

Private Equity; Public Principle

Evaluating the legitimacy and sustainability
of public-private partnerships

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University of Twente
The Netherlands

PRIVATE EQUITY; PUBLIC PRINCIPLE

EVALUATING THE LEGITIMACY AND SUSTAINABILITY
OF PUBLIC-PRIVATE PARTNERSHIPS

PROEFSCHRIFT

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In de reeks Schone Technologie en Milieubeleid worden milieuvraagstukken belicht vanuit wetenschappelijke visies op overheidsbeleid, technologie en management.

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First Words

I always find the preface, filled with its thank-yous and tales of the pain of the writing process, the most interesting part of any academic treatise. Often, this short introduction is the only time you will hear authors refer to themselves.

As (or perhaps I should say *if*) you work your way through this book, you will find that I appear at random times. While I understand the academic's proclivity for the third person and passive voice, that style of writing can cause a number of problems. It leads to poor and confusing sentences that can distract from the dazzling ideas and leave a reader dazed. It also leads to ambiguity. One finds reports, rather than people, expressing ideas, and ideas appear out of nowhere: "it is assumed that these ideas are good". Is the author making this assumption or are other unnamed sources involved? Better to leave things a little muddy, some say, but I think that one should be willing to take a risk and identify the source of the ideas. When I have made some kind of interpretation or opinion, it will be instantly clear.

You'll also find me defying a number of writing conventions. I believe in the singular they, an important part of English-language tradition dating back many centuries. I also quite happily split infinitives, boldly going where many writers have gone before. For those readers who are more conservative, you will be pleased to read that I will refrain from referring to you at any point outside of this preface. At no time will I ever use the pretentious phrase "dear reader".

Too often, the written word is considered subservient to the ideas in an academic text. Too often, words are used to obfuscate one's meaning as opposed to offering clarity and guidance. I might not always succeed in elevating the written word to the level that it deserves, but I will make the attempt.

Acknowledgements

In the many acknowledgements that I have read in PhD theses, I have seen that people either adored the freedom to explore their ideas or they loathed the

isolation and monotony of working on the same, seemingly unending project. Crafting this book sometimes felt like a battle to find relevance in a world that felt like it contained far too many books and articles, with all the authors, like embattled generals, defending their positions vigorously to the end. I sometimes felt as if my work be caught in the crossfire and left lying somewhere in no-man's-land. Yet, despite the difficulties, the four years of work were rewarding and positive. For that, I have many to thank, inside and outside of the university's walls.

Academic Help

First, I thank Hans Bressers, our department head, my promoter, and the man responsible for bringing me from Canada to the Netherlands. I am sure that his position must feel even more like a battlefield than mine, as he attempts to balance the interests of his senior and junior staff along with the needs of the university administration and the academic community at large. Hans's door was always open to hear my concerns and complaints, despite an agenda packed with appointments from many of those conflicting interests. His ability to synthesise a complex idea into a few short sketches always astounded me, and I remain indebted to him.

I must also thank Frans Coenen, my supervisor. In the darkest moments of my battles with the various bureaucracies running this country and the university, he offered his support and advice. He was also willing to give me the freedom to explore my ideas without imposing his own views on me. Some supervisors see their students as a way to advertise their own ideas and theories. Frans, however, never put me into such a predicament.

Beyond my official supervisors, a few other academics were instrumental to the writing of this thesis. Larry O'Toole sat down with me on several occasions to give advice on my ideas and where to publish them. His unending knowledge of governance and networks helped me on more than one occasion. William M. Lafferty also conversed with me—often in the restaurant in the hotel down the street from our offices—about several topics. Not only did we talk about partnerships and sustainable development, but also about where to take my career. Finally, Tanja Börzel has been inspirational, pointing me to wealth of useful publications and helping me to find a place for my ideas. She also commented on several chapters, offering insightful advice and suitable encouragement to continue my work.

From the beginning, Maarten Arentsen also showed great interest in my work and, in my first months at the university, I had the great pleasure to discuss and debate my work with this true Renaissance man. Not only did we talk about ideas, but we also engaged in many discussions about food and music, often progressing from theory to practice at his home, eating great food and listening to Johannes Brahms.

James Murton, Canadian environmental historian, also deserves special mention for discussing and debating many aspects of sustainable development with me. He was instrumental in reminding me that discussion and participation with stakeholders is no guarantee of environmental sustainability. How would a small Canadian town built on the lumber industry respond to a call for environmental conservation and respect, when the livelihood of those living there was built on generations of resource harvesting and use? Environmental problems have historical roots, which cannot easily be wiped away by a few policy wonks.

Zeger van der Wal, a fellow Ph.D. student based out of the Free University of Amsterdam, also helped refine my thinking on the differences between public and private organisations. His insights into the literature on this subject helped me to better analyse the real and perceived differences between government bureaucracies and for-profit businesses. I also learned more about where to find a decent hamburger in Amsterdam.

