Abstract: Public–private partnerships involve organisations from the public and private sectors working together to provide public services. This introductory issue of the *International Journal of Public Policy* comprises two papers that consider PPP at the theoretical level, and seven papers that explore partnership arrangements in four different countries: the UK, Australia, USA and France. In some countries the term PPP is used to describe partnerships that provide infrastructure and associated services. In other countries the term is used to refer to quite different arrangements for the delivery of a range of services. The purpose of this introduction is to consider how the socio-economic, political and administrative experiences of the featured countries have influenced the ways in which the nature and purpose of PPP are understood. Our analysis of those partnership models is framed by the new public management and network models. Extant definitions of PPP are examined and assessed for their applicability to the diversity of arrangements featured in this special issue.

Keywords: network model; new public management; public management reform; public–private partnerships; public sector management reform.

Biographical notes: Linda English is Senior Lecturer in Accounting at the University of Sydney, Australia. Her contributions to public sector research began in the late 1980s when she wrote a series of articles on the sector for the Australian CPA’s journal *Australian Accountant*. Linda’s research is applied, focusing on governance and accountability issues. She has published over 50 articles and book chapters and championed public sector research in Australia through her editorship of *Australian Accounting Review*, which she founded in 1991. She also serves on the Editorial Boards of the *International Journal of Public Policy*, and *Accounting Education: An International Journal*.

Matthew Skellern recently completed an Honours degree in Political Economy at the University of Sydney, for which he received First Class Honours and the University Medal. His thesis was an assessment of the Australian government’s attitude to agricultural trade reform, as enacted through its leadership of the Cairns Group of agricultural exporters within the WTO. He is currently working for the NSW Government.
Introduction

Focusing on four OECD countries – the UK, Australia, the USA and France this first issue of the International Journal of Public Policy throws new light on the rich variety of ways in which partnerships between the state and the private sector are used internationally to deliver public services and achieve public policy objectives. There are numerous examples throughout history of governments pursuing political objectives by forming partnerships with ‘private’ parties, from the use in 18th century England of private contractors to clean street lamps, to the reliance of the 1588 British Armada on private vessels, and even the use, in Ancient Rome, of private tax collectors (Greve & Hodge, 2005). Clearly, the ‘private’ sector – and the state – involved in these activities took quite different forms to those that we know today. What they show, however, is that the nature of partnerships between the state and non-state entities has varied according to time, place, and the objectives of the actors involved (Broadbent & Laughlin, 2002). The aim of this introductory paper is to review the variety of current approaches to public–private partnerships (PPPs) (as represented in the papers presented in this issue), considering how this variety is related both to broader socio-economic factors, and to differing attitudes to public sector management reform, in the countries concerned.

There has been a surge in public management reform (PMR) across the OECD world since the 1980s, an important characteristic of which has been the emergence of a variety of forms of partnership between the public and private sectors (Olson et al, 1998). Much of the Anglophone literature has concentrated on the particular variety of PMR known as ‘new public management’ (NPM) (Hood, 1991, 1995; Osborne & Gaebler, 1993) and taken up most enthusiastically in English-speaking countries such as the UK, Australia, and New Zealand. The NPM reform agenda has been closely associated with a specific model of PPP embodied in the UK’s Private Finance Initiative (PFI). While the Anglophone literature has long recognised that NPM is mutable in both space and time (Broadbent & Laughlin, 2005; Olson et al, 1998), the papers in this special issue suggest that alternative approaches to public sector management – such as the ‘network model’ discussed later in this introduction – have also emerged, partly in response to concerns about NPM’s hard-edged competitive outcomes. Consequently, PMR in some OECD countries has not been exclusively based on the NPM model (as it is understood in Anglophone countries), with the result that understandings of PPPs have evolved in quite different directions in different countries.

This introduction is structured as follows. Firstly, it provides a generic PMR model and considers how this model relates both to the experiences of each country featured in this issue, and to the NPM and network-based models. Secondly, it reviews, in relation to these differing national experiences, the ways that the nature and purpose of public–private partnerships are understood in each country. Thirdly, extant definitions of PPP are examined and assessed in light of the evidence presented. The themes and concerns of the papers comprising this special issue, all of which consider some aspect of a partnership between the state and the private sector in the pursuit of an agreed public policy goal, are interwoven throughout.
1 An overview of PMR in the UK, Australia, France and the USA

Figure 1 (reproduced from Pollitt and Bouckaert, 2000, p.26) provides a generic model of the PMR reform process, enabling an understanding of how, and why, OECD governments have responded to similar challenges differently as a result of national differences in socio-economic, politico-legal and administrative systems. As Figure 1 indicates, the socio-economic forces (A) that influence PMR include global economic forces (B), whether material (e.g. global growth rates or the increasing power of international finance) or intellectual (e.g. the philosophies and policies of supranational organisations such as the World Bank and OECD) (Stiglitz, 2000); socio-demographic change (C) (e.g. the need to provide school education and vocational training); and national priorities and policies (D) (e.g. curtailment of debt or budget deficits). These socio-economic forces can engender moves for reform directly by influencing elite opinion (I, J), or alternatively can do so by bringing forth politico-legal forces (E), notably through the formation of public opinion (H). This pressure for change from the community, citizens, and taxpayers (H) is transmitted to the political system by the political parties (G), which process societal pressures through the lens of their traditional ideologies and philosophies (G). In turn, the political system (G), also informed by new ideas from business or academia about public sector management (F), plays a key role in transmitting public sentiment into elite opinion (I, J). The model recognises the filtering role of the political and administrative elite, whose perceptions of ‘desirable reform’ (I) and ‘achievable reform’ (J), together with the particular features of the nation’s public administrative system (L), influence the adoption of particular types of reform packages (M), their implementation (N) and outcome (O). This model suggests that PMR is grounded in the unique features of each nation’s history, governance structures and processes, and view of the world and its place in it.

