Public Private Partnerships: deciphering meaning, message and phenomenon

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Published as:

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1. Introduction: deciphering PPP

There is no doubt that Public private partnerships have been a dominant issue in governmental rhetoric’s but also in governmental practice. In many countries governments have turned to the idea of public private partnerships, or partnerships in general, as a vehicle to realize better policy outcomes, or to enhance investments in fields like infrastructure health or even social policy. However at the same time the concept and the idea of PPP has been a contested concept (see Hodge and Greve, 2005, Weihe, 2008). Even if we roughly define Public private partnership (PPP) as a “more or less sustainable cooperation between public and private actors in which joint products and/or services are developed and in which risks, costs and profits are shared” (Klijn and Teisman, 2003) we can still find many different forms under this heading. So PPP’s have been given many meanings, been used it quite a number of ways and we see many different manifestations. Now this is all very normal for many ideas and terms used both in the world of practice and in the world of science but in this case the confusion seems to even bigger than usual. In general we can find confusion on at least three areas, which of course are also connected to each other:

- Confusion about the meaning of public private partnerships; not only do we find many different definitions but also many different appraisals and emotions.
- Confusion about the argumentations and rationality of public private partnerships; there is a lot of discussion what precisely PPP’s should or could achieve (better value for money, more investments, innovations etc.) and these argumentations not seldom seems to be contradictory;
- Confusion about what preferable or best form public private partnerships should have; both in the scientific literature and in the many policy documents that want to promote PPP we can find a wide variety of forms that are being seen as the best or the most workable form to cast the cooperation in.

In this chapter we will elaborate on each of these confusions. We will show that the confusion about meaning has to do with the fact that PPP is a brand and brands are necessarily vague. We will see that the confusion about argumentation has to do in essence with the fact that PPP is hybrid idea. And we will show that we see so many forms because we have many different situations but also that the discussion about form is probably not really the real discussion. After we discussed these confusions and thus deciphered the PPP discussion we will ask ourselves what it is that really matters in the whole discussion? And that is not the form of public private partnerships.

2. Public private partnership as brand: motivating and binding force

If we judge the PPP concept by scientific measures we are of course disappointed by its ambiguity. But that is probably the wrong way to look at the concept, certainly if we consider its use in policy documents, party programs and political speeches. And this certainly should be done since in the case of PPP the image of the concepts is just as much, probably even more, created by the practical use (policy documents, reports from
audit commissions and departments etc) as by the scientific use. The UK version of PPP coming from the Private finance Initiative for instance has been dominating the PPP discussion both in practical terms and in scientific terms (see also Weihe, 2008). The core documents of The PPP knowledge centre in the ministry of Finance in The Netherlands and the ideas on PPP that are being put forward there for instance have been taken directly from the UK PFI documents (Klijn, 2008; see Kenniscentrum, 1998; 2000; 2001; 2002).

**Partnership as Brand**

So in the PPP discussion it is clear that the content of the discussion is more than most discussion being strongly influenced by the uses and language of practical documents. But in policy documents and political speech concepts have a quite different use than in scientific debates. Concepts are brands, images that evoke meaning emotions and attract supporters. In that sense PPP is not a scientific concept but a (political) brand. A brand is “a name, term, sign, symbol or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and the differentiate them from those of competitors” (Kotler et al, 1999: 571). The brand is not the product itself but the meaning and identity it defines. Someone buying a Dior product is not only buying the perfume but also the connected identity and status. And this is the same with partnerships or Public private partnerships. It is not the product (the cooperation, the form the phenomenon) that is the most import from a brand’s point of view but the identity and emotions that are communicated with it. So in the UK the word partnership was closely linked with Blairs new Labour story. Partnership is about doing things differently tackling problems together with society, private actors in stead doing it alone or privatizes it to the market. It has a promise of both joint up government (Pollitt, 2003) and efficiency and thus points the way forward and motivates local governments citizens non-profit organizations. So the brand PPP evokes images and emotions that are much more important that the precise definition form or aim. When establishing an Urban renewal Corporation the Sandwell Burrough in Birmingham clearly uses this image to motivate other actors in it’s text when we read: “The Sandwell URC will be a highly focused, tasks driven, independent vehicle for driving the large scale, physical economic transformation of the central core of the Arc of opportunity... The company will be run in a business like way and will be unfettered by its affiliation to two public sector agencies... Fundamental to achieve the Company’s aim will be to engage and work in a coordinated manner with other agencies and partnerships with an interest in the physical development of this area”.

Thus from a brand point of view it is the meaning and identity that matters not so much the product itself, although of course there has to be a link between the two. Partnership and Public Private Partnership will be used in quite different ways by different governments, in different countries and so forth, in an attempt to create the right image (and connected emotion) that will do the trick. And this will of course enhance the ambiguity and confusion of the concept, but that is a scientific worry not a practical worry.

