

Theorizing Public-Private Partnership Success: A Market-Based Alternative to Government?

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Paper for the
Public Management Research Conference at Syracuse University
2-4 June 2011, Syracuse, NY, USA
Themed Panel on 'Market-Based Alternatives to Government'
1st version

ABSTRACT

One of the paradoxes of the past few decades has been the continuity and even growth of infrastructure Public-Private Partnerships (PPPs) despite the loud voices of critics and harsh judgments of some academics. Indeed, there is little doubt about the success of PPPs judging on the basis of increasing global interest, the frequency of use in countries such as the United Kingdom or Australia, or by the spectacular delivery of timely new infrastructure. There has been considerable work undertaken to date on the multiple meanings of PPP more generally, on the multiple disciplinary languages spoken by commentators and on the evaluation challenges faced by those interested in assessing PPPs as projects or activities. There has been less work undertaken, however, on the meanings given to how PPP has been judged as 'successful' by implementing governments. Indeed, the criteria on which governments might judge PPP as a success story seems to be inherently ambiguous and as politically oriented as it is oriented towards more traditional utilitarian policy goals concerned with project delivery or efficiency. In view of the continuity of PPPs post-GFC, the very nature of 'PPP success' needs serious rethinking.

This paper explores the notion of 'success' for PPP and argues that short of embarrassing and large scale corruption or widespread incompetence, PPP and PPP projects are inevitably judged as 'successful' in government. This is not only because the PPP concept itself is so wonderfully amorphous and ambiguous, but because each strand of PPP has multiple goals. Infrastructure PPPs for example, have fifteen or so different goals. The criteria for success are therefore multi-faceted and themselves incorporate the very goals of government itself. It is inevitable that PPPs are seen by government to help create public value as well as private value. The paper uses theories of policy success and evaluation studies to assess how 'success' is interpreted. The paper concludes that many of the claims for PPP success and failure are therefore, to an extent, self defining exercises.

*Carsten Greve would like to acknowledge the financial support from the SONIC research project from the Copenhagen Business School for the preparation of this paper.

INTRODUCTION

One of the paradoxes of the last few decades has been the continuity and even growth of infrastructure public-private partnerships (PPPs) despite the loud voices of critics and harsh judgments of some academics. Indeed, there is little doubt about the success of PPPs judging on the basis of global interest, the frequency of use in countries such as the UK or Australia or by the spectacular delivery of timely new infrastructure. There has been considerable work undertaken to date on the multiple meanings of PPP more generally, the multidisciplinary languages spoken by commentators and on the evaluation challenges faced by those interested in assessing PPPs as projects or activities. There has been less work undertaken, however, on the meanings given to how PPP has been judged as 'successful' by implementing governments. This paper is focused on bridging that gap. The aim of the paper is to explore the notion of 'success'. What constitutes 'success' for PPP? The criteria for success are both varied and multi-faceted, and they also mirror the very goals of government in society. A recent contextual factor has also been the global financial crisis (GFC) that hit the world in 2008. So PPP now exists in 'turbulent times'. How might the aftermath of the GFC affect PPP success?

The paper is divided into four parts. Part one examines the variety of forms and levels of PPP. Part two goes into detail with theoretically based criteria for 'success', using inspiration from some of the recent literature on 'policy success'. Part three reviews some empirical studies of PPP success. Part four explores what the global financial crisis and the turbulent times that have followed it may mean for PPP. A conclusion on how to theorize about success for PPPs is then offered.

PUBLIC-PRIVATE PARTNERSHIPS: VARIETY OF FORMS AND LEVELS

PPPs have been defined as 'cooperation between public-private actors in which they jointly develop products and services and share risks, costs and resources which are connected with these products and services' (Van Ham & Koppenjan 2001; quoted in Hodge & Greve, eds. 2005). Moreover, authors such as Weihe (2005) and Hodge and Greve (2007) have defined partnerships as encompassing several different families of activities. And the desire to articulate public-private partnership continues. Thinking about infrastructure partnerships, for example, a recent OECD report defined PPPs as 'an agreement between government and one or more private partners (which may include the operators and the financiers) according to which the private partners deliver the service in such a manner that the service delivery objectives are aligned with the profit objectives of the private partners and where the effectiveness of the alignment depends on a sufficient transfer of risk to the private partner' (OECD 2008: 17). Whilst this definition has some advantages, it does not include the non-profit sector where voluntary organizations cooperate with the government, and therefore the definition ought to be extended to also include the non-profits.

In the United Nations, PPPs are defined as 'voluntary and collaborative relationships between various parties, both state and non-state, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks and responsibilities, resources and benefits' (UN General Assembly 2005, p. 4; cited in Bull 2010: 480). Such partnerships can include those oriented towards resource mobilization, advocacy and policy goals as well as long term operations.

There are several crucial concepts here. One concept is 'risk'. In almost all definitions, sharing of risks in an explicit way is mentioned as one of the key aspects of PPP. This differs from earlier ideas on risk

sharing through contracting out / outsourcing arrangements where this was more implicit¹. Another key concept is 'innovation': the public sector and the private sector have to come up with new solutions and 'work together or achieve a common purpose'. More is expected of PPPs than just 'ordinary' collaboration. As well, there is also usually a sense of hope that the relationship is a long term one – and desirably longer than the temporary relationship achievable through traditional 'contracting-out' of services. Additionally, many partnerships entertain the notion of a certain degree of power sharing whilst working together jointly.

As witnessed in the last few decades, PPP comes in many shapes and sizes. The perhaps most visible form of recent partnership has been the long-term infrastructure contract partnership (LTIC). The LTIC is organized around a design, finance, build, own, operate, transfer model and involves private sector financing and private sector project management capabilities. Historically, too, the urban development and downtown renewal experience of the US from the 1960s onwards saw close redevelopment partnerships as a visible and important PPP form; Bovaird (2010; 50). Another form is the widespread cooperation with between governments and non-profit organizations. This has been a tradition in some countries, especially in the USA where non-profit sector organizations run many public services (Amirkhaynan 2010; Kettl 2009). In the UK, there has been a debate on 'the big society' since Prime Minister David Cameron took office. Recently, 'the big society' is also meant to be a guide for a research effort though universities express misgivings about that (The Guardian 24 March 2011). There are also other, newer forms of partnering where the public sector and the private sector team up in new innovative formats to solve common challenges. 'Gate21' is a current example of a partnership on environmental issues. Gate 21 – sustainable future forum' was begun by a local government, but quickly adopted relationships with other local governments, private sector companies and non-profit organizations as well as universities and housing associations (www.gate21.dk).

PPPs are moreover found at various levels of government. From regional partnerships between local governments and local private sector companies or associations to national governments that team up with national companies or associations to international organizations that team up with multinational companies (Skanska) or associations (the Red Cross). There are of course a number of combinations possible within that framework (Donahue). Some challenges arise when local governments try to deal with global partners, or when national governments want to form partnerships with multinational companies.

PPPs are also clearly more than projects (the building of a hospital or the building of a bridge). PPPs are now also associated with policies on how the government should interact with the private sector in order to improve public services or create innovation (the recent Danish government 'Strategy for public-private partnerships and markets' is an example of this). At the UN level, there is a PPP policy (Bull 2010). At an even broader level, PPPs could be a metaphor or a brand for how governments want their interaction with society viewed, or alternatively, how they want the role of government in the economy viewed. And at a broader level still, the UN's Millenium Declaration (and the subsequent establishment of the Millenium Development Goals) saw partnership being used in the context of developed countries having a role in aiding developing countries; goal eight here was to achieve a 'global partnership for development' through various means².

¹ See (Montiero 2010) who sees risk explicitly at the centre of the OECD definition of PPP performance. In the OECD's own words, 'the effectiveness of the alignment depends on a sufficient transfer of risk to the private partner'.

² Whilst the UN's use of 'partnership' in the context of the MDGs strictly speaking calls on the developed countries to assist the developing countries, it is essentially a call for the wealth (both private and public) of developed countries to play a role in solving the common problem of poverty across developing countries.