A thesis filled with good ideas means nothing, however, if no-one can understand it. I am therefore indebted to Heather “Eagle-Eye” Sommerville, also known by some of her friends as “the Editor-General.” She has been the skilful and astute editor for many of the articles that I have written and was also responsible for proofreading this book (though it should be noted that any remaining mistakes are my own, since I continued to make small changes after receiving her revisions). Not only has she corrected many embarrassing errors, not only has she helped to clarify muddled sentences, but she has done it all with unending patience, tact, and good humour.

I would also thank my friend and colleague, Thomas Hoppe, who at the last possible moment, rescued the Dutch summary of this book from its initial incomprehensible state (I will spare the name of the initial translator, who should be forever doomed to some bilingual purgatory). We have also enjoyed some good “down time” together, which I trust will continue into the future with more high-quality coffee and cognac.

Finally, I save a special mention for Arno Mathis, my colleague, my friend, and my unofficial supervisor. I do not take this final descriptor lightly; he truly embodies the ideal of a daily supervisor. He was the one who knew every intellectual turn and dead end that I faced. He would make suggestions and help me to find ways around any obstacles. Most importantly, he would listen—not just about my work, but also about everyday difficulties. I could always rely on him, and if I take anything of value from my four plus years at this university and from living in the city of Enschede, it will be my friendship with him.

Non-Academic Help

While many people helped to refine my ideas, an additional team of allies supported me in areas outside of the manuscript. Without them, I would never have managed to survive living in a new country and working at a new job.

For the most part, I have found Dutch bureaucracies to be opaque organisations that take pleasure in annoying those they are meant to serve. Thankfully, Ada Kroosshop, the office manager at CSTM, offered her deft touch to help me decipher and overcome the obstacles I faced. Martin van Ooijen, CSTM's financial officer, was also unbelievably effective and prompt. One cannot underestimate the speedy reimbursement of rather large expenses, especially for a Ph.D. student who enjoys international travel and research.

I also need to thank all of the people who have befriended me over the past four years of study: Valentina Dinica, for the many dinners and insights into the inner workings of CSTM; Katharine Owens and Michael Maier, the American couple with whom I lived and learned to adjust to the Dutch way of doing things during my first year before I left the nest and found a place of my own; and to Liudvika Leistye, Tembile Kulati, and Marc Kaulisch, all people I met via the "CHEPS connection" who have made life brighter through their support.

Not surprisingly, the first friends I made here when I arrived in the Netherlands were expats. As a Dutch colleague explained to me, it takes a while to break into the tight social circles in this region, but once you are inside, you have a true friend. For this reason, I feel all the more privileged to have breached these barriers, and to have enjoyed the company of Johannes Boshuizen and especially Caroline Liedenbaum. I hope that my many requests for help translating various Dutch texts didn't prove too annoying.

I'd like to thank my friends back home who tolerated the fact that I left the country to experience life Europe. It would be impossible to list everyone I know, but I would like to offer special mention to a few people: Brent Benton, creator of clever titles (including help with the title for this book); Rick "the Admiral" McBride, for his existentialist philosophies; Julian Savage, for the welcome distractions he offered via instant messaging; and finally Stephen and Jennifer Whiffin, my second family.

Without my relatives and friends in Hungary, I could not have completed the Hungarian research for this book. Árpád Mátrai, my cousin, and Judit Mátrai Barázda, his mother, provided a supportive environment along with a place to sleep (and an unhealthy dose of second-hand smoke). Tibor Csizmadia, a friend and colleague I met at the University of Twente, was also encouraging. My constant losing to him in late-night games of Snapszer and Jassen proved disquieting, but in the end, also enjoyable.

Finally, a brief word for my parents, Agnes and Joseph Regeczi, and my partner, Jelena Marinčić. Mere words cannot do justice to the unconditional support I have received from them, and to list all they have done for me over the years would fill a second book. Instead, I can only offer an inadequate but heartfelt thank you.

Governments and Funders

I must also thank those who helped fund my research. The Institute for Governance Studies at the University of Twente provided the money necessary for my stay at the university. Funding from the Netherlands Institute of Governance also helped me to attend conferences abroad and to take courses with various institutions and professors in the Netherlands, all of which helped with this book.

A special place is saved for the Dutch government, a hydra-like entity unsure of what it wants from the “knowledge migrants” that it wants to attract. On the one hand, I offer only praise and thanks to *Nederlandse Organisatie voor Wetenschappelijk Onderzoek* (NWO). Twice, they provided me with the funds to travel to Hungary to conduct research. Nor can I forget the resources that the national government provided to the University of Twente, which helped to fund my monthly paycheque. The Netherlands is a country that offers, I would argue, one of the best support structures for junior researchers.

On the other hand, the *Immigratie- en Naturalisatiedienst* (IND), the department responsible for the permit that lets me remain in the country legally, proved to be quite an obstacle to overcome. Several times, I wondered whether I would be allowed to stay at all, as this organization seemed more intent on keeping out non-Europeans than helping to facilitate research in this country. Fortunately, I was able to stave off deportation long enough to finish this book.

The Interviewees

The final word of thanks goes to the many people whom I pestered for interviews. Without them, this book could never have been written.

