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Public–Private Partnerships and the Public Accountability Question

Seminal Questions Facing Contemporary Public Organizations

Public–private partnerships (PPPs) are growing in popularity as a governing model for delivery of public goods and services. PPPs have existed since the Roman Empire, but their expansion into traditional public projects today raises serious questions about public accountability. This article examines public accountability and its application to government and private firms involved in PPPs. An analytical framework is proposed for assessing the extent to which PPPs provide (or will provide) goods and services consistent with public sector goals of effectiveness, efficiency, and equity. Six dimensions—risk, costs and benefits, political and social impacts, expertise, collaboration, and performance measurement—are incorporated into a model that assists public managers in improving partnerships' public accountability.

Public–private partnerships (PPPs) increasingly have become the default solution to government problems and needs, most recently for infrastructure, and they are embraced by a wide range of constituencies, across political parties, and throughout the world (Ghere 2001; Tennyson 2003; Wettenhall 2003). This trend may accelerate as governments experience fiscal deficits and look for alternative ways to finance and deliver government services. The rationale for creating such arrangements includes both ideological and pragmatic perspectives (Savas 2000). Ideologically, proponents argue that the private sector is superior to the public sector in producing and delivering many goods and services. Pragmatically, government leaders see PPPs as a way of bringing in the special technical expertise, funding, innovation, or management know-how from the private sector to address complex public policy problems. The expanding domain of goods and services provided by PPPs includes private toll roads, schools, hospitals, security services, wastewater treatment, and emergency response.

There are many challenging technical and structural aspects to creating successful PPPs that have been addressed by other authors (see, e.g., Grimsey and Lewis 2004; Hodge and Greve 2005; Yescombe 2007). However, with the increased use of PPPs, the issue of public accountability has become one of the more important of the policy questions raised (see, e.g., Guttman 2000; Sclar 2000). The purpose of this article is to provide a framework to assist public managers in effectively exercising accountability with PPPs. We begin with a discussion of the nature of PPPs and the traditional concept of public accountability. Second, we focus on the unique characteristics of interorganizational relationships that are pertinent to the exercise of accountability in PPPs. Finally, we offer a framework to analyze PPP accountability issues along six important dimensions that shape the relationships forged in public–private partnerships.

The purpose of this article is to provide a framework to assist public managers to effectively exercise accountability with [public–private partnerships (PPPs)].

What Public–Private Partnerships Are and What They Are Not

Public–private partnerships have existed worldwide at least since the time of the Roman Empire (e.g., the use of private tax and toll road collectors) and in the United States since its founding. During the Revolutionary War, the Continental Congress authorized the use of privateers to harass the British navy. Later, much of the West was developed through a variety of PPPs, including the cross-continental railway (Bain 1999). The production of transportation infrastructure often has been undertaken with PPPs, from the development of private toll roads and canals during the nation's early history up to the recent Dulles Greenway—a privately financed, built, and operated toll road in northern Virginia.

Even with their ubiquity, there remains some ambiguity as to what exactly constitutes a PPP (see, e.g.,

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Weihe 2006). Savas, for example, defines a public–private partnership "as any arrangement between government and the private sector in which partially or traditionally public activities are performed by the private sector" (2000, 4). This is a broad definition that accommodates a variety of arrangements, from contracting out to the use of vouchers. Of course, any agreement or contract between the government and another entity (a private firm or nonprofit organization) might be casually labeled a "partnership," to suggest some shared goals or spirit of cooperation in the undertaking; many of these involve interesting accountability challenges. For this article, however, we focus on a more specific, emerging form of PPP that gives the private sector a greater role in decision making and assumption of risk in the joint venture.

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The private sector has long been involved in infrastructure projects, under arrangements by which the private sector, under contract, designs and builds facilities (or roads) and then turns them over to the government to operate and maintain. Our specific focus is on long-term partnerships involving the private delivery of public infrastructure services. For PPPs that are used to such ends, we offer the following definition:

> Public–private partnerships are ongoing agreements between government and private sector organizations in which the private organization participates in the decision-making and production of a public good or service that has traditionally been provided by the public sector and in which the private sector shares the risk of that production.

Three critical conditions characterize our conception of these emerging PPPs:

1. The relationship between the public and the private sector organization is long term, rather than a one-time relationship, such as might occur in a conventional contract for a good or service (such as office products or secretarial assistance).
2. The private sector cooperates in both the decision making as to how best to provide a public good or service and the production and delivery of that good or service, which normally have been the domain of the public sector.
3. The relationship involves a negotiated allocation of risk between the public and private sectors, instead of government bearing most of the risk.