Perhaps it makes sense to view PPP as being understood at many different levels. Hodge (2010b) formulated it in this way: PPPs can be understood as (1) a specific project or activity, (2) a management tool or organizational form, (3) a policy, or statement as to the role of the government in the economy, (4) a governance tool or symbol or (5) an historical context and a cultural set of assumptions.

A Conceptual Model of the PPP phenomenon

So, PPP may indeed mean different things to different people. If this is the case, then how might we build on this idea and develop a conceptual model in order to contribute to multiple jurisdictions and PPP debates around the globe? Considering just the infrastructure family of PPPs for the moment, we might view LTIC type PPPs to provide infrastructure through as series of lenses, from a narrow lens at one extreme to the broadest lens at the other. We might firstly view PPP as a specific infrastructure project; as a management or project delivery reform; as a government policy; more broadly as part of a strong and capable private sector in a mixed economy; or more broadly again, as part of the modern governance task, as shown in Figure 1, below. Also shown is the underlying notion that all of these four perspectives of PPP exist within the context of a broader national history and set of cultural assumptions.

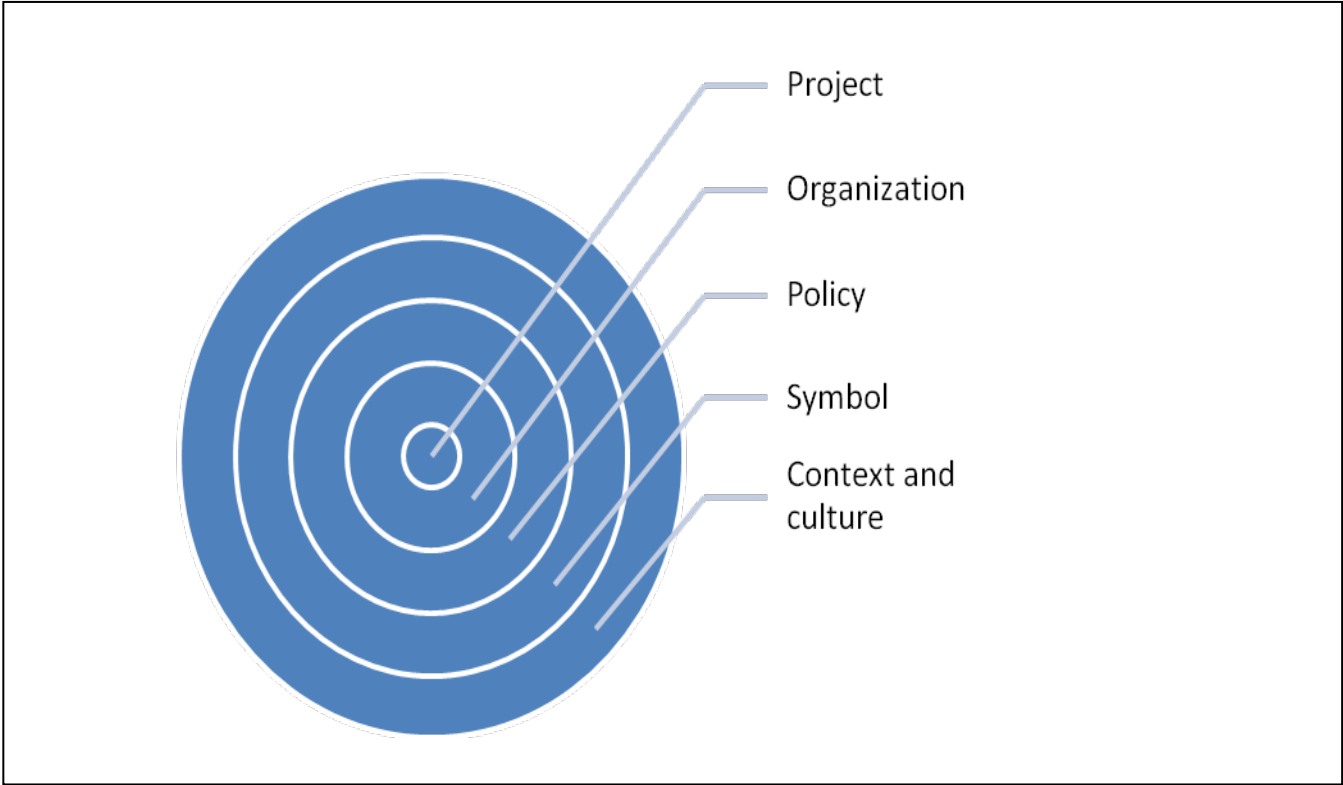


Figure 1. Dimensions to the Public-Private Partnership phenomenon (adapted from Hodge 2010b)

At the narrowest level (A), therefore, PPP is viewed as a single project. At level B, PPP is viewed as a specific type of infrastructure delivery mechanism involving the use of private finance to initially fund all works. It is, under this view, a project delivery tool, and one in which private financing incentives

encourage excellent project performance and early delivery. This view is typical of the engineering and project finance disciplines, but despite being common, its narrowness is rarely acknowledged.

The next conceptual level (level C) recognises explicitly that there is not one single PPP type, but a wide variety of alternative project delivery options available to governments, all of which use differing arrangements of public and private sector skills. The OECD list of acronyms is a manifestation of this. The breadth available here³ is therefore essentially a policy statement that the private sector has a valid and indeed a major role to play in today's mixed economy, whatever technical delivery option is chosen.

Broadening out again in this conceptual model, level D represents the degree to which PPP has always had an inherent political or governance dimension. For a start, the use of huge private contracts with a consortia for the delivery of high profile government projects is a strong regulatory tool in governing⁴. Large economic incentives can be employed to ensure that the promise of the early achievement of government objectives is met - even for complex projects and in controversial circumstances. PPPs can also function, as both a broader governance tool and as a symbol of the style of governance. For instance, the Labour government of the UK throughout the 1990s struggled to develop its relationship with the City of London. But as Hellowell (2010; 310) points out, PPP provided the incoming Tony Blair and his 'New Labour' government with advantages. Indeed, the use of private finance had the 'crucial [political] advantage that borrowing undertaken through it did not score against the main calculations of national debt' and borrowing was thus essentially 'invisible' to public sector borrowing and investment measurements. Blair's re-branding of the PFI scheme as a public private partnership policy was a further masterful political move under the 'third way' banner. Importantly, this PPP policy not only assisted UK new Labour in establishing a stronger relationship with the City of London, but international promotion of PPP ideas then enabled this relationship to be cemented; Hellowell (2010). Both of these political characteristics of PPP suggest that PPP continues to have an inherently political, and thus governance, context as well as any functional engineering or economic meaning.

In this model, each of the inner perspectives of PPP exists within the context of others. Thus, for example, the notion that a PPP is simply a project delivery tool, for instance, carries with it many assumptions as to the role of the private sector in the economy and assumptions as to how governance might occur in a country as well as that particular country's broader historical and cultural assumptions. These dimensions are to a strong degree, inherently bound together.

What is important in this conceptual framework is to recognise that the PPP phenomenon exists within any one single cultural/historical tradition at each of these four levels A, B, C and D. In Victoria, Australia, for example, the Bracks/Brumby governments (2000-2010) branded a specific set of infrastructure delivery arrangements using private financing as PPP⁵. A broader and less partisan view of partnership

³ The recent NAO (2009) review for the UK Parliament interestingly formally confirmed the breadth of the PPP idea, stating that 'we have mainly concentrated on the widely used PPP model called the Private Finance Initiative (PFI).... which has been adopted in the UK for more than £28 billion worth of projects. They then noted, though, that 'there are also hundreds of other types of PPPs, ranging from small joint ventures to the London Underground PPPs which have a capital value of £18 billion.'