*Ambiguity is essential!*
Ambiguity is even necessary to motivate many different actors. The more you specify the partnership construction before hand the more likely it is that disagreement will rise about it. Involved actors will have different views on problem, profit, division of risks etc that will provide conflict and possible deadlocks. The concept of PPP must be able to adsorb all these complexities and thus a certain amount of ambiguity is certainly useful. Ambiguity creates the possibility that different actors embrace the idea despite the fact that they do not agree on several aspects. And that is exactly one of the strong points and advantages of a brand: because of its ambiguity and its emotional value it can bind actors and connect them. But of course it can never live up to a scientific expectation of clarity and rigor!

3. Why public private partnerships: PPP as hybrid idea

But we not only see many meanings of PPP but we also see many different reasons why PPP’s would be useful. In general policy makers and researchers assume that a more intensive cooperation between public and private parties will produce better and more efficient policy outcomes (the so called added value) and policy products (Savas, 2000; Ghobadian et all (2004); Hodge and Greve, 2005). The key ‘partnership’ mechanism is that private parties are involved earlier and more intensively in the decision making process, than is the case with more traditional client-supplier or principal-agent relationships. But the way this should be done and the assumption how this improves interactions and outputs are quite different in the available literature. This is due to the fact that the idea of public private partnerships is a hybrid idea. One can find assumptions from two major theoretical perspectives in Public Administration: New Public Management and governance.

**PPP as new public management arrangement**

On the one hand one can recognize ideas from New Public Management that have become dominant in Public Administration since the eighties. In these ideas governments should focus on the formulation of public policy and leave the implementation to other bodies (private organisations or non profit organisations) (Osborne and Gaebler, 1992). For that a separation of policy implementation and policy formation should be encouraged by privatization, outsourcing, agentification and a stronger emphasis on market mechanism and involvement of private actors (Hood, 1991; Kickert, 1997). Public actors should control the implementation by performance indicators or market mechanisms.

One can clearly trace a number of these ideas in the public private partnerships debate where it stresses efficiency and tendering and outsourcing as possible forms of organizing PPP’s (Nao, 2002; Greve, 2007). This is especially strong in the literature on Private Finance Initiative in the UK which has so dominated the discussion on PPP the last 10-15 years. In this form of PPP the contractual character of PPP is stressed. The design, building, financing and commercial operation of an infrastructure project (such as a road, or a building like a school) are integrated into a contract (a DFBO contract). The added value lies in the lower costs of coordination between the various components (often
expressed as ‘efficiency’ or ‘value for money’ gains). Even though these efficiencies are necessary for a PPP concession, they would not be sufficient to attract private or public sector interest. Their interest arises from the opportunity to create substantive added value. For example, the Private Finance Initiative (PFI) tendering system used in the UK for the road construction bundles design, build, finance, and operation are contracted out to private consortia for a period of 30 years. The consortium can use more sustainable (expensive) building materials to save on future maintenance costs (Haynes/Roden, 1999). The payment system rewards the ‘availability’ of roads (NAO, 2001; NAO 2003) rather than second-guessing the costs of constructing them. The opportunity for a long-term involvement in a project provides both the potential for devising new solutions to problems and protects a risk aversion to untested. Of course the essence of such a model is that the public actor can specify the goals at the beginning clear enough.

These ideas about efficiency, risk allocation etc are clearly inspired by the ideas of the new Public management. But this can also be said about the suggestions that PPP should be given clear performance indicators and about the idea that we should organize PPP’s in separate body’s one could say at arms’ length (Pollitt et. all, 2004). These idea of separate arms length bodies’ can both be found in the contractual PFI form but also in the idea of Urban regeneration Partnerships which have been mentioned in the previous section (Geddes, 2008). (CARSTEN EN GRAEME, SHOULD I EXPLAIN ARMS LENGTH HERE OR IS THAT DONE SOMEWHERE ELSE)

PPP as governance arrangement

However one can also recognize ideas in the PPP literature that resemble more the arguments that are present in the vast literature on governance. That literature on governance stresses the importance of horizontal coordination between public actors and other actors and the fact that it is difficult or impossible to revert to top down steering in a network society in which independence has increased because of specialization and knowledge spread and in which citizens emphasize voice rather than loyalty (see Frederickson, 2005; Sorensen and Torfing 2007; Klijn 2008). Governance literature emphasizes the complex nature of decision-making and service delivery, the dependence of other actors and the need for horizontal coordination and active forms of network management that promote cooperation between public and private actors, the generation of new innovative solutions and the use of knowledge among the actors and reduce veto powers and obstruction (see Agranoff and Mcguire 2001; Koppenjan and Klijn, 2004; Sorenson and Torfing, 2007).