These emerging forms of PPPs take a variety of forms that reflect varying degrees of private involvement, including design, build, and operate; build, own, operate, and transfer; and design, build, finance, and operate (Hodge and Greve 2005).

PPPs Contrasted with Outsourcing and Privatization

PPPs are often associated with other government reforms or functions involving the private sector. For example, the *outsourcing* of government functions (transferring them to the private or nonprofit sector) is an effort to achieve greater fiscal control and more efficient service delivery. Government outsourcing is an application of the classic make-or-buy decision to government operations, even functions that have been the traditional domain of governments. The presumption is that private vendors can provide some public services more cheaply than government agencies (Savas 2000). However, there is nothing intrinsic to outsourcing that requires a partnership.

Privatization of traditional state-owned or state-run enterprises is another popular reform strategy. Privatization involves the transfer of some activity and its assets that in the past was operated by the public sector to the private sector, through a sale, concession, or some other mechanism (see, e.g., Netter and Megginson 2001). In privatization, either a government eliminates direct control and ownership of the function and the delivery of services (full privatization), or it retains some influence by holding stock in the privatized firm. The intention in all such arrangements is that the day-to-day production and delivery of these goods and services will be left to private operators, and thus the market, and that the government's involvement will be primarily regulatory. Again, there is nothing intrinsic to privatization that requires a partnership.

PPPs versus Contracting

Our definition of PPPs reflects a particular, distinct mode of government acquisition, in contrast to traditional contracting out. In a traditional, competitive, contracting-out approach, government dictates the terms and conditions for service production and delivery. The government agency (the purchaser) defines what it needs, specifies the desired product or service, and then issues a request-for-proposal to allow those in the private (or nonprofit) sector (vendors) to bid on the good or service being sought. The vendors are invited to offer proposals for providing the good or service in the most cost-effective or efficient manner, given the constraints and specifications imposed by the government. Thus, government might contract out for the design and construction of an infrastructure project, without a bidder's involvement in the design specifications, financing, or operations of the project.

> Important elements of successful conventional contracting include arm's-length negotiations, transparency, clear specifications of the good or service being bought, and specific evaluation criteria.

Important elements of successful conventional contracting include arm's-length negotiations, transparency, clear specifications of the good or service being bought, and specific evaluation criteria (Cooper 2003). After awarding the contract, the public sector serves as the project manager or overseer, making sure the vendor supplies the goods or services promised in a timely and effective manner. The public–private interface is contractual (legal) and transparent, and the relationship is based on vendor compliance with the contract specifications. Conflicts are often resolved through contract renegotiations, a dispute resolution process, or, if that fails, the courts.

In contrast, in a PPP, while government defines the problem and, sometimes, specific performance indicators (outcomes), there remains extensive interaction between the agency and potential private partners during pre- and post-award negotiations to determine how the good or service might be provided. The private operator becomes a full partner in determining the forms and approaches used to provide the specified quantity and quality of goods or services. Such public–private interactions require mutual trust and respect for each party's goals and interests.

The Uniqueness of PPPs

In our view, PPPs reflect a unique relationship between the government and a private firm. While the government retains ultimate responsibility for the delivery of the good or service, it becomes a partner with the private sector in decision making and delivery (Grimsey and Lewis 2004; Yescombe 2007).

While we recognize that there are many reasons for the creation of PPPs, they are often justified on one fundamental *assumption* and one fundamental *presumption*.[1] The accuracy of these two conditions—and they vary from case to case—illustrates both the promise and the pitfalls of PPPs with regard to public accountability.

The *assumption* is that governments often do not have the in-house knowledge of the most cost-effective ways to deliver many types of public goods and services—either directly or through contracts. Governments have radically reduced their research and development capacity and increasingly have relied on consulting firms to do their thinking and even to manage their contracts (Guttman 2000). In a globalizing world that is more integrated, complex, and volatile, governments simply may not possess the prerequisite knowledge, capacity, or managerial skills. When this is the case, governments *need* to engage partners that have the necessary expertise, know-how, and managerial adeptness needed to carry out government responsibilities.

The *presumption* is that governments can partner with private firms in a relationship in which government gains access to the technical expertise it requires and can assess the cost-effectiveness of private delivery, and firms are willing to share their expertise in exchange for long-term service contracts. Thus, the formation of a PPP ties the two parties together in a common goal, where both of their fortunes are linked to the success of the overall project, providing the incentives for both sides to cooperate, innovate, and work collaboratively toward the success of the enterprise.