⁴ Braithwaite et al (2007) suggested that the 'regulatory work' of government was increasing. They argued that work of governments broadly included three functions: providing, distributing and regulating. They observed that whilst the government's role in directly providing services is currently decreasing (through, for example, outsourcing and privatisation), and their role in distributing (or redistributing wealth) will continue unabated through time, the government's role in regulating is increasing through a myriad of ways. The modern sense of regulation adopted here is broad and is construed as "involving a sustained and focussed attempt to alter the behaviour of others according to defined standards or purposes with the intention of producing a broadly identified outcome or outcomes"; Black (2002). Central to notions of how governments regulate, too, is the work of Freiberg (2010) who lists six different modes of regulating: through economic tools; through contracts (or grants); through authorization; through information; through structural means; and through law.

⁵ Thus, the Bracks/Brumby Labor governments established their PPP policy platform in 2000 and through this action, implied that PPPs had essentially not existed prior to the year 2000. Whilst this is technically nonsense, given that the private funding of infrastructure had occurred at various points over the previous two decades, the political power of this PPP symbolism was also indisputable.

would have acknowledged that the latest PPP policy is simply the most recent step in a long developmental process in which the delivery of large infrastructure projects through the private sector has been progressively changing over the past three decades. They also branded their PPP policy as different to the PFI policy of the UK. This Australian PPP branding might be contrasted against the modern use of the PPP terminology by a country such as the People's Republic of China. The huge Beijing Line 4 construction project has been labelled as a PPP, but the reality is that it most likely has public ownership of just above 92%⁶ and would by western analysts be regarded essentially as a 'public-public' partnership⁷. Notwithstanding, this arrangement nevertheless clearly signals new directions in terms of institutional, contractual, professional and project delivery dimensions for China. PPP here implies the use of increasingly professionalised project management methodologies in which new commercial, financing and institutional arrangements are being trialled in preference to traditional methods of the public bureaucracy. In this sense, PPP in China represents an important symbolic move to innovate, to commercialise and to professionalise. PPP represents change.

In our conceptual model, 'level E', concerns the broader historical and cultural context in which PPPs are placed. The above examples suggest that this level is an important additional part of understanding the legitimate use of the PPP label as well as other dimensions covering the more technical, institutional or governance related aspects.

Broadening our thinking about PPPs to now include other families of partnership activities, how does this conceptual model apply? Bull (2010) described earlier how the United Nations are using four types of partnerships: resource mobilization partnerships, advocacy partnerships, policy partnerships, and operational partnerships. The last two of these would correspond with the policy partnership and as operational project partnership categorizations in our model. The first two types, the resource mobilization partnership and the advocacy partnership resemble broader symbols of how the UN believes particular problems can be governed, along with an advocacy approach⁸.

To sum up our findings, then, we have noted that there is a number of understandings of what a partnership is, and that partnerships could be differentiated according to level of government, form (project, policy etc) and if they involve the profit sector, the non-profit sector or both together with government. These ideas are summarized in Tables 1 and 2, following.

⁶ Paper presented by G Hodge to the China-Australia Governance Program, Guizhou Workshop, April 28-29, 2010, entitled Towards Service Oriented Government through Public-Private Partnership: Some Reflections and Directions for China.

⁷ Of course, labels rarely tell the full story. 'Medibank Private' is an Australian government private health insurer. Established in 1976, it is Australia's largest health insurance provider. It was established through the Health Insurance Commission (now known as [Medicare Australia](http://www.medicare.gov.au)), and currently operates commercially as a Government Business Enterprise. It is, despite its name, 100% government owned. Source: http://en.wikipedia.org/wiki/Medibank_Private

⁸ Having said this, these PPPs have not really been that well described in the other literature on PPPs.

| | Government-Private company | Government-Nonprofit | Government-private company-Nonprofit |
|---|-----------------------------------|-----------------------------|---|
| Project/Activity | | | |
| Organizational form | | | |
| Policy | | | |
| Governance tool or symbol | | | |
| Historical context of public-private relations | | | |

Table 1. Forms of partnerships (public-private) and dimensions of PPP phenomenon

| | Government-Private company | Government-Nonprofit | Government-private company-Nonprofit |
|---|---|---|--|
| Project/Activity | Hospital project, School project | Public sector employees 'opt out' to form own non-profit project | Gate21 in DK, a partnership on climate change issues |
| Organizational form | PFI organizational form | Red Cross running refugee camps on behalf of government | Networked partnership across multiple organizations |
| Policy | UK Treasury PFI policy Canadian PPP policy Victoria, Australia PPP policy European Commission PPP policy across directorates from 2010- | 'Big Society' agenda in UK | World Bank policy in private sector involvement |
| Governance tool or symbol | EU on the role of government in the European economy | Role of non-profits in delivery of specific services in the US because of pressing policy issues | Millenium goals in the UN |
| Historical context of public-private relations | Can market economy continue the same way after the financial crisis? | Associations' integral use in the building of the administrative state | UN Global compact between developed and developing world |

Table 2. Examples of forms of partnership (public-private) and dimensions of the PPP phenomenon

THEORETICAL CRITERIA FOR PPP SUCCESS

How do we measure when a PPP is 'successful'? In this section we will first look at different understandings of 'success' that have come up in some of the literature on PPPs specifically and collaboration more broadly. Then we will discuss how 'success' can be linked to the different forms of PPPs described in the previous section.

Huxham & Hubbert (2009), and Huxman with other colleagues, have studied what makes partnerships a success or not. In a recent contribution to a book on *Collaborative Governance*, edited by Flynn & Wanna eds. 2009, Huxman & Hubbert pick out five types of success. They are: (1) Achieving outcomes, (2) getting the process to work, (3) reaching emergent milestones, (4) gaining recognition from others, and (5) acknowledging personal pride in championing a partnership. Out of these types of success, the most well-known ones from other parts of the literature are (1) and (2). 'Achieving outcomes' is often considered to be the final decision on whether a project or a policy is a success or not. 'Mission accomplished' could be another expression used for this. Achieving the outcome of constructing a new hospital as a PPP and helping more people get well could be termed 'achieving an outcome'. The second criteria is 'getting the process to work'. Many network analysts argue that it is not the output or outcome that is important to a reform and change effort, but more what the process brings with it. New and innovative elements can be discovered in a partnering process. If the process itself runs smoothly and helps create new ideas and satisfaction among participants, then the process could be a success criterion. The third point about 'reaching emerging outcomes' is about the content of that innovation that a smooth process can bring about. New goals and objectives may have risen because of a well-structured process, and a success factor could be that an invention is being discovered. The two remaining factors mentioned by Huxman & Hibbert have to do with the personal investment and the actor point of view of making the change. If a partnership ensures 'recognition from others' and 'acknowledgment of personal pride' then that, in Huxman & Hubbert's view, also counts as a success factor.

Another recent contribution is the work done by Jeffares, Sullivan and Bovaird (2009) and Skelcher & Sullivan (2009) building on earlier work by Skelcher & Sullivan. What Jeffares et.al. have been concerned with is how it is possible to measure the performance of partnership. Instead of going the usual route that the private sector does, and only ask if a partnership contributes to economic success, Jeffares et.al and Skelcher & Sullivan pointed to the need for a theory-based evaluation of partnership performance. In their work, Jeffares et.al. talk about 'performance domains' that are linked explicitly to acknowledged bodies of theory. These performance domains (and the associated theoretical arenas) include: *democracy* (democratic theory); *policy* goal achievement (network theory); *transformation* to produce new public sector behaviours (institutional theory); *connectivity* to stimulate innovation (innovation theory, network theory); *coordination* to achieve synergies (resource dependency); and *coalition/sustainability* to achieve sustainable partnerships (discourse theory). Each of these alternative dimensions is valuable and each brings different PPP values into the spotlight.

Crucially, Jeffares et al acknowledge not only the need for a 'theoretically informed' evaluation framework and for any PPP assessment to consider 'performance' in a range of ways, but they also are clear about 'the politically loaded nature of PPPs as public policy instruments'. As they quite rightly state, 'PPPs are as much political as they are managerial entities'. Importantly, Jeffares et.al. also articulate both a 'narrow' and a 'broad' definition of partnership performance:

Narrow definition: 'Partnership performance could be narrowly conceived as concerned with the achievement of particular service or outcome targets as set out in the partnership agreement (strategy, contract, business plan) and assessed in relation to other factors such as the cost of the partnership's operations'. (Jeffares, Sullivan & Bovaird 2009).