A Theoretical Guide

Part 1

Chapter 1

Introduction

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Legitimacy, Effectiveness, and Sustainable Development

My father escaped from Hungary following the Revolution of 1956 at the age of 18. An ardent neo-liberal thinker (though he would never use the term), he often railed against the ills of the communist state, from both an economic and social perspective. Equality was one topic for discussion, and his view was that communist countries possessed too much of it. He encapsulated this idea into what I classify as the *one-shoe theory*, which operates as follows: “the problem with communism is that everyone in society must have one shoe before the government will give anyone a second shoe.” As a child, I imagined a poor society of one-shoed people—either hopping around or with newspaper wrapped around a single cold, swollen foot—wishing that they lived in a capitalist state that would allow them to buy a pair of shoes. Now that I am older and wiser, I have since learned two lessons: social equality can be measured in many ways and even communists get shoes in pairs.

The two themes of my father’s many protestations, economy and equality, are themes that many thinkers (including his son) have studied in great detail. The balance between social equality and economic efficiency has also been a concern of modern governments since at least the time of Germany’s Otto von Bismarck in the late nineteenth century. Bismarck recognised that social unity rested on both a feeling of fairness and economic security, as he established workers’ benefits in the 1880s to forestall unrest. The First World War proved a further landmark for governments who actively worked to smooth societal inequalities, as they became more heavily invested in supporting social goals as well as economic ones. The massive scale by which governments intervened in the economy during those bloody four years proved that governments could manage social issues on a large scale.

These pillars have stood at the core of governing, and the bureaucratic institutions that have maintained both social stability and economic growth have been quite successful. Yet, the state is under threat from two sources. First is the rapid realisation that environmental sustainability needs to be brought into the core of decision-making. A third pillar has been added to the art of governing, which disturbs the traditional balance that governments have tried to achieve. Second,

governments have been relinquishing direct control over the economy and society. In a search for more effective government, bureaucracies have been shifting away from providing services directly to the electorate. Rather, more and more, governments have favoured a more inclusive form of governing in the form of partnership. Partnership here can be used very broadly—in some ways, this represents a greater say for communities in how they are governed, but more importantly, it has also meant more private-sector and non-governmental involvement in the delivery of services that have traditionally been under the government's purview. These partnerships are seen as more effective, yet they also threaten to hollow out the state as governments cede their duties to others. This brings forth questions of whether politically legitimate governance is being exchanged for a more effective variety.

The two issues of environmental sustainability and effective governance intertwine. Sustainable development must become the new benchmark by which governments are judged to be effective. At the same time, however, sustainable development emphasises the importance of democratic legitimacy when achieving end goals. This book will address the question of how new modes of governance influence legitimacy issues in government. I will argue that governmental legitimacy remains an important aim for governments attempting to achieve sustainable development. This means that any form of government that negatively influences basic tenets of legitimate government—such as accountability, transparency, and participation—will also negatively affect the sustainability question. The larger question that I will address is how new forms of governance—specifically in the form of public-private partnerships—influence legitimacy and sustainability.

Introducing a Third Pillar to an Old Pair

As I have already mentioned, one important balance that governments have tried to achieve is between economic prosperity and social equality. Governments intervene in society to redistribute wealth on many levels—through instruments like progressive taxation, subsidies, and social assistance. Economic theorists, however, have protested that these government interventions lead to inefficiencies in the market, and while offering benefit to a select few, hurt society overall. Take the example of rent controls. Governments have used this tool in response to rising housing prices and people's desire for affordable housing. However, to use the economic vernacular, these controls have led to distortions in the market place. These controls have, for example, led to shortages in housing and other unforeseen consequences. Also, sometimes these controls can be circumvented. In housing, some individuals circumvent these controls by introducing other forms of charging renters, such as key money where renters are expected to pay an extra amount to the owner when they move into an apartment. In jurisdictions where such practices are outlawed, housing shortages generally take hold. In the Netherlands, for example, official waiting lists for apartments can stretch into years (Van Ruiten, 2006 January 15). The problem is that builders lack

the incentive to add housing to the market and people lack incentive to move elsewhere, if prices are held artificially low.

This is but one example of many that has been debated in the economics and policy studies communities, and others abound—concepts such as rent-seeking and income inequality are sources of vigorous debate. The debate has produced an extensive library on the idea of economic efficiency versus social equality, with some thinkers placing themselves somewhere along the continuum. On the economic side, for example, one could place the Chicago School, while on the other, the social justice movement. The debate over this issue can become quite nuanced, particularly because some choose a middle point of the continuum. Those in the middle acknowledge the distorting effects of income redistribution, but argue that some economic inefficiency is preferable to extreme inequality (Deutsch, 1989; Eek & Biel, 2003; Mitchell, Tetlock, Mellers, & Ordóñez, 1993).