Accountability in PPPs, therefore, is linked to the specific relationship created and the obligations and requirements accepted by both the government and the private firm. If the PPP is designed properly, the incentives that guide public bureaucracies and private organizations will provide mutuality to the partnership. If PPPs are poorly designed, there is no reason to expect that the presumption just detailed will materialize, and PPPs may leave the public no better—and perhaps worse off—than if the government had relied on its own resources to carry out the tasks (see, e.g., Guasch 2004). However, understanding what constitutes the best design to ensure public accountability is case specific. Public managers need to sort out, assess, and address various dimensions of public accountability when considering a PPP.

Defining Public Accountability for PPPs

Accountability has long been recognized as the cornerstone of successful public management. Kettl reminds us that "government's performance is only as good as its ability to manage its tools and to hold its tool users accountable" (2002, 491). In an environment of proliferating partnerships, the tools of government needed to maintain accountability are not the same as those needed for insular agency activities. PPPs change the dynamics of public accountability by involving private partners in government decision making and program delivery. The terms and conditions of this involvement deserve careful scrutiny and understanding by public officials, before entering into a PPP, as private partners enter into these arrangements for different reasons than governments (Posner 2002). While governments work to serve the public in capital investment projects, private partners are understandably "focused on recouping [their] investment and on generating a profit" (Buxbaum and Ortiz 2007, 8). Accountability in PPPs requires the creation of proper safeguards to ensure that public services are not compromised for the sake of private profits.

Achieving this oversight is complicated by the structural conditions that are inherent in organizational partnerships. Public–private alliances often feature an imbalance of responsibility among the partners, wherein some organizations have greater responsibility to the partnership (Friend 2006). Public managers need to be aware of the levels of accountability among partnership members. Brinkerhoff points out that unlike the principal–agent relationships that are inherent in hierarchical organizations or in contracts for services, the idea of a partnership "encompasses mutual influence, with a careful balance between synergy and respective autonomy, which incorporates mutual respect, equal participation in decision-making, mutual accountability, and transparency" (2002, 216).

In this sense, public entities need to consider not only the mechanisms they will use to hold their private partners accountable, but also how government will be accountable to their private partners. In place of vertical chains of authority in typical bureaucratic institutions, or principal–agent relations in short-term contracts, the horizontal relations in PPP arrangements place unique challenges on public managers. PPPs display a variety of these horizontal relationships through collaborative mixing, consensual decision making, and other recognized characteristics of organizational partnerships (Wettenhall 2007, 395). While these characteristics vary, the nature of such agreements fosters organizational interdependence at greater levels than that achieved through short-term contracts.

Traditional Notions of Public Accountability

Historically, "public accountability" has been largely about control. Light claims that this term has long been narrowly defined as "limit[ing] bureaucratic discretion through compliance with tightly drawn rules and regulations" (1993, 12). Because public managers are not elected by the people, it is up to elected representatives (such as members of Congress or the president) to ensure that public managers serve the needs of the people. Lynn identifies the root challenge of government accountability as "the delegation of sovereign authority to [nonelected] officials empowered to act in the name of the people and their representatives and the resulting necessity to maintain control over those officials' actions" (2006, 137).

Aspects of Public Accountability

Public sector employees are called upon to serve many, sometimes conflicting stakeholders through both informal and formal control mechanisms. Informally, public managers report "not only to a multitude of elected officials, but also to a plethora of interest groups, clientele, media, and other actors" (Posner 2002, 524). Formally, there are three types of controls that have evolved to ensure public accountability: accountability to other governmental bodies, hierarchical accountability, and accountability to impersonal standards. The result is that "public agencies are asked to conform simultaneously to several legitimate but often competing accountability expectations" (Dicke and Ott 1999, 511).

The very division of power among executive, legislative, and judicial branches, as explicated in *Federalist No. 10,* is one formal approach to limit the discretion of public managers (Behn 2001, 9). Reforms enacted during the Progressive Era in the United States led to the establishment of independent government regulatory agencies, public commissions, and corporations to oversee government bodies through the executive branch (Behn 2001, 52). Congress has a role in agency oversight, through its budgeting and appropriation committees and public hearings and through the semi-autonomous Government Accountability Office. In addition, the judicial branch places a check on "arbitrary and capricious" behavior of agencies and their officials.

A second formal approach to public accountability for public actions is advanced through vertical chains of authority within government. Echoing the views of Max Weber, Wilson (1887) placed vertical authorities at the center of his call for a separation of politics from administration. The concept is that intraorganizational controls enhance adherence to the public interest by holding bureaucrats to the account of "higher authorities including elected and appointed officials who sit at the apex of institutional chains of command" (Kearns 1996, 11).