Figure 1 A model of public management reform

Source: Reproduced from Pollitt and Bouckaert (2000, p.26).
Pollitt and Bouckaert define PMR as “deliberate changes to the structures and processes of public sector organisations with the objective of getting them (in some sense) to perform better” (2000, p.17) Since the 1980s, PMR efforts have, as a result of the influence of NPM, tended to interpret ‘perform better’ as outcomes such as:

“[M]aking savings (economies) in public expenditure, improving the quality of public services, making the operations of government more efficient and increasing the chances that the policies which are chosen and implemented will be effective.” (Pollitt and Bouckaert, 2000, p.6)

The NPM reform movement has had significant and far reaching effects on the scope and management of public services provision in the UK and Australia since 1980s (Olson et al., 1998). NPM is an administrative doctrine based on two conceptual pillars (Hood, 1991; 1995; see also Zarco, this issue). These are private sector management practices at the micro level, including the adoption of performance measures and incentive reward systems; and the role of markets at the macro level, informed at the theoretical level by ‘new institutional economics’ (the application of neo-classical economic theory to institutions), public choice theory, agency theory and theories of the firm (English, this issue). NPM reform has typically involved aggressive moves to radically transform the role of government from being a provider of public services to being a purchaser and a manager of service provision, underpinned by policies establishing ‘competitive neutrality’ in tendering between the public and private sectors. In combination with other moves to adopt private sector disciplines in the public sector, the net effect has been a significant downsizing of the civil service – the ‘hollowing out’ of the state (Jessop, 1993; Milward and Provan, 1993; Rhodes, 1994, 2000) – and the rapid growth of private sector provision of public services through outsourcing and privatisation (defined as the sale of publicly-owned assets). The outcomes and outputs required from these arrangements between the public and private sectors have characteristically been specified and monitored through contracts.

The initial adoption of the NPM reform agenda in the 1980s in the UK, Australia and New Zealand is widely understood to have been a response to soaring public debt, and the perceived exhaustion of Keynesian policies of macro-economic management through fiscal policy (Pollitt and Bouckaert, 2000, p.270). The Public Sector Borrowing Requirement became identified (Broadbent and Laughlin, 1999) as a key variable that responsible governments needed to control, through the imposition of tight fiscal policy at the macro (state) level, and the achievement of the ‘three Es’ – economy, efficiency and effectiveness – at the micro level. In the 1980s, these countries embraced privatisation (the sale of publicly owned assets) as a means of achieving these micro and macro objectives, irrespective of whether the incumbent government was ideologically predisposed to privatisation (as with the UK’s Thatcher government), or traditionally in favour of public provision (as with the Labor governments in Australia and New Zealand, both of which oversaw significant privatisations in the 1980s). More recently, in the fiscally stringent post-privatisation 1990s, with little left to privatise and/or diminishing public appetite for further privatisations, NPM has been reworked to embrace the provision of crucial new infrastructure and related services through long-term special-purpose partnerships with the private sector.

Considering Figure 1, what were the common factors in the UK and Australia that explain their enthusiastic adoption of NPM? The most decisive drivers came from within
the political system as a result of the activities of political and administrative elites (Guthrie and Humphrey, 1996). Liberal individualism and a suspicion of big government have long been features of the dominant Anglophone political philosophy, as reflected in the contrast between the anti-government bent of Anglophone parties of the centre-right (such as the UK Conservative Party and the Australian Liberal Party) and the preference for corporatist consensus and the social market model in centre-right parties on the Continent (such as the French UMP and the German Christian Democrats) (Pollitt and Bouckaert, 2000; see also Verdier and Vion, this issue). In addition, the ‘Westminster’ system of government shared by the UK, Australia and New Zealand, by emphasising the non-political nature of the civil service and its need to be loyal to the government of the day, provides an institutional environment that supports, rather than impedes the implementation of a radical reform programme by newly elected governments.

More recently, NPM’s definition and measurement of ‘perform better’ (Pollitt and Bouckaert, 2000, p.17) in terms of discrete and quantifiable outputs has been challenged in some Westminster countries such as Australia, particularly in areas of social policy such as combating unemployment (Considine, 2001; English et al., 2005). The ‘network’ approach has emerged as an alternative model of public sector governance, driven by the realisation that the provision of uniform ‘public goods’ may be inappropriate in some public policy areas, and that cost-based competitive allocations can undermine trust between parties involved in, and hence undermine effectiveness in, public service delivery. Grounded in Continental European political traditions (notably, a greater emphasis on consensus and mediation), the ‘network model’, although influenced by NPM in its use of contracts for instance, is also informed by other public sector management ideas that draw from theories of the ‘policy network’ and from interorganisational theory (Considine, 2001, p.29; Klijn and Koppenjan, 2000; Klijn and Teisman, 2000; Löffler, 2004). As a result, there have been tentative moves towards adapting the low-trust, contestable NPM model, with its premise of uniform ‘outputs’ of public goods, to include individually-tailored service provision, and long-term collaboration grounded in relationships of trust between parties involved in the provision and receipt of ‘softer’ welfare or social public services (Considine, 2001; English et al., 2005; Zarco, this issue).

PMR in the USA has, since the 1980s, been less comprehensive than in the UK and Australia, partly because openness to private sector management techniques has been a feature of the US public sector since at least the 1960s (Pollitt and Bouckaert, 2000). The early 1980s was a period of heightened US public awareness of, and concern regarding, phenomena in the socio-economic sphere, notably the Reagan administration’s policy of rapidly increasing military spending without concomitant reductions in government spending elsewhere. At the same time, the Reagan administration “promoted privatisation, contracting out, and user fees at every opportunity” (Savoie, 1994, p.215), and supported micro-level PMR efforts to increase federal government efficiency and productivity. A number of bodies were established under Reagan to increase efficiencies at the federal level, such as the President’s Council on Integrity and Efficiency (1981), the Grace Commission (1982), and the President’s Productivity Program (1985). However, the success of these bodies in achieving their objectives has been questioned (Pollitt and Bouckaert, 2000; Savoie, 1994).
Public administration in the USA is complicated by the number of independent governments – 50 powerful states and multiple local governments – resulting in a politico-legal and administrative configuration largely arrayed against coherent and comprehensive PMR. Although the open and fragmented nature of US government has facilitated the permeation of private-sector management concepts, it has also made the implementation of an overarching reform package more difficult. The entrenched separation of legislative and executive power, and the relatively undisciplined voting patterns of lawmakers from both major political parties, are features of the US political system that contrast with both the Westminster and Continental European models of government, rendering reform efforts more complicated. Consequently, PPPs in the USA have developed in a more under-the-table fashion, often organised through the tax system or by taking advantage of loopholes or ambiguities in legislation, as the papers in this special issue by Covaleski et al. and Baker discuss.