Not everyone even admits that this trade-off exists. From psychology experiments to macroeconomic analyses of corporatist welfare states, scholars argue that equality and economic efficiency work in unison (Headey, Goodin, Muffels, & Dirven, 2000; Hemerijck, 2002; Hicks & Kenworthy, 1998; Le Grand, 1991; Young, 1995; Zajac, 1995). The trade-off is false for a number of reasons, they argue. One major argument brought forward is that social inequality discourages economic co-operation and productivity. Esping-Andersen's (2002), in his passionate defence of the welfare state, argues that the Scandinavian model of income redistribution and de-commodified policy program breeds success because it encourages full employment and other forms of social equality. Programs including lifelong education and learning for citizens ensure that they remain more capable of adapting to change. Spending on education, health care, and other social programs—arguably tools of social equity—are seen as investments in society that keep it strong.

Yet, while some instances in which social equality and economic efficiency work in tandem certainly exist, trade-offs and distortions still take place on many levels when governments enact policies which redistribute income. This trade-off takes place on many levels—regional, national, and even global. Take the example of farming subsidies. The massive monies offered to European and American farmers—totalling approximately €121 million in the EU and \$U110 million in the US in 2005 (OECD, 2005)—may help smaller farmers in these countries achieve a living wage. A good argument can be made that these subsidies help alleviate real social pain. However, if one changes focus from a national to a global level, it becomes clear that those same subsidies hurt poorer farmers from less-developed countries who are locked out of Western markets due to their inability to compete with these subsidies.

Social equality and economic growth have been at the centre of most policy debates for modern governments. However, starting in the 1960s and culminating in the 1987 Report of the World Commission on Environment and Development, a third perspective pushed itself onto the policy agenda—the environment. With

evidence of climate change due to man-made pollutants becoming incontrovertible, government and business alike have finally begun to contend with nature as more than just a space to be conquered and tamed. As time passes, it has become more evident that governments will need to shift the environment into the core of their decision-making. The balancing act that governments need to address has become exponentially more complex. Not only do they need to balance social stability with economic growth, but now this all needs to be done within the physical boundaries of the environment.

The concept of sustainable development, then, expands the debate into three spheres: economy versus equality versus environment. The three E's. The problem for governments lies in the word versus. Just as equality is seen as contrasting economic efficiency, so environmental protection can contradict economic growth and social cohesion. Saving endangered rain forests, for example, prevents a path of growth for developing nations that was taken by Western nations during the Industrial Revolution—exploiting natural resources to generate wealth. Or, while raising fuel prices may be the best way to discourage car use, the costs tend to disproportionately hit the least well-off in society. It's this balancing act which is becoming more difficult to achieve.

In addition to balancing these three pillars, governments are also contending with the globalised nature of the sustainability equation. The Brundtland Report outlined disparities between rich and poor regions of the world and argued that these would need to be addressed to achieve sustainability. Sustainability is a problem of both the developed and developing worlds. The developing world needs to grow economically while skipping the stage of heavy industrialisation. The developed world also needs to shift their concept of economic growth away from consumption. Yet, a century's worth of consumer growth has proven beneficial, both economically and socially, and making this shift will require more than just small, incremental shifts.

Sustainable Development through New Modes of Governance

The challenges of finding the right balance between the pillars for sustainable development coincide with doubts over the ability of governments to efficiently effect change through hierarchical, bureaucratic decision-making. Reports on the state of the environment have made it clear that global climate change will reach a critical stage by 2050, and it appears that society will need to achieve rapid change in a relatively short time. The problem of sustainable development, then, is exacerbated by the fact that it must be achieved—or at least started—within a short time. The larger question is whether traditional bureaucracies can keep up.

One common image of bureaucracies depicts an organisation slow to adapt to changing situations. Those who accept this image often use it to belittle bureaucracies, but hierarchies are designed with organisational stability in mind. As some sociologists argue, hierarchical organisations are meant to enforce cohesion with a strong focus on structure and order. Hierarchies achieve this

cohesion through ritualism and sacrifice as transactions funnel through their proper channels and members of the organisation are taught to know their positions within the hierarchy (Schwarz & Thompson, 1990). Of course, hierarchical organisations can display innovation and intelligent behaviour. The real issue is whether a purely hierarchical organisation can respond to rapidly changing situations.

Hierarchical organisations have little time to reinvent themselves according to new demands and scenarios. One might consider the current difficulties of U.S. intelligence-gathering agencies as an example of this, as critics have claimed they were unable to shift quickly enough from a Cold War mentality. Of course, organisations are more than just a series of rules, and the people within those organisations often find ways to circumvent formal structures that are designed to maintain order (Bowditch & Buono, 2001). But ultimately, while an informal culture may give a hierarchical organisation some flexibility, this unofficial circumvention of rules runs contrary to the organisation's formal culture. Rather than suggesting dynamism and ability to change rapidly, these conflicts can lead to difficulty and dysfunction over the long term. In a time of dynamic change further accelerated by advancing the information age, organisations need to focus on flexibility. Given hierarchy's penchant for procedure, then, these hierarchical types of organisation seem less capable of coping with complex conditions (Noordegraaf, 2003).

Researchers don't need to look far to find examples of bureaucracies attempting to stay ahead of scientific change. While society has been unable to determine the moral implications of genetically modified organisms and stem-cell research, science presses on in the absence of political consensus. Scientific change seems to outpace the ability of bureaucracies to regulate their growth so as to minimise any negative impacts on society.

