the purposes of this article, 'good governance' will be defined as (Governance International, 2003):

the implementation by multiple stakeholders of quality of life improvements through agreed principles and processes of working together.

This definition has immediate implications for how PPPs conceive their role, their objectives and their performance management systems. Where PPPs are attempting to solve 'wicked problems', their success criteria cannot sensibly be restricted to the efficiency with which they produce their outputs or even how well each partner is able to improve its performance against its own objectives — although both of these remain important. It is essential that these partnerships are prepared to take responsibility for achieving improvements in those 'wicked problems' which gave rise to their formation. In many cases this means that PPPs will have as their first layer of objectives (and associated performance indicators) quality of life improvements in areas of major significance to citizens and service-users. This is an area where there is much talk in the public sector but still relatively little action. Of course, PPPs are often reluctant to take responsibility for achievements in areas in which they have relatively little control over outcomes (just as their antecedent public sector agencies were also reluctant). However, there is little point in giving responsibility for a problem to a body if it is not going to be judged against whether the problem gets better or worse.

Table 2 Partnerships from a governance perspective

Governance principles	Transactional contractual relationships	Collaborative partnerships
Citizen engagement	Consultation with citizens and other stakeholders	Participation of citizens and other stakeholders in decision-making
Transparency	Limited to areas where stakeholders have a 'need to know' in order to monitor the contract – and, even then, limited by confines of 'commercial confidentiality'	Open book working in respect of all partners (including user and citizen representatives, where appropriate) as a critical element of building trust
Accountability	The contractor must account to the purchaser in line with all performance reporting procedures agreed in the contract, particularly in relation to budgetary and cost control	Partners must be prepared to account to each other for their actions and performance on all issues which arise – and must be prepared to account to other stakeholders for the overall performance of the partnership
Equalities and social inclusion	These issues will only be considered in so far as they are included in the contract specification (although some firms may, independently, be committed to improving their record of corporate social responsibility)	Accepted as core values in the working of the partnership – partners are expected actively to seek innovative ways of improving performance against these principles
Ethical and honest behaviour	Staff must act legally and within professional codes of conduct	Accepted as core values in the working of the partnership – partners must actively seek innovative ways of improving performance against these principles
Equity (fair procedures and due process)	Staff must act within organizational procedures, which must ensure consistent treatment of all individuals within any group and must accord priority to different groups as set out in the contract	Accepted as core values in the working of the partnership – partners must continuously seek innovative ways of improving performance against this principle
Willingness and ability to collaborate	Valuable but not essential characteristic of relationships with other organization	Critical success factor for all partners

continues

Table 2 (cont.)

Governance principles	Transactional contractual relationships	Collaborative partnerships
Ability to compete	Critical success factor for the provider in the contract (incorporating both cost consciousness and customer focus)	Critical success factor for the partnership as a whole (incorporating both cost consciousness and customer focus)
Leadership	Necessary in each organization to ensure good contract management – timely, accurate and efficient meeting of contract specification	Necessary at all levels of the partnership as a whole, in each of its constituent organizations and in the communities which it serves
Sustainability	The contractor must demonstrate conformity with all sustainability criteria set out in the contract	Partners must continuously seek improved ways of increasing the sustainability of policies and activities

Naturally, in making this judgement, any relevant changes in the context of the problem will have to be taken fully into account – but this is true of all evaluations.

A further corollary of the public governance perspective is that performance should be judged at the level of the partnership, rather than simply at the level of the agency. Asking each individual partner to account for its contribution to the partnership, and whether it is getting ‘value for money’ from these contributions is highly dangerous – it is like separating out the roots of a plant to see which is contributing most to the health of the plant, with the consequence that the plant is significantly weakened. Once each agency has to account in public for whether it is getting more out of a partnership than it is putting in, the relationships in the partnership are endangered. It is more appropriate that agencies should be held to account for whether the partnership is itself working successfully and whether the agency might do more to contribute to its success.

Moreover, PPPs must not only help to deliver the objectives of the public sector and solve the ‘wicked problems’ with which they are faced but their working has to be based on principles of good governance. In Table 2, we set out some of the differences, from a governance perspective, which we would expect to see between genuinely collaborative partnerships and those relationships which simply involve the ‘partners’ respecting the contracts to which they are legally committed.

Obviously, the emphasis between the criteria by which good governance is judged may vary from partnership to partnership. The criteria highlighted in Table 2 have been selected as the ‘lowest common denominator’ from the approaches to good governance which have been advocated by major international and multi-national agencies in recent years. Indeed, much of the interest in ‘good governance’ by the United Nations suite of organizations and by many national governments

(particularly the UK government) is fired by underlying belief that such a platform of agreed criteria for 'good governance' can be identified.