France, traditionally characterised by a strong central state (Halgand, 1998), has developed its own distinctive response to the push for PMR, drawing from elements of NPM but resisting its wholesale adoption. In contrast to the NPM push for smaller government, the French public sector continues to be of significant economic and social importance, with its legitimacy grounded in ideology, administrative and political power, and control over the way that national identity and values are framed and upheld (Halgand, 1998). As Halgand states, the public service “remains as a cornerstone of French society, the guardian of republican values, employing the elite of the country entrusted with the noble mission of safeguarding the public interest” (Halgand, 1998, p.77).

In France, as in the USA, there has been no single comprehensive PMR package. PMR in France can be categorised as a series of separate initiatives from different national governments and ministries, implemented in a fairly piecemeal way, with a good deal of successive repackaging of some basically similar ideas (Pollitt and Bouckaert, 2000). PMR in France has centred on two broad themes. The first is the decentralisation of political power, the adoption of which in 1982 resulted in three sub-national levels of government being vested with independent powers, and the direct election of regional councils, which were given significant political and economic (including taxation and budget-making) powers, in return for implementing broad political, social and economic objectives established by the national government through waves of comprehensive legislation (see Verdier and Vion and Bayle, this issue). A second, and subsequent, theme of reform has been ‘modernisation’ of the central government in response to the changes emerging at the local level as a result of decentralisation, involving an organisational shift from a centralised to a divisional structure, as reflected in the relocation of civil servants to regions (or their secondment to non-government partners, as in the case study by Bayle in this issue) to enable greater responsiveness to the needs of users of public services.

France has been characterised as having a ‘medium’-level emphasis on NPM reform (Hood, 1995). Certainly, PMR in France (decentralisation and modernisation) has involved the adoption of several elements of the NPM agenda, such as managerialism (e.g. Bayle, this issue) and contractualisation (e.g. Verdier and Vion, this issue). However, it would be misguided to see PMR in France as simply a watered-down version of NPM, not only because of the continued importance of the central state but also because of the increasing adoption of network-type features in French public sector management, as discussed below. Decentralisation has involved, for example, the incorporation of non-state ‘actors’ into policy implementation networks, as documented in the French case studies in this special issue by Bayle and Verdier and Vion. Thus PMR in France has in some respects been
ahead of reform in Anglophone countries. Nevertheless, France remains a ‘state-centred’ system. Thus, the increased use of network-type arrangements to pursue social policies, within a legislative and regulatory framework established by the central government, appears to have reaffirmed, not diminished, the state’s importance in French society, even if its role has been reconfigured.

2 Public–private partnerships in the UK, Australia, the USA and France

This section reviews the various forms taken by public–private partnerships in each country discussed in this special issue, noting the influence in each case of socio-economic, politico-legal and administrative factors (including PMR processes and the role of NPM and network-based ideas in particular). As suggested above, the socio-economic and political forces in the UK and Australia have been conducive to the adoption of sweeping PMR. In both countries, NPM has been the PMR of choice, with the term ‘PPP’ taking on a relatively specific meaning – some sort of collaboration between the government and private contractors to deliver infrastructure-based public services. The UK’s Private Finance Initiative (PFI), launched in 1992, has provided a model for the type of PPP most widely adopted in the UK and Australia, and, more recently in Europe (see Marty et al., this issue). The PFI’s use in the UK was limited until 1997, when it was taken up by the Labour government as an embodiment of its ‘Third Way’ ideology. Under the most common type of PFI scheme, the private operator(s) designs, builds, finances and operates (DBFO) facilities based on ‘output’ specifications determined by the relevant government agency, and provides related non-core services (see English, this issue).

Two papers in this special issue focus on the UK. The contribution by Hodges and Grubnic is concerned with the application of the PFI model to the provision of social housing. This area is unconventional because restrictions on new buildings (the usual modus operandi of PFI schemes) make risk assessment difficult for private contractors. In addition, there is a complicated social policy dimension: the direct impact on individual tenants of upgrading the housing stock suggests the need to draw from network-based approaches, such as consultation with and mediation between stakeholders and the tailoring of services to municipal requirements. Their paper suggests that the UK government, since it strongly supports the PFI model, is prepared to make the changes necessary to enable its use in social policy areas such as housing. The second UK-based paper, by Taylor, is about a non-PFI scheme more akin to a conventional outsourcing arrangement. It examines a partnership between the UK government, a consortium of banks and a large charity for the latter to deliver vehicles to handicapped drivers. The relationship is simple in contractual terms, with the risks, rights, responsibilities and accountabilities of each party thoroughly documented. This situation is quite consistent with the NPM principles of rigorous contractualisation and separation of purchaser and provider, despite the provider being a non-profit entity. The conundrum examined in the paper is how the government handles public criticism of arrangements, where the traditional Westminster method of ministerial defence of public policy implementation is inappropriate, since the partnership lies outside the traditional ‘public sector’. This paper concludes that the UK political system has not fully embraced such a non-traditional delivery of services.
English’s paper in this special issue, examining the use of PPPs to deliver hospital infrastructure and related services in the Australian State of Victoria, highlights the linkages between NPM and PFI-type partnership arrangements, and some of the debates that have surrounded them. It indicates how the PPP model has been modified over time in response to a changing political and socio-economic environment. While early Australian PPP schemes were preoccupied with containing high levels of state debt (and hence with their accounting treatment), this was followed in the late 1990s by an increasing concern for the achievement of economy, efficiency and effectiveness, repackaged as value for money (VFM) in PFI-type schemes.