In the narrow definition, partnership is therefore concerned with ‘goal-based evaluation’; that is to evaluate success in the way that success criteria were set out officially. This could be through Parliament and legislation, but often it is through the specific goals and objectives that were formulated by government or by the partners themselves in advance of setting the partnership forth. It should then be relatively easy to be able to track down if a partnership is successful or not, by going back to ‘the original documents’ and see what the objectives were. Of course, often this is not so clear cut, and there may not be clear and explicit policy documents from where the ‘purpose’ could be found.

Wider definition: ‘Alternatively partnership performance may be more broadly conceived and include consideration of the longer term relationship that might exist beyond the delivery of a particular project or programme, the wider benefits to particular individuals or partner organisations or indeed to citizens and service users’. (Jeffares, Sullivan & Boivard 2009)

In the wider definition, there is clearly more work for the researcher or for the people doing the evaluation or assessment of the degree to which ‘success’ has been achieved.

A further finding of the Jeffares et.al research was the articulation of a preliminary list of elements in ‘an ideal partnership’. These elements were developed from 8 partnership ‘toolkits’ made by various organizations (consultants and public organizations). They identified the 12 composite partnership principles as those shown in Table 3:

| Number | Partnership Principle |
|--------|--|
| 1 | Purpose is clear, aligned and realistic |
| 2 | Availability of appropriate financial and human resources |
| 3 | Clarity of motivations, roles, capabilities and contributions |
| 4 | Sufficient organisational processes and procedures that foster collaboration |
| 5 | Alignment of partners and policies |
| 6 | Commitment, ownership and responsibility of partners towards the partnership |
| 7 | Partnership is participative and empowering |
| 8 | Culture of collaboration trust and openness |
| 9 | Presence (and awareness) of cultural transformation, synergy, efficiencies or exchange |
| 10 | Defines success monitors and reports its performance |
| 11 | Partnership is continually engaging with others, developing and learning |
| 12 | Clear attribution of benefits, risks and blame |

Table 3: Partnership Principles (Source: Jeffares et al 2009)

The implication of these twelve partnership principles was two-fold; first, that partnerships ought to be assessed across all of these domains; and second, that an ideal PPP would presumably score well on all counts.

Others have also followed this desire for a tool to assess the extent to which PPPs are performing well. OECD (2008: 133-134), for example, produced a heuristic listing of ten ‘good practices in the public-private partnership process’ as their guidance. These are shown in Table 4 , below:

| Number | Good Practice |
|--------|--|
| 1 | Affordability and value for money |
| 2 | Value for money (primary objective) |
| 3 | Fiscal rules and expenditure limits |
| 4 | Risk sharing |
| 5 | Competition and contestability |
| 6 | Budget documentation and transparency |
| 7 | Regulatory risk and legal framework |
| 8 | Institutional capacity: the PPP unit |
| 9 | Public sector comparator |
| 10 | Political support (from the highest level) |

Table 4: Ten good practices in the public-private partnership process: (Source: OECD, 2008: 133-134)

Chris Skelcher (2010: chp 13) writes about PPP success from another angle – that of the governance of PPP. Acknowledging the existence of a wide range of PPP families, he writes about four different types of governance: legal governance, regulatory governance, democratic governance and corporate governance. In his view, the corporate governance aspect has been the least examined aspect of PPPs, with few studies having focused on the relationship between the board and the director and the governance structures surrounding them. There has been some focus on legal governance and also regulatory governance, for example concerning the regulatory framework of entering partnerships in the European Union (Tvarnø 2010).

At the broadest level, too, there are different kinds of criteria for ‘success’ which are associated with more disciplinary perspectives. Economists tend to look at economic factors concerning PPPs while political scientist and public policy scholars are likely to see if the political mandate is being fulfilled, and sociologists want to know the difference PPPs make at a broader societal level including being clear about who the winners were as well as the losers. And in the world of auditing, there is now talk for ‘the five E’s’ as opposed to the ‘the three E’ in the NPM era. The five E’s are ‘economy, efficiency, effectiveness, equity, and environmental’. While economists typically care about ‘economy, efficiency and effectiveness’, and political scientists and public policy people care about both ‘effectiveness and equity’, sociologists and other groups are increasingly beginning to focus more on ‘environment’ (see, for example, the world famous sociologist Anthony Giddens’ recent book on climate change).

The straight technical challenge to assess the relative success of a PPP is itself also not insignificant. Hodge (2010a), for example, defines 6 serious infrastructure PPP evaluation challenges: the challenge of defining the evaluand; of multiple PPP objectives; of multiple discourses and disciplines; of the evaluator’s role; of evaluative rigour for an individual PPP; and of accurately summarizing multiple evaluation studies. He notes 15 infrastructure PPP objectives taken from the slippery ‘rough and tumble of government policy speak’ to date - one of which is VfM. And for this single VfM objective, he then also presents the mixed results of some 28 evaluations and reviews from the past decade.

So, how should ‘success’ be judged? And knowing that PPP is as political a task as it is a technical or policy-goal oriented one, how can we think about judging the success of PPP at the highest level? Put another way, what precisely do governments mean when they view PPP as successful or not successful?

Like talk of ‘good’ governance and ‘better’ regulation, ‘success’ in government policy is an attractive linguistic. It is, as McConnell (2010) says, comforting and pleasing to everyone. We all desire success. It

is clear that success is not an issue of being ‘all or nothing’, and that governments, for example, may achieve success to a degree across many fronts. McConnell suggests that one major distinction in thinking about success from a theoretical perspective has been between the foundationalist and anti-foundationalist positions. In the first instance, success is seen as a matter of fact, because success can be assessed against identifiable standards. The rationale here is that when government meets its objectives such as building a road, delivering a piece of infrastructure or effecting a policy reform on target, it achieves success. Objectives are met and the desired outputs are achieved. In other words, successful execution is regarded as policy success. The opposite position is that of the anti-foundationalist. To them, success is purely a matter of interpretation. In this case, there are no identifiable standards for success because objectives and outcomes are supported and opposed by different actors. A road through a local community not supporting it can be seen as a failure, whilst the government perceives it as a success – but this is simply their view.

McConnell’s ‘realistic’ definition of success acknowledges a midway position between these two extremes. To the realists, a policy can indeed be judged a success ‘insofar as it achieves the goals that proponents set out to achieve’. He adds, however, that ‘only those supportive of the original goals are liable to perceive, with satisfaction, an outcome of policy success. Opponents are likely to perceive failure, regardless of outcomes, because they did not support the original goals’. In other words, their definition of success accommodates the important, but thus far unstated, question - ‘success for whom?’ It also begins to delve into the dual worlds of success viewed from the utilitarian goals and objectives perspective, on the one hand, and the more fluid world of politics on the other hand, where the words are the fundamental currency for framing meaning in the polity. The title to Edelman’s 1977 book said it all; ‘Political Language: Words that Succeed and Policies that Fail’.

Importantly, McConnell (2010; 29) observed that despite several strands to the literatures on policy success (including much literature on ‘failure’), ‘the phenomenon of policy success is rarely tackled directly and systematically’. Moreover, to his mind, ‘the academic world has barely begun to dig beneath the surface of this key policy phenomenon and the rhetoric that surrounds it’.