Finally, impersonal standards of performance also have emerged as a formal method for monitoring public managers. Freidrich's (1940) call for increased attention to technical standards provided the groundwork for much of the focus we see on performance management in government today. Performance measures increase accountability to the public, and they encourage and codify shared commitments and responsibilities (Kettl 2005). In addition, Congress (and many state legislatures) has created procedural standards and safeguards to enforce bureaucratic accountability through such legislation as the federal Administrative Procedure Act, which controls *how* officials act.

The combination of various control factors makes accountability anything but straightforward for public managers involved in PPPs. The result is an "overlapping set of independent and competing mechanisms—and a variety of independently operating accountability holders" (Behn 2001, 60). PPP actors are thus positioned within an already existing set of complicated and often competing chains of authority. Defining public accountability in PPPs not only demands attention to these existing constraints, it also requires new approaches to management.

Accountability in Public–Private Partnerships

Vertical hierarchy has long been the principal method of controlling the acts of those within an organization, a scenario that is much different from the horizontal relationships of PPPs. The existing literature addresses many contemporary challenges of managing horizontal relationships within indirect and networked government (e.g., Agranoff and McGuire 2001; Kettl 2002; Milward and Provan 2006; Posner 2002) or managing multisector responsibilities through service contracts (Cooper 2003; Forrer and Kee 2004; Guttman 2002; Savas 2000). These approaches emphasize the changing demands on public accountability when government responsibilities are shared with private and nonprofit entities. The contracting literature, for example, involves guidelines for managing this process, such as Dicke and Ott's 10 techniques for managing government contracts to private and nonprofit organizations: auditing, monitoring, licensure, markets, the courts, contracts, codes of ethics, whistle-blowing, registries, and outcomes-based assessments (1999, 506–7).

Unlike conventional contract management, PPPs require more than being a "smart buyer" (Kettl 2002). PPPs involve integrated responsibilities along a number of long-term dimensions with a private partner that is not easily severed, as in a short-term contractual relationship. When PPPs are created, each partner enters into the agreement with its own objectives and resources. Governments need to develop the capabilities to assess their comparative strengths and weaknesses in a prospective PPP arrangement. Many PPPs, especially infrastructure projects, involve "public sector organizations getting access to private capital and construction expertise and private sector organizations getting new orders and securing new customers" (Hodge and Greve 2005, 10). Ghere (2001) also provides examples in which private partners provide technical expertise, resources, or capital to the partnership, and public bodies provide access to public resources as well as public support for new initiatives. Thus, it is necessary for public managers to understand what their organization can offer, as well as what they will receive, from proposed PPPs.

Taking a long-term view of partnership relationships is also necessary. A key to ensuring accountability is the recognition that "the public entity needs to be aware that its responsibility for contract management does not end once the contract has been awarded" (New Zealand Office of the Auditor-General 2006b, 84). PPPs require controls and oversight both ex ante and ex post contract formation. Ghere describes the ex post involvement as "ongoing negotiation" (2001, 442) between the public and private partners. Most PPPs last longer than election cycles, or even the average tenure of many public managers. PPPs in the United Kingdom generally have 30-year concession periods, and some PPPs in the United States have approached a century. In such cases, accountability depends heavily on anticipating the ex post issues and relationships. It also depends on procedures and decision rules embedded in the agreement. However, assessing the success of PPPs does not have to wait until the termination of the agreement. The quality of services can be compared to past performance, to performance by others, and to performance standards established in the PPP. In the United Kingdom, periodic audits of PPP performance are a key responsibility of the National Audit Office.

Exercising accountability in PPPs utlimately depends on clarifying responsibilities in relationships. Kee et al. point out how interactions between public and private partners "affect the overall ability of an agency to monitor compliance and reward and punish success

or failure by the contractor" (2007, 11). This is an important characteristic that differentiates PPPs from short-term contracts. PPPs are "seen as an advance on—almost an alternative to—'contracting out and privatization'" (Wettenhall 2003, 78). What is required, therefore, are mechanisms for both parties to demonstrate their commitment to the partnership. Accountability, in this sense, can be seen as "two-sided," implying "both a willingness to take responsibility for one's actions and an expectation that these actions will be recognized" (Milward and Provan 2006, 19). Clear two-way channels of communication are needed to strengthen cooperation.