In this respect, English contributes to an ongoing debate in the literature as to the ‘nature’ and ‘purpose’ of PFI-type PPPs (Broadbent and Laughlin, 1999). Early policy documentation accompanying UK and Australian PPPs stressed underlying macro-level pressures, which were supplanted in the late 1990s by an emphasis on the micro objectives of PFI – the attainment of VFM and risk allocation (Broadbent and Laughlin, 1999; English and Walker, 2004; Heald, 2003). Another aspect of the debate has addressed the problems associated with attempts to identify risks, and hence to quantify cost savings (VFM), at the contracting stage. The paper by Marty et al. in this special issue makes an important contribution to this debate. The authors consider that the ‘main purpose’ of PPPs is to limit the public partner’s exposure to risk, and that the achievement of risk allocation is far more important than the identification and quantification of ‘static cost savings’ (VFM) prior to contracting. Therefore, PPPs may be the optimum choice even when the private tender offers only minimal cost savings (i.e. VFM) relative to the public benchmark, because the (significant) risk of cost and time overruns is transferred to the private partner. In this sense, governments can consider the higher borrowing costs associated with PFI-type PPP arrangements as a form of ‘insurance’ payment.

The assumptions underlying the PFI model concerning risk transfer and contracting have drawn criticism in the literature. For instance, Froud (2003) questions the focus, in PFI contracts, on risk (the likelihood of something going wrong) at the expense of the broader concept of uncertainty (the indeterminate outcome of a course of action). She sees attempts to ‘control the future’ by enshrining risk transfer in PFI contracts as flawed, “not simply because such contracts cannot anticipate the necessary range of circumstance and possibility”, but because they circumscribe the state’s “ability to respond to (and to shape) the future . . . reduc[ing] the flexibility to respond to an evolving policy environment” (pp.584–587). In a similar vein Broadbent et al. (2003) have argued that the economic assumptions underlying contracting in the NPM model (discrete exchanges between utility maximising individuals) are appropriate for short-term competitive relationships, but are inappropriate for governing longer term relationships. The duration of PFI contracts requires a more consciously cooperative relationship between partners. Thus Broadbent et al. (2003), drawing on the work of Campbell (1997), are also critical of the assumption that there can be agreement at the signing stage on how all future (unknown) possibilities will be dealt with, because this effectively introduces a new element of risk into contracts that are supposed to allocate risk. They argue that PFI contracts tend to ignore the institutionally-determined social relations that underlie contracts, including trust and cooperation, which must be present if PFI contracts are to work effectively in the longer term. Thus, the work of Broadbent et al. (2003), and of Froud (2003), suggest that there are limitations to the NPM approach to contracting that could undermine PFI-type arrangements in the long term. This suggests there could be
potential benefits from grafting elements of the network approach onto the PFI-based partnership model.

A distinctive feature of both PPP arrangements in the USA examined in this special issue (in the papers by Baker and Covaleski et al.), which reflects that country's unique institutional arrangements and history, is their foundation in direct government support, such as favourable tax incentives and direct or indirect subsidies, for private operators to provide public services. Here, the ‘partnership’ between government and private contractors is found among the web of contracts, tax incentives and favourable laws passed by federal, state and local governments, whether as a result of design (Baker, 2003; Covaleski et al., this issue) or the exploitation of loopholes in this web (Baker, this issue). The move in the USA towards ‘privatisation’, in the US sense of increased contracting out of government services, has been presented as a reinvention of the way governments operate, premised on the idea that civil society will be better off if private sector entities, rather than the government, provide goods and services (Savas, 2000). However, accompanying the move towards ‘privatisation’ has been a move to deregulate previously regulated sectors of the US economy, allowing companies to take advantage of loopholes. In this respect the USA differs from the UK and Australia, which have established independent regulatory bodies to oversee contractualisation in the public sector, and to protect the public from unintended abuses arising from private provision of government services.

The paper by Covaleski et al. examines the vested interests and power at work in a contractual agreement between a company and local and state governments arising from the federal Tax Incremental Financing (TIF) initiative, which encourages privately-financed infrastructure development in small communities. Despite “relatively concrete” legislative attempts to prevent the exploitation of TIF schemes, companies have been able to manipulate the initiative for their own benefit. The paper by Baker, by contrast, examines the exploitation by governments of a federal tax loophole concerning tax exempt leasing provisions to fund infrastructure acquisition without breaching borrowing limits, contravening requirements that they seek specific voter approval to increase borrowings. Baker argues that “a type of charade has developed in the tax-exempt leasing marketplace”, in which “governmental officials and citizens are convinced by financial and legal advisors that tax-exempt leases do not constitute ‘debt’ ”. In this case the ‘partnership’ rests on a convenient legal and regulatory ambiguity that enables legislators to provide the level of services demanded by the public, without having to acknowledge how these services are financed. Both these papers show that public–private partnerships can produce outcomes counter to the original intention of legislators. Such arrangements lack transparency and permit government officials to avoid accountability for outcomes.