He acknowledges, though, that policy has to date been about process; about programmes and about the political dimension. As a consequence, he suggests that these three main dimensions provide a foundation for interpreting success as shown in Table 5.

| Dimension | Elements |
|-------------------|--|
| Process | <ul style="list-style-type: none"> • Preserving policy goals and instruments • Conferring legitimacy • Building a sustainable coalition • Symbolizing innovation and influence |
| Programmes | <ul style="list-style-type: none"> • Meeting objectives • Producing desired outcomes • Creating benefit for target groups • Meeting policy domain criteria |
| Politics | <ul style="list-style-type: none"> • Enhancing electoral prospects/reputation of governments and leaders • Controlling the policy agenda and easing the business of governing • Sustaining the broad values and direction of government |

Table 5: The Three Main Dimensions of Policy Success (Source: McConnell, 2010; 46)

McConnell (2010; 54) put it well when he noted that governments *do process* (defining issues as problems, examining options, consulting, and so on), they *do programmes* (using a wide variety and combinations of policy instruments), and they *do politics* (engaging in activities that can influence electoral prospects, maintaining capacity to govern and steering policy direction)⁹. Clearly, 'success can reside in each of these three spheres'¹⁰. These insights are, in our minds, crucial in our discussions of PPP success. And McConnell's framework neatly ties together some of our thoughts in this paper.

Other commentators such as Bebbington and McCourt (2007) have also observed the achievement of 'success' at the highest levels of societal change – and in the context of developing countries. Their work adopted the normative definition of success as 'the enhancement of human capabilities, in particular for the people who have the greatest capability deficits'. And whilst their work analyzing development success was clearly a more complex undertaking, their analysis of eight (southern) case studies had something to offer theories of 'success' in the north. They suggested that success was achieved through seven stages¹¹; 'an initial upsurge in social energy' (to lay popular roots); 'generates a policy idea ...or highlights an existing idea'; 'around which a coalition assembles'; this then 'throws up a leader who gets the idea on the policy agenda'; 'and overcomes opposition from supporters of the old dispensation'. The coalition is then 'institutionalized, empowering beneficiaries and deflecting patrons and rent-seekers'; and 'the policy is consolidated through feedback to adapt it to changing circumstances'. The importance of their contribution relates to the 'sociology of knowledge and the politics of ideas in policy processes' along with the 'multifarious membership of policy coalitions'; Bebbington and McCourt (2007; 241). And as they put it, understanding success is crucial not only for the practice of development, but also in order to examine the role that governments can play. Perhaps PPP success in the north has owed much of its success to the power of the fundamental partnership ideal as well as to the more obvious policy coalitions hard at work?

Importantly, we have now mapped the terrains covered by two slippery concepts; the PPP phenomenon; and the idea of 'success'. Clearly, both of these domains remain complex. And whilst they

⁹ Whilst most commentators are aware of both government 'programmes' (with a utilitarian emphasis) and government 'politics' (emphasizing electoral prospects), the additional thread of 'process' is useful. McConnell gives an example for each of these three threads. For the instance of government (utilitarian) 'programme', flood control in the Netherlands' is cited. Programme success here has been demonstrated by the effective capacity to hold back the North Sea (as well as other bodies of waters) so that one quarter of the land mass and the 11 million citizens living below sea-level are not adversely affected, so that thousands of citizens do not die and so that the Dutch economy is not decimated. The key criterion here is clearly safety, and this programme has to date been successful in avoiding a repeat of the 1953 Zeeland floods that killed 1800 people. The case cited for the dimension of 'politics' was an episode in Australia's treatment of its Aborigines and Torres Straight Islanders. A shocking part of Australia's history was the forced removal, over the period 1910 to 1970, of between one tenth and one third of these children from their families. A two year high profile report on the scandal in 1997 suggested that a national apology should be undertaken as a first step, but the Howard government at the time refused, saying it could not say 'sorry' for something which was the responsibility of previous governments. The election in 2007 of a Labor government saw Prime Minister Kevin Rudd give an historic 'sorry' speech at Parliament House for all the pain a suffering caused. This official statement was a huge political success. It saw the government's opinion poll ratings soar, it diffused a sensitive political issue, and it symbolized a new governing direction which was more tolerant, inclusive and respectful of social diversity. The case cited for the third dimension of policy success, that of 'process', involved the electoral system of British Columbia (BC) in Canada. The late 1990s saw the Liberal Opposition committing itself to electoral reform after receiving 42% of the vote whilst the New Democrats party gained the majority of the seats in the legislature after receiving only 39%. When the liberals were elected in 2001, they established a diverse Citizens Assembly of 160 people, undertook 50 public hearings and extensive e-consultation, and produced a report recommending that the existing system be replaced with a more proportional one. This went to referendum in 2004, but received support from only 58% of voters - just short of the required 60% mark. A second referendum was then held in 2009 in conjunction with provincial elections, but this received only 38% of voter support. The existing system was not to be reformed after all, but the Liberals were returned to power. This was a case of 'process success' where the governments goal was not closed (but was electoral reform subject to referendum endorsement), where the processes adopted suggested it was legitimate to proceed no further, where the Citizens Assembly initiative was seen an innovative way of tackling a difficult issue, and where these processes symbolized forward thinking and legitimate governance.

¹⁰ McConnell also suggests that for each of these dimensions, we can assess policy success as being durable, conflicted, precarious or as a failure; McConnell (2010; 67). These terms provide a sense of a continuum between clear success and failure, as well as a sense of the durability of relative success over time.

¹¹ See Bebbington and McCourt (2007; 240.)

do not fit into any single neat meta-framework for evaluating PPP success, we at least now have some broad dimensions which would seem central to any analysis of PPP, its current success and its future. Indeed, irrespective of how one looks at the issue of PPP (from its narrowest conception as an activity or a project through to the broadest conception of partnership as symbolism and part of governance) the three broad success dimensions (ie process; programmes and politics) would seem to apply. And for all types of PPP, this success framework suggests that issues of legitimacy, sustainability and innovation matter; utilitarian notions of meeting policy objectives, achieving outcomes and delivering benefits to target groups matter; and issues of enhancing ones own electoral prospects and sustaining the broad values of government also matter. In other words, PPP success would seem from these arguments to be as much about politics and the business of governing strongly and legitimately as it is about policy objectives and technical issues such as VfM.

So, if we took one family of PPP, what might we discern about its success from empirical experience gathered to date around the world? How do these judgments as to success differ from those of the implementing governments? And what implications do such insights have for the future of PPP? It is to these issues that we now turn.

SOME THOUGHTS ON PPP SUCCESS

Our empirical experience with PPP around the world has now been considerable. So we are now at the stage of more confidently articulating some of the major frontiers on which we might contemplate the deeper issue of PPP 'success'. Let us begin with a naive evaluation of one PPP family based on some of the empirical experience to date. These observations have been drawn from our recent Handbook principally focusing on infrastructure (LTIC) type PPPs (Hodge, Greve and Boardman, 2010). Of course, we know that such an evaluation of performance is no easy task; that evaluation can vary in strength from back of the envelope estimates and personal impressions at one extreme to more systematic and comprehensive studies at the other; and that evaluations can be mounted for quite different purposes. In any event, if we were to courageously present a quick overview focussing primarily on just one PPP goal (that of better VfM for taxpayers) what might we discern? For this purpose, we shall adopt as our evaluand the privately financed infrastructure project (PFI-type project) as pioneered in the UK.¹² In a sense, such a quick and dirty evaluation would be 'naive' because it has not been granted the benefit of more sophisticated considerations such as multiple goals and the deeper insights from the meanings of 'success' discussed earlier in this paper. There are nonetheless some important insights to be gained here.

A Naïve Evaluation of Infrastructure PPP VfM

First, the amount of commentary and assessment to date on PPPs has been huge – and much like past privatization debates - mostly either blatant salesmanship, or stinging criticism. Substantive empirical performance measurements made to date have been limited, despite numerous professional glossy reports such as OECD (2008) and various consultancy firms such as PricewaterhouseCoopers, Ernst & Young and Deloitte. The real VfM performance of PPPs therefore remains surprisingly open from an empirical perspective.

The second point here is that in terms of high-level rigorous statistical reviews of PPPs, there is little to go on. Unlike earlier evaluations of privatization performance, there have been no meta-analyses or

¹² This assessment draws on both Hodge and Greve (2009), and on Hodge (2010a).

statistical overviews summarizing multiple quantitative PPP performance results to date.¹³ Notwithstanding this, several narrative assessments have attempted to go past polarized advocacy or criticism on partnerships, covering either more general ground¹⁴ or focusing on particular PPP concerns.¹⁵ A full assessment of such works is not possible here, and we will simply skirt around the edges of the VfM evaluation terrain.