PPPs need to be stewarded by the government in order to ensure that public interests are met throughout the arrangement. "[T]he public partner should seek a leadership role that defines the tenor of the partnership" (Ghere 2001, 448). Thus, while both partners develop interdependence in the partnership, ensuring public accountability requires government to play an upper hand. This requires public managers to be aware of various dimensions of public sector accountability.

Six Dimensions for Strengthening Accountability in PPPs

Enthusiasm for PPPs can give rise to hastily crafted partnerships that trigger public opposition and unclear expectations of the partners—thus reducing the potential for the effective exercise of public accountability. Partnerships formed with appropriate consideration and clear allocation of the expected roles, risks, and responsibilities may avoid these pitfalls, leading to a more beneficial collaboration for both partners. Public managers must have the capacity and know-how to balance a variety of economic, political, and social factors when designing and monitoring the operations in PPPs.

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Goldsmith and Eggers (2004) provide a list of four key issues to ensure public accountability of "networked" government: properly aligning the incentives, routinely measuring performance, building trust in the network, and appropriately sharing risk. Recent studies that examine the importance of resource sharing and trust include Chen (2008) and Agranoff (2008). Based on our examination of PPP case studies, government audits, and interviews (e.g., Kee and Newcomer 2008; Morland et al. 2005; Patterson 2004),[2] we have built on these approaches to identify dimensions of accountability that are applicable to PPPs. Figure 1 displays the six dimensions of a proposed framework to assess PPP accountability: risk, costs and benefits, social and political impact, expertise, partnership collaboration, and performance measurement. Each of these dimensions must be assessed in advance of the development of a specific PPP arrangement and throughout the partnership. The six dimensions and how they are linked to accountability are discussed next.

Risk

The first dimension that is important in assessing PPP accountability involves understanding and allocating risk among the partners. Negotiations between the partners should begin by explicitly defining the risks and identifying and agreeing on who is in the best position to bear the responsibility for the risks in the partnership. The goal of risk identification, allocation, and negotiation is "assigning risk to the organization that best understands and can control the risk and maximizes public benefit" (Goldsmith and Eggers 2004, 141). A major reason for creating PPPs is the shifting of risk (and therefore cost) from government to the private sector—but the public sector cannot shift all of the risk. For example, when entering into a partnership, a public agency must devise a plan to mitigate the impact on the public of an interruption of services as a result of any failure on the part of either party or problems attributable to forces beyond their control. This might, for example, mean retaining some residual capacity to perform the function.

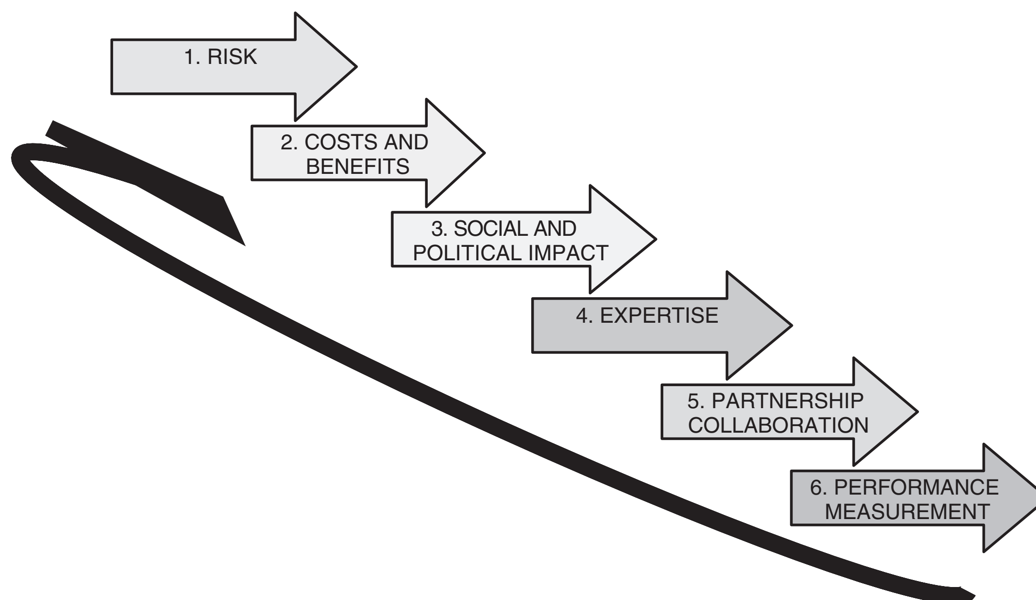

Figure 1 Public-private Partnership Accountability Framework

The allocation of risk should be based on analysis of which partner has the relevant resources, expertise, and knowledge to manage and control the risk. There are different forms of risk (e.g., financial risk, demand risk) that must be parsed and addressed. A "risk assessment methodology" should be integrated into the initial planning and annual review of any PPP (GAO 2007). An extremely important risk area is the structure of the financial arrangement—a subject that has been explored in detail in several publications (Engel, Fischer, and Galetovic 2008; Glaister 1999; Grimsey and Lewis 2004; San Miguel and Summers 2006; Yescombe 2007). The appendix provides a table of typical risks with suggested responsibilities in an infrastructure PPP.