The French approach to developing partnerships between the public and private (including for-profit and not-for-profit) sectors reflects the distinct French politico-legal and administrative system of a powerful ‘unitary decentralised state’ (Verdier and Vion, this issue), which has resulted in a model of ‘co-regulation’ by the state and a wide variety of private sector bodies (including business, trade unions and the voluntary sector). In the two French case studies in this special issue, the partnership model adopted has been established by the central government through a complex web of legislation. Within that constraining environment, features of both NPM and the network model can be detected.
In the paper by Verdier and Vion concerning vocational training and education, partnerships between public and private parties are based on a wide variety of contracts: ‘meta-contracts’, which establish the policy framework; ‘contracts by objectives’, through which specific projects between the public and private sectors are coordinated; and individual contracts between firms and employees, underwritten by the state. These partnerships are not, however, between a purchaser and provider so much as between collaborators pursuing a common social policy goal – combating long-term youth unemployment. Outputs and outcomes are not specified by the government alone, but in collaboration with peak business organisations, trade unions, firms and individuals. Bayle’s paper, examining the organisation of the ‘French sporting model’, also highlights this surrendering of state control over policy objectives to a broader network of actors, both national (such as the independent voluntary sporting associations) and supranational (resulting from the globalisation of sport and the Europeanisation of sporting regulation). While the state ‘outsources’ (in a certain sense) the organisation of French sport to the independent voluntary sporting associations, their relationship is neither fully contractualised nor well defined but rather hotly contested, with agreement on little more than the broad policy objective of promoting and strengthening French sport. In these cases, the partnership model adopted lacks several classical elements of NPM, such as the emphasis on contestability and cost in determining supply, and on funding based on outputs and outcomes (Considine, 2001; English et al., 2005).

3 PPPs and public sector governance models

The articles in this special issue highlight the tremendous diversity of forms that public–private partnerships currently take in OECD countries. How are we to understand the relationship between these forms? The paper by Zarco in this special issue makes a valuable contribution to the development of a taxonomy of public–private partnerships, proposing that collaborative arrangements between government and the private sector be categorised according to their ‘publicness’ in three dimensions: ownership (property rights), funding (responsibility for capital investment), and control (over operations and maintenance).

In this introduction, we take a different approach and argue that it is useful to understand the various definitions of PPP in terms of their relationship to specific modes of public governance – “the way in which stakeholders interact with each other in order to influence the outcomes of public policies” (Bovaird and Löffler, 2004, p.6). Considine (2001, pp.24–31) usefully identifies four models of public sector governance in western democracies that consolidate the earlier references to NPM and the network model. The ‘procedural model’ of the traditional public sector, dominant for most of the 20th century, was bureaucratic, hierarchical and rules-based. It was gradually supplanted through the 1970s and 1980s by a managerialist model of ‘corporate governance’ grounded in notions of management accountability and financial management. This push to reshape government along private sector lines was an early focus of efforts at NPM reform, and was soon complemented by the ‘market model’ of governance also associated with NPM and based on contractualisation, an outcomes focus, performance-based management, promotion of entrepreneurialism, the introduction of a purchaser/provider split, the introduction of internal quasi-markets, the devolution of responsibility and
decision making, and the minimisation of bureaucracy (English et al., 2005). The NPM reform agenda thus has been incorporated both in the corporate model and in the market model of public sector governance.\(^8\)

A more recently emergent public sector governance model is the ‘network model’. It has two intellectual progenitors. The first is the ‘policy network’ approach in political science, in which “policy is made in complex interaction processes between a large number of actors that take place within networks of interdependent actors” (Klijn and Koppenjan, 2000, p.139) who are autonomous, self-organising and inter-dependent. ‘Network management’ theory therefore assumes that:

“Each of the actors has its own perceptions of the nature of the problem, the desired solutions and of the other actors in the network. On the basis of these perceptions, actors select strategies. The outcomes of the game are a consequence of the interactions of strategies of different players in the game. These strategies are however influenced by the perceptions of the actors, the power and resource divisions in the network and the rules of the network.” (Klijn and Koppenjan, 2000, p.140)

This approach is complemented by interorganisational theory, whose fundamental proposition is that “the environment of organisations consists of other organisations” (Klijn and Koppenjan, 2000, p.139; see also Hanf and Scharpf, 1978, especially the chapters by Scharpf). Interorganisational theory shifts the focus of policy network theories from interactions between individuals to interactions between organisations, and from debates over policy alone to contestations over substantive outcomes of policy.

Table 1 presents these models as discrete and separate. However, these represent extreme ‘ideal types’, which fail to recognise that PMR reform processes have never been so neat in actual historical experience, but rather incorporated features from all four models, leading inevitably to a blurring of understandings of the models themselves.

### Table 1 Four models of public sector governance in western democracies

<table>
<thead>
<tr>
<th>Model</th>
<th>Source of rationality</th>
<th>Form of control and coordination</th>
<th>Primary virtue</th>
<th>Service delivery focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedural governance</td>
<td>Law</td>
<td>Rules</td>
<td>Reliability</td>
<td>Universal treatments</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>Management</td>
<td>Plans</td>
<td>Goal-driven</td>
<td>Targets</td>
</tr>
<tr>
<td>Market governance</td>
<td>Competition</td>
<td>Contracts</td>
<td>Cost-driven</td>
<td>Prices</td>
</tr>
<tr>
<td>Network governance</td>
<td>Relationships</td>
<td>Co-production, collaboration</td>
<td>Flexibility</td>
<td>Brokerage</td>
</tr>
</tbody>
</table>

Source: Adapted from Considine, 2001, p.24.
The Anglophone literature has focused largely on forms of partnership associated with the ‘market model’ of public sector governance. This special issue examines three paradigmatic forms of PPP consistent with this model: short-term conventional outsourcing arrangements to deliver discrete and easily specified outputs, in this case vehicles to disabled drivers; the model of private provision of public infrastructure and services seen in the USA; and the PFI form implemented as part of the NPM reform programme in Westminster countries. The PFI model, with which PPPs have generally been conflated in the UK and Australia, is:

“A form of public–private partnership that marries a public procurement programme, where the public sector purchases capital items from the private sector, to an extension of contracting-out, where public services are contracted from the private sector. PFI differs from privatisation in that the public sector retains a substantial role in PFI projects, either as the main purchaser of services or as an essential enabler of the project. It differs from contracting out in that the private sector provides the capital asset as well as the services. The PFI differs from other PPPs in that the private sector contractor also arranges finance for the project.” (House of Commons Library, 2001, p.10)