The third point is that statistically solid evidence on LTIC type PPPs is weak if we look at individual evaluation studies using primary data. This contrasts both the often repeated assurance of PPP advocates as well as critics. The reality is that few analyses have employed any control groups in their 'before and after' time series or cross sectional comparisons. So, in the midst of many stories of PPP success and failure, the results from existing PPP evaluation reports should be treated with considerable caution from a strict statistical perspective¹⁶. Early contracting-out evaluation, for example, were found to be statistically unreliable compared to the more careful later assessment of teams such as Domberger, Meadowcroft and Thomson (1986). This later assessment was careful to control for eight variables and their results showed the overwhelming importance of controlling for the amount of work done as well as its characteristics before we proselytized over matters such as the sector undertaking the work¹⁷.

Fourth, the reality is that the counterfactual of 'traditional procurement' is both horribly vague and also largely unquantified in most assessments. And as Ball et al (2007) remind us, 'traditional' projects may also adopt incentives such as fines or payments levied for project delays, so that analyses of, say, on-time or on-budget delivery measurements are again less believable when these confounding variables are omitted.

Fifth, looking at the type of cost measurement taken, nearly all studies are business cases in which estimates are made before the contract is signed or at an early stage in the project life. This is a concern. Few studies exist where actual empirical cost measurements into the contract life were made, the

¹³ For earlier comprehensive evaluations of privatisation see for instance Hodge (2000) (statistical meta-analyses)

¹⁴ See for example, Hodge and Greve (eds. 2005), Grimsey and Lewis (2004), Osborne (2001).

¹⁵ See National Audit Office (2009), for examples of PPP reviews taking a more specific focus.

¹⁶ The design strength of evaluation studies was noted earlier as covering four levels from the weakest design, a simple before/after comparison (level 1), time series (level 2), comparison groups (level 3) to the strongest design, experimental-control group (level 4) where a random assignment occurs to treatment and control groups; Bingham and Felbinger (2002). Nearly all of the above PPP VfM studies are rated level 1 ('weak').

¹⁷ The early assessment of contracting-out garbage collection services undertaken by Bennett and Johnston (1979) analysed 29 private firms in the US and announced that municipal provision (at \$127 per year) was statistically more expensive than private firms (at \$87 per year). But as the analysis did not control for distance from the dump, dispersal of households served, quality and frequency of service or other factors, the results were a good deal less convincing than asserted; Donahue (1989:60). A later analysis by Savas looked at 1,378 US communities and after controlling for scale, organisational form and pickup, found that contracted private firms were 9 percent cheaper than municipal provision. Interestingly however, he also found that competitive arrangements were one third more expensive than the local government service. The importance of ensuring collection route contiguity in refuse collection was evident here. There have since been dozens of other studies of this issue over the years. One of central importance to us, though, was the seminal econometric analysis undertaken by Domberger, Meadowcroft and Thomson (1986) in the UK. Analysing 610 authorities through 1983-84 revealed cost differentials of 22 percent when contracting was being undertaken with the private sector, and 17 percent when the service was tendered but retained in-house. Importantly, controls for a wide range of variables were present. Domberger's cost equations to model production assumed that the cost was a function of the level of output, the frequency of pick up, input wage costs, the method of collection, the density of housing, the distance to disposal, the proportion that was domestic, the extent of reclamation of paper and bottles, and whether after tendering, the collection was undertaken by in-house or external private companies. The strength of Domberger's experimental design has enabled his findings to stand the test of time until the present day. There is much here of significance to an analysis of PPPs. A sophisticated analysis was needed to get reliable answers for a simple service - collecting the garbage. Some eight variables were controlled for before then getting statistical data articulating the effectiveness of contracting and competitive arrangements. The same philosophical attitude is needed in evaluating PPPs. And analytically, the biggest statistical finding in Domberger's analysis of garbage collection was the clear and extremely strong relationship between the cost of collection and the number of units collected. In other words, 'the more work done, the higher the cost', as we might expect from common sense. The need to carefully control for the multiple dimensions of 'the work done' in any PPP analysis is therefore clear, as well as the many other variables such as contract types, incentives and source of finance, etc.

exceptions here including several works by, for example, Allen Consulting group (2007) and Blanc-Brude et al (2006).

A sixth observation is the two separate academic areas of PPP literature; the political science/public policy/public administration literature, and the economics/engineering literature. These separate literatures have not been properly acknowledged thus far, and few if any evaluation reviews to date seem to have covered both well. As well, there are numerous other audit, government and consulting reports (e.g. HM Treasury 2008) which have not been included in most performance reviews.

The seventh point concerns the VfM results themselves. A wide range of empirical findings have appeared. As Hodge and Greve (2009) showed, several individual evaluation findings over the past decade have supported high PPP performance compared to traditional infrastructure delivery. Mainly through the calculus of risk transfers, lower cost estimates (of up to 20 percent) compared to traditional procurement have been reported. These have been bolstered by reports that PPPs were delivered on time more often (76 percent compared to 30 percent for traditional projects) and on-budget (78 percent compared to 27 percent for traditional arrangements); Mott-Macdonald (2002) and National Audit Office (2003). The stereotypical public works stories of over-budget and late projects have also helped the PPP case as well.

On the other side a similar number of studies have said the opposite. A litany of failed PFI project examples, a VfM appraisal methodology biased in favour of policy expansion, and pitiful availability of information needed for project evaluation and scrutiny has been presented by commentators such as Shaoul (2005), and even the UK Public Accounts Committee of Parliament labelled the PSC process as clearly 'manipulation'. Ball et al (2007) noted 'almost entirely subjective' risk analyses, and the UK Audit Commission (2003) 'found no evidence that PFI projects delivered schools more quickly than projects funded in more conventional ways'. As well, Pollock et al (2007) criticised the abovementioned on-time and on-budget findings as having no solid evidence base, stating that 'all claims based on [this] are misleading'¹⁸.

In the middle have been evaluation studies noting that far greater analytical care is required before claiming success. Blanc-Brude et al (2006) conducted careful regression analyses across EU countries and found PPPs were 24% more expensive than our expectations from traditional procurement – ironically, at about the same magnitude of traditional project cost-over-runs¹⁹. Fitzgerald (2004) argued that the size of costs savings claimed for his Australian PPPs was largely dependent on the discount rate used (with a lower discount rate suggesting a cost increase of 6 percent rather than the 9 percent cost saving estimated using the higher discount rate). Both Fitzgerald and Hodge (2005) concluded government treasuries needed to employ the philosophy of 'buyer beware' and be more of a steward for public funds rather than a PPP advocate. Vining and Boardman (2008) judged only one half of the Canadian PPPs reviewed as successes, and Jupe (2009) viewed PPPs as 'imperfect solutions' for transport in the UK.

One of the more interesting aspects of recent PPP work has been the contributions made through economics. On the one hand, we observe that impressive theoretical pointers and clues already existing for decision making around PPP. De Betignies and Ross (2010) for instance demonstrate that we have already progressed some distance in terms of the theoretical frameworks and models which can now be applied. Major variables such as the role of perfect information, when to bundle activities and its

¹⁸ Difficulties in extracting this research data from behind government claims of 'commercial-in-confidence' also amplified concerns that peer review scrutiny was not welcomed and that this well publicised study lacked rigor.