The natural response of any academic is to say that more information is necessary; yet, the speed at which information in the physical and social sciences is generated is fuelling the problem. This complexity is caused not only by the increased speed of innovation, but also by what Anthony Giddens calls the *reflexivity of modernity*. While social scientists learn more about society, this knowledge is then cycled back into society, hence changing it: "The development of sociological knowledge is parasitical upon lay agents' concepts; ... notions coined in the meta-languages of the social sciences routinely re-enter the universe of actions they were initially formulated to describe or account for" (Giddens, 1990, p. 15). A simplified example of this concept might be the use of polling to gather public opinions. Polls are meant to take a snapshot of how people feel at a particular time; yet, publishing those polls via the media also ends up changing people's opinions about society (which then requires more polling). Giddens' suggestion is that ideas in sociology, economics, and political science feed into society via its influence on bureaucratic institutions and leaders in other fields. This information makes its way to the media and then on to society. This "feed-in" ends up changing society, making old theories and existing knowledge obsolete.

Each new advance in information technology has only worked to increase this pace of change and the speed of this cycle. The age of modernity, Giddens claims, has reached a radical stage. Hierarchies are not only less able to deal with the pace of change, but society itself has been rejecting historicity (“the use of knowledge about the past as a means of breaking with it”) and tradition more than ever before (p. 50). We are oriented to a future, and our hierarchies—designed to create stability—are becoming less effective.

This massive increase of information and the problems that it presents for hierarchical organisations should not be underestimated. The problem for hierarchy isn’t the complexity that it creates, but rather the speed at which that complexity changes. Effective hierarchical coordination and control require a system that Herbert Simon (1962, 1973) describes as nearly decomposable. This implies an organisational structure in which people or organisations on one level interact almost exclusively with others either above or below them. As complexity increases and changes, those on the higher level of the hierarchy find it more difficult to cope with the amount of information they must collect, synthesise, and pass on further up the hierarchy (Scharpf, 1994). To cope, organisations would need to continually reinvent themselves. They would need to add new levels of hierarchy, or perhaps break units down into further subsets to deal with the onslaught of information. However, as mentioned earlier, this isn’t necessarily in their nature.

Given that hierarchical organisations are better suited to promote stability in a relatively static world, and given the problem of reflexivity, some policy analysts have sought other modes of co-ordination, which could prove nimbler and better able to mobilise both public and private resources.¹ The solution for some is the dynamism of markets. For this reason, policy analysts have tried to combine the benefits of the public and private sectors in various models of market governance—quasi-markets, privatisation, and public-private partnerships. Relationships that involve the dynamism of markets without completely rejecting the guidance of a hierarchy, some academics claim, may be better able to compensate for the increased dynamism in society. This could also represent a step forward for sustainable development.

Policy-making which involves a network of public and private actors has led to several schools of thought on what have generally been called *new modes of governance*. These new modes of governance—referred to hereafter as *network governance*—indicate government without a strong, central agent. In other words, government bureaucracies relinquish some control over policy-making to private and non-governmental organisations, which is supposed to lead to more efficient and effective decisions. The common metaphor used in the literature is one of

¹ Of course, not all academics accept the futility of bureaucracy and hierarchy argument. Some great achievements in environmental policy have derived from government regulation and hierarchical decision making, such as banning leaded gasoline from motor vehicles (Golub, 1998). For an interesting piece on the successes and failures of markets, see Robert Kuttner’s *Everything for Sale: The Virtues and Limits of Markets* (1996).

steering. Governments control the direction of policy through their division of resources or public pressure; however, they don't dictate exactly what needs to be done through regulation (Börzel, Buzogany, & Guttenbrunner, 2006; Jessop, 2000; Peters & Pierre, 1998; Rhodes, 2000). The literature which argues that some governments are becoming "hollowed out" is a part of this tradition (Daly, 2003; Heinz, Laumann, Nelson, & Salisbury, 1993; Milward & Provan, 2000; Rhodes, 1996).

Those with a more historical bent may wonder how network governance differs from more traditional political science concepts like pluralism. Pluralism has taken itself through three generations, starting as a challenge to absolutism in the early 20th century, proceeding to interest-group politics of the 1960s, and finally to the identity politics of the 1990s (Schlosberg, 1999). In all of these schools of thought, the concern is how to meld a plurality of ideas into a coherent society. Rather than government elites dominating from above, pluralists see people and groups channelling their ideas towards their own government. Yet, network governance differs from pluralism in that implementation as opposed to dialogue takes centre stage. Those involved in the network determine policy and are also directly involved in its implementation.

The Legitimacy Challenge of Network Governance

The difference between network governance and pluralism is an important one when it comes to the democratic legitimacy of network governance. First, unlike the pluralist vision, which generally entails long debate, network governance is meant to speed up the process of dialogue and implementation. The concern is not so much with representation, but rather with agility and effectiveness. Representation of all societal interests, then, is not the end goal of network governance, because only knowledgeable stakeholder groups participate.