These criteria are demanding — as they are meant to be. It is, therefore, to be expected that, on occasion, they will bring howls of protest from PPPs which feel that it is too difficult to comply with them. However, the importance of these criteria is already being brought home to many PPPs which have suffered severe damage to their reputations and lost the confidence of their funders and customers, because these principles have been ignored — most notably in relation to unfair employment practices in development projects sponsored by governments and multilateral aid agencies in parts of Asia. Indeed, international organizations are already monitoring the achievement of these principles by governments and PPPs (and also, in some cases, by large multinational private corporations) — examples include Transparency International in relation to transparency, corruption and freedom of information; Human Rights Watch and Child Labour News Service in respect of human rights, equalities and fair employment; Greenpeace and Friends of the Earth in relation to environmental sustainability; and Democratic Audit (UK) in respect of 'free and fair elections', the openness, accountability and responsiveness of government, the degree of protection for civil and political rights and freedoms and the vigour of democratic society (Bovaird and Löffler, 2003).

Just because these 'good governance' principles could be implemented in PPPs does not, of course, mean that they should be. Indeed, there is an alternative school of thought which believes that there needs to be a careful adaptation of public governance principles to ensure that they are appropriate to the complex and dynamic environments in which they are to be applied. For example, in some countries (such as Scandinavia), more emphasis might be placed on transparency in partnership working, while in other countries issues of social exclusion might be given major emphasis — this would be more likely in a country such as the UK with a high degree of social heterogeneity, compared, for example, to Germany.

Whatever criteria are given highest weight, public sector managers in every country need to have the assurance that their actions are in accord with good governance principles. However, the extent to which these principles might differ significantly between different contexts in the public sector poses a major challenge for public governance.

This challenge is pointed up well in the suggestion by Perri 6 et al. (2002: 183) that 'some of the braver [public managers], or those with more informal and quiet political backing, will find low or lax accountability exactly the environment they need in order to pursue holistic working [i.e. working consistent with public governance principles] in their own way'. They go on to suggest that 'for these more entrepreneurial public managers, accountability arrangements are a nuisance, a brake or at least a very blunt instrument for dealing with an extremely delicate task that requires the sensitivity of the individual public manager' (p. 183). Langford and Harrison (2001) make a similar point when they suggest that many new initiatives in e-government seem to focus upon central control of projects, wrapping them in a web of bureaucratic structures and processes that act against or, at best, are irrelevant to the creation of strong partnerships and the creation of business value. Clearly these authors are not arguing that accountability does not matter — merely that it is not an

absolute good and that it may, in specific contexts, be acceptable to trade off the extent of accountability exercised against the degree of innovation and creativity expected from staff working in public services.

Clearly, such a possibility is rather alarming to some schools of thought. It suggests that 'good governance' is a relative concept, which therefore cannot be assessed without an understanding of the context in which it is applied — an understanding which is likely to be most highly developed by stakeholders embedded within that context, rather than outsiders who might wish to make 'good governance judgements' from afar.

Conclusions

We have to beware of the diversity of meanings behind the general term 'PPP'. The interpretation of the nature and role of PPPs differs greatly even within a single country, never mind between countries and between 'public management systems' and 'business systems'. It is not necessary that these meanings be standardized, only that we always explore what they are in specific contexts.

PPPs will continue to play an important role in the public domain in the future — but they will have to take much more account of public governance issues if they are to be more successful than they have been in the past — and if they are to gain greater acceptability with those stakeholders who are still sceptical, if not downright hostile.

The role of profit-oriented private firms in PPPs may change significantly in the next few years. Up to now, transactional contracting has dominated in most PPPs, which have, therefore, only partially deserved the label 'partnership' (Coulson, 1998; Coulson et al., 1998). There is now evidence (albeit tentative) that many companies, while continuing to be profit-oriented, are interested in, and even committed to, taking more seriously the 'corporate social responsibility' aspects of their activities. At the same time, many of them are now prepared to consider bidding for and managing more complex contracts for and with public agencies, in which the performance management framework specifies that the partnership delivers a range of 'difficult' social, economic and environmental outcomes, not just a schedule of (relatively) simple services. This is a new departure. Such an approach cannot be based on transactional (and therefore often confrontational) contract relations. It requires longer-term relationships based on actively nurtured trust and a commitment by each party to respond to each other's needs in innovative and even imaginative ways. Whether such companies will prove common has yet to be seen. Whether the public sector will (or even can) respond in like manner is also an unknown quantity.

It is also likely that the role of NGOs and the voluntary sector in PPPs may become more problematic. As profit-oriented private firms begin to play a bigger role as a partner in government, the sheltering role of the state will be partially withdrawn from the voluntary sector (Deakin, 2001). Moreover, this situation may well push much of the voluntary sector to rediscover and reinforce its role of challenging the state, as profit-oriented PPPs push the boundaries of behaviour in the public domain up to (and sometimes beyond) the limits of 'good governance'.

Finally, it is important to recognize that PPPs are still young vehicles for the

design and delivery of public value. We cannot yet judge how important they will become. For the moment, the task must be to experiment with them, as with other approaches to managing the public good – and to watch the results with care. So far, the evaluation of PPPs has largely been confined to issues of their efficiency, their cost relative to other available mechanisms of public policy and their corporate governance. In the future, it will also be essential to subject them to more stringent tests of how well they comply with criteria of public governance. At the same time, it will also be necessary to ensure that these criteria are genuinely appropriate to the context in which these PPPs are working

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