¹⁹ This review rightly cautioned against making any further VfM conclusions, however, arguing that life-cycle costs over the longer term were still unknown.

effects, which sector to allocate which tasks to, competition, contract length, the effects of externalities and when private finance ought to be applied all come in play here. These indicate the conditions under which we might expect privately financed infrastructure projects to deliver superior VfM than traditional projects. On the other hand, though, many of these models are more direction pointers and partial clues, and in reality, we have much further to go to calibrate our theoretical ideas with empirical data so that decision making is clear and evidence-based. Boardman and Vining (2010), too, deal with economic matters. They argue that 'no government has performed normatively appropriate analyses of P3' (as PPPs are called in Canada). They note that 'on-time and on-budget is obviously a weak criterion' and whilst 'VfM is more meaningful', it nonetheless suffers from several problems and is consequently inadequate. Boardman and Vining suggest that in choosing between a P3 and the public sector alternative, it would be better for governments to select the alternative with the lowest total social costs (TSC), holding quality constant. Added to these criticisms are the comments of Davies (2008; 200) who studied alliance contracts and earlier argued that Australian governments 'all provide directions for managers to achieve value for money, but are silent on how value for money should be measured'. Moreover, he makes the valid point that VfM 'is a nebulous concept' which 'frightens auditors' as they move from traditional certification based checking into areas requiring greater judgement; Davies (2008; 242, 216).

A further set of insights concerning VfM are also possible through the recent work of the auditors themselves. It is becoming increasingly clear that they are one of key groups that will make the official verdict on whether PPPs are successful or not. In the UK we have seen the National Audit Office playing a crucial role in performance evaluation over the past decade but understandably always stopping short of criticizing PPP as a policy. A great deal of their past work has focused on PFI performance evidence. In their 2009 overall assessment of the UK PPP policy, for example, the British NAO wrote:

'65% of the contracts were delivered on time and 65% to the agreed budget. Good performance was achieved because of 1) a good PFI contract, 2) clearly specified output measures, and 3) good project management and communication; maintaining good project team'.

But in their more recent assessments, NAO have also been clearer in their judgement as to PFI performance. NAO (2009) summed up the UK PFI experience thus:

'Having examined many PPPs we have concluded that private finance can deliver benefits, but is not suitable at any price or in every circumstance. It is one of many routes of delivery, which, when used for the right reasons and managed effectively, can work well. When it is used for the wrong reasons or is managed badly it does not deliver projects well... The problems we have encountered in business cases are: overall strategic reasons for using private finance are often unclear; financial modeling is error-ridden and given undue influence as the basis for decisions on VfM; and too much weight is placed upon subjective judgments of risk, which can easily be adjusted to show private finance is cheaper. Business cases also often do not explain how the desired benefits will be achieved' National Audit Office (2009).

In a similar vein, the Government Accountability Office (GAO) in the US is also following PPPs closely. They have examined PPPs in many sectors, including the highway sector. GAO wrote their conclusion as to PPP VfM most vividly, and reflected their conclusion in titles such as: 'Highway Public-Private Partnerships: Securing Potential Benefits and Protecting the Public Interest Could Result from More Rigorous Up-Front Analysis' (GAO 2008). A further activity along this line has also been the Supreme Audit Institutions of the European Union who gathered recently to examine how to deal the audit of PPPs (Bundesrechnungshof 20 11).

Interpreting these Judgements on Success

Overall then, what have we discerned about the success of this family of PPP from empirical experience gathered to date around the world? In short, and notwithstanding the low veracity of most VfM studies, analysts who for some time have been apprehensive of the bold political promises made for LTIC type PPPs appear to have been on the money²⁰. Putting it diplomatically, the evaluation designs used for these studies have most often been weak, and the data mostly dirty. It is perhaps little wonder that evaluations thus far clearly point to contradictory assessments of success based on VfM results²¹. And whilst the work of the UK NAO has most recently made clear their concerns around the systemic (over) use of PPP as a policy assumption, their judgment has been surprisingly slow in coming. Perhaps the GFC in 2008, the clear rewards going to the private finance sector even amidst widespread market failures and the pay cuts now being required of citizens changed their minds and gave them courage? In any event, a renewed global environment of cautious scepticism has evolved around the continuing promises from financial re-engineers (and deals which couple long term cost savings promises on the one side with immediate cash rewards from transactions on the other.) As Sheffield (2010; 129) rightly put it ‘the global economic crisis may well have the unintended political consequence of forging a more balanced and evidence-based assessment of the respective roles of the public and private sectors’.

What is also important here, too, is the sense that these empirical results on PPP success seem to differ greatly from those past judgments of success by many governments. The UK government, for example, as the initial father of the idea to systemically adopt private financing along with bundled contracts to a consortium of firms for major infrastructure, has now delivered over 500 projects through the PFI (PPP) technique. Despite any criticisms on technical matters such as poor VfM and even loss of face over official observations of manipulated business cases, this government has clearly seen its PPP policy as successful and pushed ahead with it. Likewise, three successive state governments of Victoria, Australia, have also pushed ahead with a PPP policy over the past decade. Indeed, it is now acknowledged as a leading international player with its own extensive PPP guidance materials having been adopted in dozens of jurisdictions worldwide. PPPs also continue to be a popular choice in other states of Australia, as well as in other jurisdictions such as British Columbia and many states of Canada. These are only a few of the many jurisdictions now proceeding apace with a PPP policy. As far as advocating governments are concerned, PPP success seems to be inevitable. And it is not only a case of the usual slipperiness of political language amongst multiple PPP goals, and the fact that even if PPPs are judged as very expensive, for example, they can be framed politically as ‘innovative’, as ‘iconic’, or in terms of the government’s political ‘mission being accomplished’! What is clear here is that there must be real benefits to governments to proceed down this road despite these policy criticisms coming to light. Or as we said in our handbook, whilst the legitimacy of PPPs as a governance tool has been just as controversial as the VfM findings, ‘PPP’s have usually been politically effective for reformist governments’. We therefore need to think more seriously about how PPPs contribute politically, and develop a better evidence base and stronger analytical frameworks through which we analyze PPP as a

²⁰ One key assessment supporting this conclusion and coming to light independently of this present review was from the UK’s National Audit Office. The NAO’s (2009) review in the United Kingdom reported after a dozen years of PFI experience and following 72 VfM reports to Parliament. Telling was the fact that it neither reported the PFI model as giving consistently high performance, nor did it see high performance as a major driver for ongoing PFI work. Instead, it noted that ‘th[e] drive towards using private finance is in part driven by Government officials’ belief in its benefits’ ... as well as ‘a less commendable zeal for off-balance sheet solutions which have not appeared in statistics of Government debt.’ The overall view of the UK’s NAO was modestly supportive, stating that ‘private finance projects normally deliver what is asked of them’, and ‘that private finance can deliver benefits’, but as well as the comments already noted in this paper, the NAO commented explicitly that ‘institutional incentives have encouraged the use of private finance’.

²¹ The NAO also saw evaluation of the use of private finance as both ‘difficult’ and ‘not well developed’, and given this, the UK ‘government cannot satisfy itself that private finance represents the best VfM option.’

governing mechanism with political payoffs. Such assessments need to also be conducted away from the loud policy cheerleaders.

Having said this, it is also interesting to observe that not all government have proceeded down the PPP policy road. Many have not, and Scandinavian countries such as Denmark and Norway on one side of the globe and New Zealand on the other exemplify those who have strongly resisted such attempts. As Greve and Morth (2010; 454) stated, 'governments in Scandinavia mostly steered clear of promoting PPP policies'. Why? Put simply, they argue that these countries did not need to take on PPP policies because they were under little financial or political pressure to spend beyond their means.

So, in the face of all this, what implications do such insights have for the future of PPP? This issue is at the centre of the next brief section.

PUBLIC-PRIVATE PARTNERSHIPS IN TURBULENT TIMES

PPPs have been affected by the financial crisis that hit the world in late 2008. Like in other areas, it is not quite certain how serious and severe the consequences will be for PPPs. PPPs, at a minimum, are living through 'turbulent times' and there is no easy answer as what will happen to PPPs in the long run. What is certain is that, as Sheffield (2010) remarks, 'the whole politics of PPPs debate has to a great degree been recast, or has at the very least taken on new emphasis, as a result of the global financial crisis from 2008 onwards. Assumptions regarding the dominance and superiority of the market that had become almost uncontested towards the end of the twentieth century are now receiving renewed attention, and this may have important ramifications for the future utilization of PPPs. This could also have influence on the topic of 'success' that is being discussed in this paper.