The shift of emphasis from citizens to stakeholders also foreshadows the democratic challenge presented by network governance, at least in a Western context. In these networks, governments relinquish some control over policy-making. The state's role shifts from instigator to mediator of stakeholder networks (Daly, 2003; Milward & Provan, 2000). These webs of contacts and networks lead to more flexible governing, able to react on the ground to quickly changing situations. But they also mean that governments give up internal capacity, as they focus primarily on managing networks as opposed to keeping knowledge in-house. It also means that government is no longer the ultimate arbiter of public opinion, but is only one voice amongst many.

Proponents of participatory democracy and, to a lesser extent, sustainable development see positive elements in these weaker national governments—namely through an increase in participation. In many ways, these proponents celebrate the weakening of strong actors, as they see a balance between three countervailing forces: governments, business, and civil-society groups. Governments partner with civil society groups and players in the market, who all have their voices heard, as resources and ideas are exchanged in the interest of

effective decision-making and implementation. While some form of participatory democracy may not be achieved, added influence of non-governmental forces satisfies some of these thinkers.

Yet, any weakening of the nation-state must be met with some concern. Representatives elected through universal suffrage embody one of the cornerstones of a legitimate democracy. If one weakens the power of these elected officials, those who have gained power must be seen as equally legitimate by those who are governed. This vexing question has led to a growing literature on the effectiveness of governance and partnership versus their legitimacy. Those who are concerned about partnership see it as a trade-off between effectiveness and legitimacy, whereas proponents argue that *both* can be achieved (Börzel & Panke, 2005; McQuaid, 2000; Papadopoulos, 2003; Pierre, 1997; Scharpf, 1999; Wälti, Kübler, & Papadopoulos, 2004). Those that believe a trade-off exists are particularly concerned that traditional forms of accountability, such as ministerial responsibility, disappear in the decentralised nature of these networks. Those who see partnership as both effective and legitimate, however, believe that states should play less of a role in the policy-making process. Many also argue that governance still calls on the government to play a role, and so does not represent an abrogation of legitimacy and obligation.

Reducing the role of the state to just another actor in the policy process may sound appealing to people concerned about corruption or capture of governments by powerful interests. The problem with this viewpoint, however, is that it leaves open the question of governments' role as representative of society. Business' and business organisations' roles remain clear and concrete: they earn profit for their shareholders or for themselves. Who various civil-society organisations represent also remains clear, depending on the memberships and mandates of the various organisations. Governments in representative systems, on the other hand, are elected based on a membership of the entire population, including business and civil-society interests. If they surrender these responsibilities to other organisations, the open question becomes—who does government need to represent? In a more participatory system, what role does the government play?

New Modes of Analysis

Of course, the effectiveness versus legitimacy debate is normative and value-laden, but subsuming this discussion into the three pillars of sustainable development shows its importance. The question of legitimate representation grasps at the heart of social equality, one of the three key components to a stable society. The point is not that everyone should have an exactly equal share in wealth. The point is not that we should achieve an idealised or utopian society. Rather, the point is that—inasmuch as it is possible—government should ensure that people have equal opportunity to share in society's economic and environmental wealth.

This goal of equity not only feeds social stability, but perhaps more importantly, can enhance policy effectiveness. Policy objectives which are accepted as

legitimate by those affected by them will require less cost to implement. This partly develops because decisions viewed as legitimate build trust, hence reducing the cost of implementing a policy. Any partnership in which the proponents trust each other, for example, will require fewer accountability mechanisms. Individuals and organisations will also be less likely to circumvent policies by hiding activities that could be counterproductive to the government's intent. In some scenarios, without some level of legitimacy, policy decisions can be blocked altogether (Skogstad, 2003). Achieving legitimacy, then, should mean that individuals and organisations will be less likely to shirk and monitoring costs can be reduced.

In a quest to square legitimacy with effectiveness, some authors have pointed out that democratic legitimacy does not necessarily need to be equated with election and majority representation. In developing and developed nations, independent and unelected supreme courts have achieved the legitimacy necessary to have their decisions accepted and implemented. An independent judiciary, in fact, is seen as a key accountability mechanism in a healthy democracy. Given that these courts often counter decisions of elected bodies, it becomes clear that they derive their institutional legitimacy from means other than a direct link between elected and elector (Gibson & Caldeira, 2003). This opens the possibility that governance and partnership structures—the hollowed-out state—can be as legitimate as an elected, representative government. The open question is how the state can confer legitimacy on new modes of governance.

Some authors believe that responsiveness is the key to this new legitimacy, as they argue that a governance structure must respond to the needs of a broadly based public policed by stakeholders representing contrary viewpoints (Börzel & Panke, 2005). The system need not remain responsive directly to the entire electorate, but may be policed by stakeholder groups, whether consumers, professional organisations, or even the courts (Benner, Reinicke, & Witte, 2005). These stakeholder groups work as a proxy between the government and the electorate. This mode of conferring legitimacy, however, doesn't match how legitimacy has been conferred on other institutions not directly subject to democratic controls.