If the risks are not addressed properly, the partners may be tempted to avoid any "relational" interactions in order to minimize the risk of acting outside their prescribed contractual terms. The worst case occurs when there "is a positive incentive to sit back and do nothing but what the contract says" (Davis 2008). A popular suspicion about PPPs is that the government will end up bearing undue risks to the advantage of the private partner, leading to overly generous returns for the private sector's efforts. However, public managers must recognize that shifting too much risk will lead to the inclusion of a heavy "risk premium" in the private sector bid. Discovering the appropriate balance of risk allocation ensures a greater accountability for the services delivered and their conformance to public expectations. Illustrative questions for public administrators regarding risk and public accountability include the following:[3]

- What is the strategy of each partner for identifying and allocating risk, and are the partners responsible for each type of risk best able to manage the risk in terms of expertise and resources?
- Are there some risks that cannot or should not be shifted from the public to the private sector?

Cost and Benefits

Cost–benefit analysis is critical for determining which projects are appropriate for PPPs (Rendell 2009). While controlling the cost of a PPP is vital and also a major reason for government entering into the partnership, it is also important to weigh the benefits in order to fully appreciate the overall value of the endeavor. Financial costs and benefits include both monetary expenditures and other gains and losses resulting from the partnership. Opportunity costs, or those costs associated with the option of not entering the PPP, also should be identified. Saavedra and Bozeman (2004) find that cost–benefit analysis allows partners to determine whether a comparative advantage for partnership exists.[4]

PPPs may give rise to unanticipated opportunity costs and benefits. For example, a study of one state's early childhood initiative partnership with local nonprofit childhood centers and private firms indicated a decrease in center directors' focus on their education programs and a reduction in parent participation (Patterson 2004). Many of the 46 center directors interviewed for the study said that the advent of the PPP initiative found them spending more time soliciting donations from their corporate partners and parents reducing their participation in center governance and policy. Yet there were also clear benefits from the partnership. The board members from the corporate world were thought by other members to add value through their critical thinking skills, orientation to innovation, and a strong valuation of efficiency that improved management and decision making at the centers (Patterson 2004, 162).

While it is critical to conduct a cost–benefit analysis prior to embarking on a PPP, it also is true that ongoing consideration of costs and benefits should occur as the project develops and as conditions change. Illustrative questions related to accountability for public administrators regarding project costs and benefits include the following:

- Are total costs considered as part of the bid, including opportunity costs, life cycle costs, and operation and maintenance costs over the length of the PPP?
- What happens if costs and benefits do not materialize as expected, and what contingency plans are built into the arrangement to protect the public interest?

Social and Political Impact

The partnership may affect a variety of social and environmental systems, including educational, health-related, legal, and environmental systems. In assessing impact, social equity effects, such as the differential impacts on socioeconomic segments of society, also should be considered. The distribution of social impacts can have implications on the political system by affecting voters and citizen's opinions, thereby potentially affecting electoral outcomes.

The perceived success of the partnership can determine its ability to continue delivering services to the public. If services do not meet the expectations of the public, political consequences may include civic disengagement and weakened chances of reelection for partnership backers. As Goldsmith and Eggers note, "when something goes wrong in a public sector network, it tends to end up on the front page of the newspaper, instantly transforming a management issue into a political problem" (2004, 122). For example, if a partnership action has a negative environmental impact on a land or water system, environmental groups and activists could have a negative influence on the future reelection of any politician who supported the partnership, thus undermining that politician's support for future funding for the partnership.