The key features here are the long-term involvement of public and private actors; and the private provision of project finance, a capital asset (i.e. infrastructure) and associated services. The European Commission has recently issued a Green Book on PPPs that clearly takes the PFI scheme as its template, also emphasising the long-term nature of (infrastructure-based) PPPs and the private provision of finance and infrastructure, as well as the importance of risk allocation and value for money (Commission of the European Communities, 2004; see also Marty et al., this issue). The conceptualisation of PPPs in terms of infrastructure provision can also be seen in policy documentation (English, this issue). These characteristics of the PFI model reflect its specific historical origins. The emphasis on infrastructure reflects the historical dependence on government for its provision in Westminster countries (unlike in the USA, where many forms of public infrastructure and related services have long been provided by private entities), while the emphasis on private financing reflects the macro-level imperatives to reduce government budget deficits and debt levels during the 1980s and 1990s.

As the papers by Covaleski et al. and Baker in this special issue highlight, the form taken by PPPs in the USA is quite different from that of the PFI, whilst still clearly representing a variation – indeed a more extreme one – of the market model of public governance. Whereas the PFI scheme retains a central role for government in the contracting of particular projects (including the specification of desired outputs and outcomes, and subsequent monitoring and regulation), the US approach has been to create an environment of incentives in which public–private partnerships can take place, thus allowing much greater scope for private partners to define the nature and form of public services provided. The papers by Covaleski et al. and Baker highlight the way that this hands-off approach is open to manipulation by governments (against the intentions of the public) and opportunistic firms (against the interests of governments and the public alike), especially as it has been accompanied by a weaker regulatory environment. An extreme example of the problems with this model is provided by the bankruptcy of Enron, which despite being a privately owned firm can be understood as a PPP, since it was tied to the US government through legislation, price regulation, tax incentives...
and contracts. As such, its bankruptcy not only represented a regulatory failure of unprecedented proportions, but also offered some salutary lessons about the unintended consequences that can arise from market-mediated forms of collaboration between the public and private sectors for the provision of public services (Baker, 2003).  

In their introduction to the *Accounting, Auditing & Accountability Journal*’s Special Issue on Public–Private Partnerships, Broadbent and Laughlin (2003) propose that a PPP exists when ‘a private sector supplier . . . supplies “public services”’, and hence that the cornerstone of any PPP definition must be a conception of “what constitutes public services” (2003, p.333). The differentiation between public and private services cannot be based, they argue, on user charges, but may be based on a regime of state price regulation. They propose the following definition of a PPP:

“A PPP is an approach to delivering public services that involves the private sector, but one that provides for a more direct control relationship between the public and private sector than would be achieved by a simple (legally-protected) market-based and arms-length purchase.” (Broadbent and Laughlin, p.334).

As they acknowledge, this definition is an attempt to exclude more conventional outsourcing arrangements, but to include the PFI model seen in the UK and Australia, and the US variations of PPP. In other words, Broadbent and Laughlin provide a generic definition encompassing the various forms of PPP associated with the ‘market model’ of public governance. Their argument concerning the need to define what constitutes a ‘public service’ highlights an important feature of the market governance model: the application of a service provision paradigm to government activity, which is characterised in terms of the provision of discrete ‘outputs’ of public goods. Since this entails the quantification and quasi-commodification of public sector ‘outputs’, it is naturally accompanied by an emphasis on the need to attain ‘value for money’ in the provision of these ‘public goods’.

But not all government policy objectives can be understood within the prism of a contestable service provision model. This point is bought out most strongly in the French papers in this special issue by Bayle and Verdier and Vion, where non-governmental entities do not provide discretely definable ‘public services’, so much as jointly pursue a policy objective (relating to vocational education and training, or the promotion of French sport) with the government. In contexts such as these, without a well-defined government-specified ‘output’ (which implies, in turn, well-defined purchaser-provider relationships and outputs-based funding models), the notion of ‘value for money’ is inapplicable, or at least takes on a more intangible meaning. These situations are not easily placed within the market governance model epitomised by NPM but are, we argue, more fruitfully understood as an embryonic movement towards a ‘network model’, where the ‘stakeholders’ who “influence the outcomes of public policies” (Bovaird and Löffler, 2004, p.6) are not limited to government, but rather include business groups, unions, research organisations, academics and other interested parties, as well as heterogeneous government agencies.

In the network model of public governance, the challenge is to establish “concerted action” for the attainment of a given objective between mutually dependent actors with heterogeneous views and influence. “Risk”, in the network model, is that concerted action will not be attained, because of a lack of trust between actors within the policy network, and their lack of awareness “of their own external dependencies” and the veto power of
others (Klijn and Koppenjan, 2000, p.143). The emphasis is, therefore, on the sharing of risk between partners, not its transfer or optimum allocation through contractual arrangements, as with NPM.

While this theoretical framework suggests that the conventional role for government (controlling and directing) is no longer relevant in a network society, a central role of government is nonetheless implied: “network management” (Klijn and Koppenjan, 2000, p.136) to create trust and minimise the risk of failure to achieve concerted action. Trust “can be generated and secured through governance strategies” (Klijn and Teisman, 2000, p.87) or ‘network management’ strategies, which fall into two main categories. Risks can be minimised through process management strategies designed “to preserve flexibility and openness in the cooperative effort, without losing the ability to make progress in terms of actual investments” (Klijn and Teisman, 2000, p.96), such as:

- the careful selection and motivation (financial and non-financial) of network actors
- the creation of a minimum convergence of perceptions and goals amongst a workable coalition of actors
- the creation of temporary organisational arrangements to ensure coordination and sustain interactions
- conflict management.

Risks can also be minimised through network constitution strategies designed to “change the rules and structure of a network” (Klijn and Teisman, 2000, p.98), such as:

- introducing new actors
- changing network rules (for instance the legislative arrangements within which networks operate)
- reframing perceptions about internal or external problems (Klijn and Koppenjan, 2000, pp.140–141).