This leads authors back to the supposed strong point of partnership and other forms of network governance—effectiveness. Some have argued that people are willing to accept the rule of independent and unelected bodies because they believe in their effectiveness. Effective here means an organisation or system that not only produces the desired result, but does so in a fair and independent manner. In so far as possible, institutions unencumbered by electoral politics are seen as depoliticised. Importantly, these institutions still hold a particular ideological perspective. Central banks agree on concepts of economic growth and inflation. Courts also hold ideological biases. Yet, these institutions have achieved legitimacy and maintained their independence because, according to some, they simply work. Macroeconomic policy, many believe, has helped stimulate national economies in an economically sustainable way (this says nothing about their environmental sustainability). Courts have worked as a satisfactory check on the power of the legislative and executive branches of government, but have not been

seen as overstepping their bounds. In these cases, effectiveness generates its own legitimacy. This leads to the conclusion that networks and partnerships, then, can be legitimate, even if they are not democratically responsible.

Clearly, legitimacy derived from effectiveness is but one form, which has led some authors to divide legitimacy into two dichotomous forms: input and output legitimacy. Fritz Scharpf is one of the leading proponents of this way of thinking. He defines input-oriented legitimacy as one that emphasises government *by* the people, and therefore relies on the rhetoric of participation and consensus. This consensus works, he argues, only in somewhat homogeneous societies, as one needs some degree of “sameness” to attain agreement. Output-oriented legitimacy, by contrast, is government *for* the people, where choices are legitimate if they promote “the common welfare of the constituency.” While the author argues that the two complement each other, he says they differ in their preconditions. Output-oriented legitimacy relies on “perception of a range of common interests,” which implies a thin identity (Scharpf, 1999). More concretely, this difference between input and output legitimacy can be divided between legitimacy of procedure versus legitimacy created by performance (Van Kersbergen & Van Waarden, 2004).

Yet, despite the reassuring claims that other forms of legitimacy can supplement and even replace weakened ministerial responsibility, output legitimacy must work in tandem with input legitimacy. Independent institutions—such as courts, central banks, and other professional bodies—have achieved institutional legitimacy because they are designed as a check and limitation on the power of the elected branches of government. Only in very specific cases do they take on a policy-making role. More importantly, in cases where independent institutions make policy, they tend to be at arm’s length from the government. These organisations can be closely linked to government departments, so the bureaucracy does not lose the capacity to properly judge the actions of these bodies. For instance, central banks have been given power over monetary policy, but this power is extremely limited to setting short-term interest rates. Ministries of finance also have more than enough knowledge to judge the actions of the central bank, and in many cases, the minister of this portfolio has the power to appoint a new governor (once their term has expired) if unhappy with the bank’s performance. This contrasts quite starkly with network governance and partnerships where networks have much more policy leeway and also operate more independently from government structures. There’s a balance to be achieved between effective and legitimate institutions. The problem that partnerships present is that they focus almost exclusively on output legitimacy and fail to address the role of democratic procedure.

As mentioned earlier, some look to stakeholder input to answer the input legitimacy issue. However, the problem with this solution is that stakeholders do not necessarily replace the collective voice of a citizenry. A group of self-interested parties finding a compromise will not necessarily capture the interests of a population. Just because government decisions may become more legitimate

from stakeholders' perspectives, this does not necessarily mean that new modes of governance are more legitimate from a democratic perspective. Protecting democratic values and at least some level of input legitimacy, then, means maintaining the supremacy of parliaments and other legislative bodies.

Looking at this from the perspective of the shadow-of-hierarchy literature, one sees that the government needs to have the legitimate ability to revoke the status of any one network. In other words, a "fall-back regulatory option" (Knill & Lenschow, 2004, p. 223). It's the threat of intervention that keeps companies from acting on the needs of the public good, as these networks must feel that unless they act in good faith, the government will. To use the words of Adrienne Héritier, companies are allowed to participate in voluntary accords and these new modes of governance, but are kept "on a leash" (2002, p. 202). So, a tension remains between networks and government. On one side, governments need to feel restrained enough to allow the governance structure to work independently of the government; on the other side, network structures need to believe that the government truly represents a threat to their independence, and they must follow (most likely) unwritten rules regarding their activities.

Take the example of the balance between the legislative and judicial branches of the Canadian political system. Courts have the right to strike down legislation that contravenes the Charter of Rights and Freedoms. However, section 33(1) of the Act states that Parliament has the right to override legal decisions in which an "Act or a provision thereof shall operate notwithstanding a provision included in section 2 or sections 7 to 15 of this Charter" ("Canadian Charter of Rights and Freedoms," 1982). When the bill passed in 1982, then-prime-minister Pierre Trudeau worried about the implications of this override on the judicial branch; however, it has proven a particularly effective means of infusing legitimacy into the judiciary. Elected leaders accept the judgements of the courts, knowing that they can ultimately override them. However, in the vast majority of cases, public pressure and fear of this clause has kept its use to a minimum. The federal government has never used this clause, nor have most of the provinces, with only 17 cases since the constitution was adopted (the vast majority of these have been in Quebec, a province which is not a signatory of the Constitution Act).² This gives a nice balance between elected officials and the unelected institutions meant to hold them accountable.