One can clearly also find some core element of the discussion on governance in the ideas on PPP. One can think of the assumption that co-production between public and private actors results in exchanging more information and the usage of each other’s knowledge and so generate more innovative and better products and policy outputs for complex societal problems. Although the governance literature does mention organisational structure and form (Mandell, 2001) it tend to stress institutional and even more so managerial characteristics that are decisive for achieving good outcomes. Mostly these managerial efforts are labelled network management (Gage and Mandell, 1990; Agranoff and McGuire, 2001; Meir and O’ Toole, 2001, 2007; Koppenjan and Klijn, 2004; Bruijn,
et al 1998). Without these managerial strategies reaching desirable outcomes is assumed to be very hard.

**Form or managerial activity?**

If we look at the various arguments why public private partnerships result in better or more efficient outcomes we thus see different groups of arguments coming from different theoretical and practical perspectives. This is also a source of confusion about PPP’s. This confusion actually can be summarized in a nutshell in the question whether it is the form and monitoring of the partnerships that really makes it work, the assumption implicit in the new public management types of arguments for PPP’s or whether PPP’s are an opportunity to work more closer together and it is the managerial effort (that is the network management activities) that really make the partnerships work. Government documents tend to stress the form because that is something you can arrange before and fits in a more central control oriented perspective of central government. But whether it is the most plausible argument?

4. **The organizational form: theoretical arguments and practical forms**

A wide variety of forms in which the PPP co-operation is used can be encountered. The forms range from strongly contractual forms, like the PFI contracts in the UK to more informal forms, like project groups without any formal judicial status and to tightly organized consortiums. The discussion on the choice of organizational form is fairly prominent in the partnership literature and even more prominent in the government texts about PPP (Nao, 2002; Kenniscentrum, 2002; 2004; Klijn 2008). And this for instance also also true for the discussion about Urban Regeneration Partnerships (Urban Task Force Report 1999, Kort and Klijn, 2009). However one can not find definitive statements about which organizational form is the best for partnerships. The literature on PFI suggest that good and tight contracts seem to be the best. The literature on URC’s suggests tight partnership forms at arms length from the government to be the best (VROM 2002, Berenschot 2002, 2003).

**A typology of public private partnerships**

If we look at the wide variety of literature we see that the discussion focuses on the form of organization on the one hand (is the partnership organized in a strongly formalized form like a contract or a newly set up organization or not) and whether the relation between the public and private actors is more an equal (principle to principle) relation or more like a principle agent relations (see Osborne, 2000; Hodge and Greve, 2005; Weihe, 2008). In each cell an example has been presented of the type of partnership that evolves out of the dichotomy.
Table 1: A typology of form of PPP

<table>
<thead>
<tr>
<th>Type of relation</th>
<th>A principle agent relation</th>
<th>Partnership relation (equal principle-principle relations)</th>
</tr>
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<tbody>
<tr>
<td>Organizational form</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tight organizational form</td>
<td>1. Design Finance Built Operate contracts (PFI like partnerships)</td>
<td>2. Consortium</td>
</tr>
<tr>
<td></td>
<td>3. Intensive general cooperation between public private actors (in policy programs for instance)</td>
<td></td>
</tr>
<tr>
<td>Loosely coupled</td>
<td>4. Network like partnership</td>
<td></td>
</tr>
</tbody>
</table>

When the form is tight and the relation has a strong principle agent relation we find ourselves in the DFBO contracts of the Private Finance Initiative in the UK. (Cel 1). If we have a more principle-principle relation public and private actors jointly create and fund a separate organizational form like in the situation of the Urban Regeneration Companies (cell 2). When the form is loosely coupled and the relation is a principle agent one we are talking about more general relations where public actors involve private actors to provide services or policy outcomes that match goals and aims of that public actors. This could be loosely contracts or implementation actions of private actors that fit in policy programs. One could question whether this really still belongs to the PPP category but there are authors that do so (see the policy approach as discussed by Weihe, 2008). If we seed a principle principle relation with a loosely coupled organisation form we see PPP that have a network like character where there is mostly fairly intense interaction but only contract or organisational form when it comes to implementation activities (cell 4). This type of partnerships can be found in complex urban restructuring where public and private actors have intense interactions during a fairly long period of decision-making and developing and organizational form are only installed at the end.

**Theoretical arguments for PPP forms**

What theoretical arguments are being used in the literature to answer the question of the best organizational form of PPP? If we look at the two most prominent theoretical perspectives that are used in the PPP literature, the resource dependency perspective and the neo-institutional theory, one could defend the position that the overall expectation is that more tightly organized forms should generate better results (Benson, 1982; Neghandi, 1975). The resource dependency perspective suggests that the more dependent partners are on each other the larger the need for organization of the interactions (see
Mulford and Rogers, 1982; Donaldson, 1995). Since partnerships are organized because partners hope to achieve added value they make their achievement of goals dependent on the other partner. This creates stronger resource dependency and thus in general partnerships characterize itself by high dependency.