Sufficient political backing of the partnership is necessary to sustain the work when elections bring change. There is a risk that political support will not be maintained if the program's elected sponsors are voted out (National Academies Roundtable 2006). In some cases, the idea of nongovernmental, market-driven organizations taking over government programs can foster community resistance (Wettenhall 2007). One recent high-visibility partnership is the new Trans-Texas Corridor, a PPP designed to deliver a complex transportation and infrastructure corridor. Despite backing from a popular governor, the concept came under attack because of the equity involvement of "foreign" corporations, as well as the large amount of land that would have to be purchased or taken through eminent domain (see, e.g., CorridorWatch.org 2008; Hoitsma 2007). Illustrative questions for public administrators regarding social and political factors and public accountability include the following:

- What is the strategy of each partner in identifying social, economic, and environmental impacts, and which partner will address those impacts?

- Have all (potentially) affected stakeholders and parties been involved in the decision-making process?

Expertise

Governments are often assumed to seek out private or nonprofit alliances in an effort to access a wider range of resources and expertise (Bryson, Crosby, and Stone 2006; Wood and Gray 1991). The concept of expertise entails involving people with the insights and skills needed, from both the private and public sectors, to accomplish the tasks of the partnership. "It is essential to involve personnel that clearly understand agency objectives and regulations as well as private business and contracting conventions" (U.S. Department of Transportation 2007). The type of expertise needed depends on the partnership mission, but may well include knowledge and skills in information technology, law, and management of public relations and internal partnership issues.

Expertise may be the key to a partnership, as in the case of the Bridging Refugee Youth and Children's Services (BRYCS) program. Between 2000 and 2004, the number of international refugees increased significantly in the United States, especially among Somalis, Sudanese, and Liberians (Morland et al. 2005). These communities were not being adequately oriented and mainstreamed. The U.S. Conference of Catholic Bishops/Migration and Refugee Services partnered with the U.S. Department of Health and Human Services to pilot a new collaboration to strengthen communication and coordination between the public child welfare and refugee-serving agencies. In the BRYCS partnership, staff who were unfamiliar with diverse cultures and native languages received training in cultural competency that raised their awareness about the need for interpretive services and community outreach refugee organizations (Morland et al. 2005).

Expertise also is important because it can lead to organizational innovation—often a chief motivating factor for the creation of a PPP. Thus, it is critical for the public sector to clearly articulate the expertise it expects its partners to bring to the PPP and for government to have the corresponding expertise to take advantage of the private knowledge and experience. Illustrative questions for public administrators regarding the expertise factor and public accountability include the following:

- Has the private partner's expertise been adequately specified in the bidding process, and does the contract ensure that specialized expertise offered by the partners will actually be provided?
- Is the expertise of each of the partners (both private sector and government) used effectively, and is that expertise monitored in some fashion?

Partnership Collaboration

The strength of the human connections within a PPP affects the overall ability of a government agency to monitor compliance and reward success or punish failure by the private partner. Clarity in expectations for coordination as well as flexibility to facilitate collaboration should be specified in PPP contracts. The United Kingdom's National Audit Office director, James Robertson, claims that such flexibility is an essential component of PPP contracts: "[W]e really emphasize this criterion of flexibility in doing the deal . . . you can build flexibility into a deal upfront, so you have contractual terms that say: accommodation" (Robertson 2008). There are many potential interpersonal challenges to consider, including effective leadership, communication with stakeholders, project management, and, most importantly, trust.

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Effective leadership empowered throughout the organizations is required to ensure accountability from all involved. "It is important to recognize the differences and to understand which roles are needed, at what stage and for what purpose. It is equally important to ensure that the best person is allocated to a particular role" (Tennyson 2003, 17). Effective leaders can maintain the momentum of the partnership and ensure that goals are met in the agreed-upon time frame and hold those accountable for missteps and missed deadlines.

Consistent and clear *communication with all stakeholders* involved in the PPP is vital to ensuring success in a partnering effort. Effective communication builds trust and encourages transparency, which may increase engagement and translate into increased buy-in from those whose support is needed for success (Kee and Newcomer 2008).

Effective *project management* is another key to success. The project manager's role will be to guide the project through its course to ensure that goals, deadlines, and benchmarks are appropriately met along the way (Tennyson 2003).

Finally, the component of *trust* within the partnership is vital to success. Trust typically does not exist on day one of the partnership, and needs to be cultivated over time. Open and candid communication and transparency both with the internal and external stakeholders that compose the partnership is essential to engender trust. "The way the two organizations regard each other is crucial, and above all else there must be mutual trust or the relationship may break down" (U.K. Office of Government Commerce 2003, 4). However, in the final analysis, as one PPP manager stated, this type of partnership is "not a marriage, but a business relationship" (Kee and Newcomer 2008, 88). "Trust but verify" might be a more appropriate goal. Illustrative questions for public administrators regarding partnership collaboration and public accountability include the following:

- Are the terms of the contract useful in creating an innovative climate for the stakeholders involved in the PPP?
- What is the strategy for developing and sustaining open collaboration among the PPP stakeholders?