Thus, the risks inherent in any contractual relationship designed to align the actions of actors by establishing responsibilities, rewards and outcomes, are compounded by the multiplicity of actors, and consequent inherent challenges in realising policy objectives in a network setting. This challenge of creating ‘concerted action’ is illustrated in the papers by Bayle and Verdier and Vion, where the forms of government action to improve education and training, and the organisation of French sport, are arguably better understood in terms of network management – the management of the risks inherent in gaining agreement and action from a number of diverse actors with conflicting roles, responsibilities and objectives.

The network approach to public–private partnerships is very different from that implied by NPM, which has traditionally seen PPPs as one strategy for managing an organisational environment characterised by “a chain of low-trust principal-agent relationships” (Dunleavy and Hood, 1994). Network-based theories, by contrast, see PPPs as a means to generate and secure trust between actors along the chain (network). This difference arguably reflects the differing intellectual debt of the two theoretical traditions to Williamson’s work on transaction cost economics (Williamson, 1979), which identified the features that make market provision less suitable (related to
uncertainty, infrequent transactions, and transaction-specific investment requirements). When transaction costs are significant (as they often are in areas previously the sole responsibility of the public sector), NPM theorists draw the conclusion that they must be minimised or eliminated (e.g. through the rigorous contractual specification of principal-agent relationships), whereas network-based theorists conclude that their presence necessitates the use of non-market arrangements based on trust and collaboration.

Because of this difference, the absence of the very condition of successful PPPs from an NPM perspective – a clearly defined “principal-agent relationship in which the public actor defines the problem and provides the specifications of the solution” – is, from the perspective of network theory, the scenario “in which partnership arrangements should be established” (Klijn and Teisman, 2000, p.85). For Klijn and Teisman, if there are clearly defined principal-agent relationships, outputs, and performance indicators, then contracting out, not a partnership, is the appropriate response. By contrast, partnerships are, for them, ‘based on joint decision making’, with ‘added value’ only achievable ‘through interaction’, that is, “if partners are able to manage the open and unspecified nature of the decision making process.” The implication of Klijn and Teisman’s distinction between contracting out and partnerships is that they would consider the NPM-inspired, fully contractualised PFI form of PPP to be variation of ‘contracting out’, rather than a partnership in the network sense. For them, a public–private partnership is:

“[A] commitment between public and private actors of some durability, in which partners develop joint products together and share risks, costs and revenues, which are associated with these products.” (Klijn and Teisman, 2000, p.85)

There is a stark difference, at the rhetorical level at least, between this definition and that of NPM-based PPP theories. One talks about the separation of purchaser and provider, the other about joint production. One talks about risk transfer and the contractual specification of costs and revenues, the other about ‘sharing’ risks, costs and revenues.

Table 2 provides a summary of the key differences between NPM and network-based models. The caveats noted for Table 1 concerning ‘ideal types’ are even more relevant here, since NPM is not just an intellectual construct but a living movement. While early attempts to outline NPM’s key precepts (e.g. Hood, 1991, 1995) undeniably describe an approach that falls within the market and corporate models of public governance, the practical experiences of success and failure in NPM implementation have involved an iterative process of evolution that has arguably led to the incorporation of new intellectual components. For example, Hodges and Grubnic’s case study of social housing provision in this special issue shows how the attempt to extend the PFI scheme to social policy areas may lead to the introduction of elements of the network model such as stakeholder consultation and flexibility in output specification.

It is important to note that, in all of the case studies exhibiting network-type features discussed above, contracts and incentive structures still play an important role in defining the responsibilities and rewards of agents. Network theorists have argued in such scenarios that they represent a “transition phase to a network society in which interdependency exists but there is an ongoing use of traditional arrangements” (Klijn and Teisman, 2000, p.88). Whether or not such a transition is indeed taking place, there are features of the French case studies that are better understood within the ‘network governance’ paradigm. These include the tailoring of programmes to suit individual needs; a break with the
‘service provision’ model of government activity; the emphasis on collaboration and trust rather than contractualisation and role definition, and on risk sharing rather than risk transfer; and the recognition by government of the need to formulate policy goals and instruments in collaboration with other interested parties. If there is a measure of government control and ownership in these arrangements, it is of a different kind from that envisaged by Broadbent and Laughlin in their 2003 article.

Table 2  Comparison of features of new public management and network models

<table>
<thead>
<tr>
<th></th>
<th>New public management model</th>
<th>Network model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origins</td>
<td>Administrative doctrine influenced by reworking of neoclassical economic theories; private sector management practices and accounting technologies to ensure the efficient and effective production of public goods and services.</td>
<td>Governance model influenced by ‘bottom-up approach’, inter-governmental relations literature; inter-organisational theory; and the interactive policy approach.</td>
</tr>
<tr>
<td>Political motivation</td>
<td>Increasing flexibility, quality and quantity of public resources at lowest cost.</td>
<td>Responding to unmet need in social policy areas.</td>
</tr>
<tr>
<td>Determination and implementation of policy</td>
<td>Development and implementation of policy viewed as rational outcome of separation of roles and design of contracts that reduce agency costs, information asymmetry and specify performance hurdles and monitoring requirements.</td>
<td>Development and implementation of policy viewed as games between actors, influenced by institutional context. Interdependence of public, private and semi-private actors, each with unique view of problems and solutions; outcomes result from negotiation, cooperation and other forms of network management.</td>
</tr>
<tr>
<td>Desired outcome</td>
<td>Transaction efficiency based on competition and price.</td>
<td>Optimal social outcome achieved through interaction between actors.</td>
</tr>
<tr>
<td>Emphasis of model</td>
<td>Separation of policymaking, purchasing and provision; central role for contracting in attempts to minimise waste and inefficiency; outcomes-focused performance-based management; use of private sector accounting technologies; devolution of responsibility and decision making.</td>
<td>Institutional context in which complex interactions take place; assumes policy determination and implementation occur in complex and strategic interaction processes within networks of interdependent actors.</td>
</tr>
<tr>
<td>Locus of control</td>
<td>Despite emphasis on competition and contracts, involves strong top-down government control of policy making and implementation. Devolution of control at contract management level only.</td>
<td>Government policy establishes broad legislative and institutional context. Network partners free to develop policies and determine forms of implementation.</td>
</tr>
</tbody>
</table>
Differences between PPPs based on the market model and those based on the network model suggest the need for a PPP definition that encompasses both. The UK Institute for Public Policy Research provides such a definition:

“PPPs are a risk-sharing relationship based upon an agreed aspiration between the public and private (including for-profit and not-for-profit) sectors to bring about a desired public policy outcome. More often than not this takes the form of a long-term and flexible relationship, usually underpinned by contract, for the delivery of a publicly funded service.” (IPPR, 2001)

This IPPR definition has a number of advantages over the other definitions of PPP considered that enable it to encompass both market-based and network-based approaches to public–private partnerships. It recognises that the term ‘PPP’ embodies a mutually agreed desire to achieve an agreed policy outcome, which may or may not take the form of the provision of a ‘public service’ product. It acknowledges the importance of risk ‘sharing’ in the broadest sense, whether in the sense of allocation between parties or in the sense of shared exposure to risks. And it moves beyond the idea that PPPs necessarily entail a hierarchical relationship of control between a principal (government) and an agent (private provider), acknowledging the possibility of more flexible relationships between public and private partners.

4 Conclusions

This introduction has sought to introduce the rich variety of PPPs examined in this first issue of the International Journal of Public Policy by considering their relationship to the respective socio-economic, politico-legal and administrative characteristics of the
countries concerned, and in particular to their experiences of PMR. Two broad approaches – NPM and the network model – to PMR, and hence to PPPs, were examined, and the relationship between them discussed in the framework of four ‘models’ of public sector governance. Four broad forms of PPP in these countries were identified – short-term outsourcing arrangements, as seen in Taylor’s case study; the market-based PFI-form involving private financing and infrastructure provision, linked to the NPM movement in Westminster countries; the market-based form seen in the USA, in which private corporations provide public infrastructure and related services, and are linked to government through legislation and the tax system; and the emergent network-based form, some elements of which can be observed, intermixed with elements drawn from NPM, in this special issue’s studies of social policy PPPs, especially those in France. Although the historical experience of PMR and PPP implementation in a given country has never neatly fitted within the confines of these ‘ideal type’ models, they can nevertheless contribute to the ongoing challenge of developing a better understanding of the diversity of forms of PPP observed in OECD countries today.

References


Notes

1 Hood (1995) argues that the NPM phenomenon has not been restricted to the English-speaking world, while still acknowledging that four of the five countries with a ‘high’ emphasis on NPM (Sweden, Australia, Canada, New Zealand and the UK) have English as their dominant language. New Zealand’s moves to privilege the provision of public goods and services by the private sector are not examined in this special issue, but have been documented elsewhere (Newberry and Pallot, 2003), as has its aggressive adoption of an NPM agenda in the 1980s and 1990s (Boston and Pallot, 1997; Boston et al., 1996; Kelsey, 1995).

2 Pollitt and Bouckaert (2000) also note that random events can influence PMR, which they designated ‘K’.

3 NPM has also been accompanied by reforms to the financial management systems of public sectors, including the introduction of private-sector accounting technologies (Olson et al., 1998).

4 Mazower identifies two other factors responsible for this difference between UK conservatism and Continental Christian Democracy: the fact that the UK was the country with “the least experience of ideological turmoil and political violence”; and Christianity’s influence on Continental parties, such that “their core beliefs clearly revolved around notions of mediation and reconciliation” (1998, pp.339–340).

5 Recent years have seen claims from the public sphere of a ‘politicisation’ of the civil service in Westminster countries by elected governments, through ministerial interference, political appointments and the like. These phenomena, if true, are likely to further enhance – not weaken – the ability of elected governments to push through reforms (regarding Australia, see Seccombe and Allard, 2004; Weller, 2002).
In the USA, the term ‘privatisation’ is used to describe the expansion of the use of private contractors to deliver public services (Savas, 2000), in keeping with the underlying intentions of the NPM reform movement.

France has three sub-national levels of government: 26 regions, 100 departments and 37,763 municipalities.

This reflects NPM’s dual intellectual debt to private sector management practices (the corporate model) and the “new institutional economics” (the market model). All of Hood’s seven “overlapping precepts” of NPM (1991, 1995) relate to the corporate model, the market model, or both.

In this special issue, although the majority of case studies deal with non-PFI-type arrangements, the PFI’s pervasiveness as a template for PPPs can nevertheless be seen by the fact that the two theoretical papers (by Zarco and Marty et al.) concentrate on it.

New Zealand, despite pioneering many NPM reforms (Kelsey, 1995), has not taken up the PFI model seen in the UK and Australia. The term PPP is thus used by New Zealand academics Newberry and Pallot (2003) to describe quite similar processes to those observed the USA (as discussed in this special issue by Covaleski et al. and Baker) – that is, partnerships arising from deliberate policies by the New Zealand government to build structures and rules into the state’s financial management system that favour private provision of a range of public services. This definition of PPPs blurs with the use of the term ‘privatisation’ in the US context (Savas, 2000). Newberry and Pallot’s (2003) criticisms of this form of PPP are similar to the criticisms by Baker and Covaleski et al. of the arrangements they examine in the USA – that is, that they are designed to escape parliamentary scrutiny and seem at odds with NPM’s espoused objectives of fiscal responsibility, debt reduction and transparency.

As discussed above, however, there has been a growing recognition that NPM-type contractual arrangements could also benefit from greater trust between partners and increased contractual flexibility (Broadbent and Laughlin, 2003).