Judging from an impression of the literature and commentary so far, we might contemplate two different scenarios or interpretations as to the future: (1) a sceptical, technical and pessimistic interpretation and (2) an optimistic, wholistic and political interpretation.

A sceptical and technical interpretation: PPPs have been discredited by the financial crisis: In a sceptical interpretation, PPPs have been affected hard by the financial crisis. Looking at PPPs from a North American perspective, Boardman and Vining (2010) for example write:

'(...) in the latter part of the decade, between late 2007 and early 2010, the dominant trend has been a reduction of private sector sources of capital for infrastructure stemming from the global financial meltdown and an increase in cost of capital from remaining lenders. Foreign (non-North American) banks who were major sources of financing for Canadian P3's have reduced their long-term credit facilities. The Macquarie Group (and the Royal Bank of Scotland) have undergone major restructuring. Other commercial banks have failed, resulting in consolidation' (Boardman & Vining 2010: 354-355).

According to the OECD in 2010, the financial crisis had an 'immediate negative impact on the volume of PPP projects in member countries'. The overview of the OECD ran like this:

'As credit markets dried up, debt capital became next to impossible to acquire by SPV's (special purpose vehicles, the PPP company formed when the public sector and private sector enter a partnership, ed.), and new projects that had not already been finalized largely came to a standstill. In response to these developments, a number of countries made efforts to unclog the PPP pipeline by making financing available in different forms. The United Kingdom chose to do this by setting up a unit within the Treasury that acts like a private sector bank: the Infrastructure Finance Unit. France and Portugal chose to set up a guarantee scheme, and other

countries such as Korea and Mexico set up special PPP initiatives as part of their stimulus plans' (OECD , 3rd annual OECD symposium on public-private partnerships, www.oecd.org)

The events in the UK have also been described by Anthony Wall (2010) in his 2010-presentation to the IRSPM PPP panel in Bern where he examined the British banks and the British Government's response to the financial crisis and the practice of setting up a temporary bank within the Treasury. The result of this is for a time being a 'public-public partnership' as the Treasury as a public organization is financing the building of public sector organizations such as schools or hospitals.

An optimistic and political perspective: The partnership ideal in which we aim to get the best of the government (in defining common interests) and the best of the private sector (to generate wealth) will not go away. There will be even more demand for PPPs in various forms in the future. The policy challenges are increasingly becoming too great for anyone organization to cope with them alone (Kettl 2009) which is also reflected in the broader 'collaborative governance' movement (Flynn & Wanna eds. 2009). In the European Union, the Commission is shifting its attention towards PPPs in a broader policy perspective. The Commission wants PPP to be a defining feature that shall cut across many of the other policy areas. Instead of just being a policy that is relevant to the transport or infrastructure sector, a PPP policy is more about the role of European governments in the economy (European Commission 2011). The EU is therefore turning up the volume of what a PPP can be, and in our terminology here the EU is shifting focus from a project level and organizational form level to a policy level. Of course the future reality in any country will depend on local circumstances, but it is also most likely to be somewhere along the continuum between these two extremes.

The future of the post-GFC PPP terrain is also likely to be influenced by several other trends and dynamics in the way that PPP success is being discussed currently. These include:

- *A change from projects and organizational forms to policy:* There appears to be a move away from only focusing on individual projects. In the beginning of the PPP literature, there was much focus on individual projects in the UK or North America. The evaluations were about the initial rounds of project experiences, and they were examined by individual researchers or by leading auditing institutions such as the National Audit Office in the UK. There has since been a move towards focusing more on broader policies that governments or international organizations form. Both Australia and the UK for example have been spearheading the formulation of PPP policies. Other countries have followed, often by establishing PPP units that could support such policies. International organizations are also formulating PPP policies, such as the United Nations and the OECD. The European Commission has recently proposed a shift in the European Union from looking only at projects and specific sectors to making PPPs a general policy priority across different departments in the EU with the aim of ensuring a greater role for European governments in the running of the economy. PPP policy has in some ways therefore come of age and become part of broader discussions about a mixed economy.
- *A change from economic success criteria and political criteria to broader social criteria:* There appears to be a move away from only assessing 'success' as economic or financial success for individual projects. This was very much the case in studies of specific projects in the UK or Canada. Now the focus is on the broader success criteria, and moving towards broader 'program' success criteria as well as attending to 'process' criteria such as user involvement or innovative practices, and to consider the 'politics' success criteria of establishing ways of dealing with often competing values of government and private sector actors.
- *A change from a skeptical to an optimistic view on partnerships in the long run:* Towards 'emerging' partnerships: The global financial crisis certainly put a damper on the economics based families of the PPP phenomenon for a time. But 'the partnership idea' is hard to suppress,

and attention has shifted towards other types of partnerships. Notably to partnerships with the non-profit sector (as currently witnessed by the advent of 'the Big Society'-idea' in the UK, although many observers think it is bogus), but also in new ways to partner with private sector organizations. This buzz can be found in new or rising policy areas, such as environment and climate issues, and in more enduring policy challenges such as urban development or town planning. The current interest in collaborative governance or 'nodal governance' can be aligned with the partnership discussion in the wider definition of the term. Emerging partnerships are likely to emphasize multiple partners rather than two, and new policy areas are also appearing through collaborations in the information and communication technology (ICT) arena.

In short, there is a movement underway from looking at 'established' PPPs such as long-term infrastructure contracts that are often dependent on private finance towards what we will here term 'emerging partnerships', because they are emerging around new and evolving public policy issues. These emerging partnerships cross organizational borders as well as different countries, and can be expected to be found at the local level, the national level, the international level or some combination of these.

Future studies of 'success' should therefore look to theories that can capture the advent of the emerging partnerships, and to be sure to capture a broader view of their 'success' which in all likelihood cannot be captured only in economic terms, but needs to mix a process, program and politics dimensions to understand partnership 'success' from a theoretical and empirical perspective.

CONCLUSIONS

In this paper we have discussed different ways to view PPP 'success'. A brief discussion on the concept of partnerships focused on the idea that PPPs both include government partnerships with private sector organizations, with non-profit organization and with a combination of government, private companies and non-profit organizations. We identified PPP to exist at different levels; project, organizational form, policy, and governance symbol or tool, and located in a broader historical context of what constitutes 'public' and 'private' in a given society.

We then examined different theoretical approaches to determining success. Definitions of success depended on whether one viewed success from: on-high (at the societal level) and included political matters, program (utilitarian) matters and process (legitimacy) matters; at the project or activity level (where it was straight forward to judge goals and deliverables); or whether one viewed success in terms of how the organisations combined to innovate, to collaborate and to transform in order to deliver outcomes. No single view of success provided a meta-framework, and all were helpful in their own way. So narrow and wide definitions of success were possible, as well as the more traditional views of the disciplines (such as economics, accounting, political science and public policy, sociology etc). McConnell's success framework was supported as one way of ensuring that future ideas of success included not only technical matters but also an integrated sense of what matters across a range of lenses from the political, through the program to the process.

We also briefly reviewed some of the existing empirical evidence which focused on PPP success and noted that the clearly mixed findings on PPP technical success were different to the usual 'successful' judgements made by advocating governments. Moreover, short of embarrassing and large scale corruption or widespread incompetence, PPP and PPP projects seem inevitably to be judged as 'successful' by governments. We also noted that the role of auditors is likely to be emphasized in the future. In conclusion, we argued that despite the recasting of the PPP debate following the GFC, it is possible that PPP may have a bright future. And whilst there will no doubt be increased attention on the many technical issues central to our assessments of success, it will be the power of the PPP ideal as well

as the political drivers of PPP success that will continue to capture the hearts of elected representatives. These drivers, as well as the breadth and inherent flexibility of the PPP phenomenon itself, will enable PPP to adapt to the needs of a turbulent future.

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