Performance Measurement

Performance measures are critical in PPPs for establishing trust between workers with diverse orientations and backgrounds; helping managers on both sides engage, assess, and continuously improve organizational results; and strengthening accountability in the partnership. The use of a set of balanced performance measures that captures the

implementation and intended outcomes of the partnership can help ensure the overall partnership performance.

In order for performance measurement efforts to add value, the partnership managers need to deliberate carefully about the *focus, process,* and *use* of performance measurement (Kee and Newcomer 2008). "Incentive structure is also crucial; it can make the difference between a network that succeeds and one that fails" (Goldsmith and Eggers 2004, 130). The partnership agreement must incorporate practices designed to attract, motivate, retain, and reward the contributors in the networks for high performance.

In the U.S. Coast Guard's Deepwater Program, a PPP involving a consortium of private defense contractors, the program officer developed a robust system of metrics to measure program success—a "balanced scorecard approach" designed to help the partnership focus on key measures. However, because these measures were not developed prior to the formation of the partnership, Coast Guard leaders felt they were playing catch-up and the measures were not fully supported by their private sector partners (Kee and Newcomer 2008).

In the United Kingdom, PPPs are often measured against standards of "value for money" in order to determine how well these arrangements perform. "In National Auditing Office terms, . . . value-for-money is defined in terms of whether the PPP has been negotiated on the best possible terms . . . whether it has got the right mix of cost, quality and flexibility" (Robertson 2008). Illustrative questions for public administrators regarding performance measurement for PPP accountability include the following:

- What is the strategy for developing effective, efficient output and outcome measures in a collaborative process?
- Who is responsible for monitoring and evaluating performance data, and how can the measures be used to demonstrate that the private partners are performing according to government and citizen stakeholder expectations?

Conclusion

It is challenging to maintain public trust in government, and perhaps more challenging to uphold the public interest through multisector delivery of public services. Managing accountability in PPPs involves balancing myriad public demands: cost-effectiveness, risk sharing, innovation, reliability, timeliness, stakeholder participation, transparency, and security. Although the more complex networks involved in service delivery make the exercise of accountability in PPPs much more challenging than management of conventional contracts, the benefits of PPPs are often attractive because they can improve government services at less cost to the taxpayers.

This article provides an approach by which leaders and managers of PPPs can design governance structures in public–private partnerships to ensure the exercise of effective accountability for their operation and results. Strategic thinking on the part of PPP leaders about the net gains to the public offered by the PPP, and careful consideration of the six dimensions of the PPP accountability framework should result in more robust governance structures. Risk, costs and benefits, social and political impact, expertise, collaboration, and performance measurement should be continuously monitored throughout the life of the partnership. In this way, the governance structure of the PPP is more likely to reflect a culture of public accountability.

This article provides an approach by which leaders and managers of PPPs can design governance structures in public–private partnerships to ensure the exercise of effective accountability for their operation and results.

Appendix Illustrative Risk Factors in PPPs and Possible Allocation

PPP Phase	Risk Category	Nature of Risk	Possible Allocation
General and planning	Political	Political opposition	Public sector
		Change in law	Public sector
		Stakeholder involvement	Either or shared
	Financing	Change in interest costs	Private sector
Construction	Site	Site acquisition	Either or shared
		Permits	Private sector
		Environmental risks	Private sector
	Construction	Interest costs in financing	Private sector
		Cost overruns	Private sector
		Subcontractor performance	Private sector
		Changes by public authority	Public sector
		Delays in completion	Private sector
Operations	Operations	Usage/demand	Either or shared
		Outputs/key performance indicators	Private sector
		Evaluation	Public sector
		Technological changes	Private sector
		Revenue payments	Either or shared
		Availability and service	Private sector
		Maintenance	Private sector
	Termination	Project default	Private sector
		Force Majeure	Public sector
		Residual value (cost)	Public sector

Source: Adapted by the authors from Yescombe (2007).

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Notes

1. One of the early justifications for the United Kingdom's Private Finance Initiative was the pressure to keep deficits with the limits prescribed for admission to the European Union.
2. The authors examined more than 20 case studies involving PPPs from the academic literature, official government audits in the United Kingdom, and personal interviews.
3. A full list of questions for each of the six dimensions is available from the authors.
4. In the United Kingdom, cost–benefit analysis for public–private partnerships is often referred to as "value for money" analysis.

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