The same can be said from a neo-institutional economic perspective since partners invest in the relationship and make specific transaction costs that they can not use for an other relation (Williamson, 1979, 1996). This again makes dependency high and the risk of opportunistic behaviour problematic. This will lead to tight organizational structures in which partners will try to minimize the possibilities of the other partner to walk away with a large share of the profits. Of course one could draw another argument from that same neo-institutional economic theory that extensive contracts or organizing structures are costly in terms of transaction costs and can diminish partners space to manoeuvre and reduced the necessary difference between actors to create innovation and (Nootbooom, 2002; Parker and Vaidya, 2001). This argument of innovation also is used against the neo- institutionalist argument that one should centralize decision-making with high uncertainty and strong interdependency, because that would kill the necessary difference between actors to create innovation.

But in general one the assumption that tight forms (either by good contracts that specify bonds and penalties in case of non delivery of service or policy outcomes, or by setting up joint organizations at ‘arms length’) are the best way to organize public private partnerships dominates the discussion. But is this a correct assumption?

5. Conclusion: what does really matter in Public Private Partnerships?

So far we have explored the confusion that surrounds the PPP discussion. Many authors have complained that the concept of PPP has so many meaning, rationales and different organizational manifestations that it is hard to tell where it is all about. We have seen that this confusion is due to the fact that PPP is a brand used in the policy and political practice of everyday life and that brands are not about precise definition of the phenomenon but about creating images and (emotional) meaning and attachment. Not surprisingly we see various different forms. In the previous sections we have explored the various forms. Of course one can observe that the various forms are used in quite different situations. The PFI like contracts are mainly used in situations where there are clear goals and a relative clear product (a school building, a road etc). If we look at other PPP’s in the UK we see a large number of other schemes than PFI like Local Educational Partnerships, Strategic service partnerships) which are in organizational terms more complex that the PFI partnerships (See Klijn, Edeleboos, Hughes, 2007).

But confusion is further enhanced because in the argumentation for PPP’s one can find two different lines of argument one coming from a more New Public management point of view and one coming from a more Governance point of view. The NPM view tells us to use performance indicators, to organize the PPP’s at arms length and its strong emphasis on efficiency and market mechanism. This the world where the main argument
for PPP’s is that they are separate organizations (that is at distance of the confusing world of politics) that can go on implementing urban regeneration schemes, attracting private money and getting ‘the job done’. It is the promise of efficient bodies run in a private managerial way delivering good outcomes for less money. In the world of the governance argument PPP’s are cooperative bodies where the best from public and private is used, creating innovative solutions by matching knowledge and expertise, using horizontal coordination mechanisms, that is various kind of network management strategies, to improve coordination and enhance valuable outcomes.

But what argument actually seems to be the most credible? To test this Steijn, Klijn and Edelenbos performed an analysis on (see Stein, et all, 2009; Klijn et all, 2010) respondents of environmental projects in The Netherlands. They asked respondents to answer a set of questions for a specific project they were involved in most. Questions were asked about the outcomes/evaluation of the projects, about various managerial activities, about the organizational form of the relation between public and private actors and about project characteristics (among other questions). They could find no relation between the organization of the project and the outcomes but could find a strong relation between the number of managerial strategies used and the outcomes (Steijn et all, 2009). These findings were confirmed in another research of Urban regeneration Companies in The Netherlands (see Kort and Klijn, 2009) which used a different sample of respondents.

This seems to point at an interesting finding that it is the managerial effort that makes a public private partnership work and not the organizational form. They also could find no relation between organizational form and number and types of managerial strategies (Steyn et al, 2009). This does not seems unlogical since whatever form you choose for the partnership you have to do all the hard work of the managerial efforts anyway.

All the discussion about the organizational form seems to be more about power and governmental rhetoric’s to either control partnerships (especially in the UK) or to provide quick recipes for PPP that can be communicated in an easy way. But it blurs probably what it is actually at stake and that is if you want to make a partnership work you have to invest a lot of time and energy to connect actors (not just the private ones) explore content, organize the interactions and keep the network connected and going. So maybe all this confusion is not really about the core of public private partnerships: it is not the form that really matters, or even the argument for it’s establishment but the effort you are prepared to put in it and the way you mange your relationship.
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i This quote is borrowed from the case study done by Michiel Kort for his PHD on URC’s and their effectiveness.
ii They made a distinction between categories no organizational form, project Group, a project organization and a juridical entity. The categories show a movement from low organization to tight organization.