² The clause has been inserted into provincial legislation seventeen times: once in the Yukon, once in Saskatchewan, once in Alberta, and thirteen times in Quebec. Tsvi Kahana has expressed concern that only two instances have gathered much public attention for charter reasons, specifically Quebec's Bill 178, which stipulated French-only exterior signs for all commercial enterprises in 1988 and one act in Saskatchewan, which forced striking government workers back to work in 1986 (Kahana, 2001). In other legislation where the clause is still invoked, most noticeably in Quebec, the clause is used in complex Acts, which garner little attention from the media. Despite these cases, however, the notwithstanding clause remains remarkably rarely used and an effective democratic safety valve.

The problem for those advocating this shadow-of-hierarchy argument is that it implies that the state casting the shadow will always remain strong enough and competent enough to step in when the public interest is not being followed. In fact, in one of the original arguments on the shadow of hierarchy, Fritz Scharpf (1994) referred to “horizontal self-coordination” within a single organisation. However, in network governance, the picture is more complex. As the government ends up ceding competencies to other organisations, the state becomes less motivated to keep those competencies in house. In a sense, the state really does hollow out. And as one can imagine, a hollow state casts very little shadow indeed. For all forms of network governance, including partnership, to remain legitimate, the government cannot be an equal amongst many, but rather must be an equal above all.

Questions of Sustainability and Legitimacy

This discussion leads to two critical questions when it comes to new modes of governance in all of their forms:

- 1) Do they effectively help achieve the goals of sustainable development?
- 2) Do they do so in a legitimate way?

In essence, the basic questions covered in this book add to the vigorous debate in the governance literature on effectiveness versus legitimacy. However, unlike much of the literature, I choose sustainable development as the theoretical focal point for the trade-off.

Covering the effectiveness-versus-legitimacy debate under the umbrella of sustainable development also helps to prove a point: effective projects must, by definition, also possess democratic legitimacy. Any mode of governance which fails to possess democratic legitimacy will harm the third pillar of sustainable development—social stability and equity. This also offers a further reason why output legitimacy must work in the shadow of input legitimacy, as input legitimacy through participation produces more equitable and accepted results. (This point is contentious, of course, and will be dealt with in further detail in Chapter 2 on sustainable development.)

The key to examining these questions, I believe, lies in analysing the configuration of actors in networks. When I refer to networks, I am not referring specifically to policy networks. Policy networks are specific structural arrangements dealing with policy problems involving complex political, economic, and technical tasks requiring public and private actors to interact and share resources (Kenis & Schneider, 1991). However, *network* here is used in more generic terms. A network is a group of organisations or units working together to complete a project or solve a problem. A network can be organised into a hierarchical or a network-governance structure. The only important feature of the network is the constant interaction and relative stability of stakeholders.

New Modes, New Problems, Old Measures

Measuring effectiveness and legitimacy in a set of projects can be approached using two methods. First, one could define the three pillars of sustainable development in the context of a particular policy area, and then compare findings between new and old modes of governance. For example, when measuring social equality in terms of effective policing, Elinor Ostrom (1985) chooses a number of criteria, such as response time, and compares them across neighbourhoods. Here the focus is on direct measurement of effectiveness after the fact (*a posteriori*, if you prefer Latin). However, a second option would have one measuring more general variables, looking at variables that should influence effectiveness and legitimacy within particular projects (*a priori*). For instance, various thinkers have clearly linked accountability, transparency, and participation in terms of both policy effectiveness and legitimacy. So, if network governance negatively influences transparency, for instance, one can then assume that effectiveness or legitimacy are also influenced.

Each method has strengths. The first is a more accurate measure of differences within a specific set of projects, and would also help to visualise in exact terms the differences between various forms of governance. The second, on the other hand, offers an analysis that is more general in scope. If the theoretical assumptions are correct about the variables that influence effectiveness and accountability in general, then the hypotheses drawn from this type of study should be able to be applied to the others. Both types of analysis are important, and the one chosen depends more on the end goals of the researchers as opposed to any kind of methodological validity.

This book will rely on the second method of analysis, specifically focusing on how certain new modes of governance influence accountability, transparency, and participation. I have chosen this methodology for a number of reasons. First, because the literature on network governance speaks about new configurations of actors, measuring variables like participation brings a two-fold benefit. Second, one can theorise about the potential benefits or hindrances to effectiveness and legitimacy. But more importantly, one can also specifically analyse and visualise the configuration of actors. I will be able to demonstrate more forcefully how and why new modes of governance influence legitimacy and effectiveness. Given that the theoretical foundations of the literature on new modes of governance are based on new constellations of actors, the added benefit of this type of analysis must be taken into account. Third, I am interested in more generalised conclusions that could be taken to other analyses of new modes of governance. Analysis in this area, while looked at, is still relatively young and arguably is ripe for new methodologies and hypotheses.

This book, then, must achieve a number of theoretical goals:

- To demonstrate that accountability, transparency, and participation are important to achieve all three pillars of sustainable development.

- To demonstrate that the question of democratic legitimacy is not only a normative point, but also a question central to the sustainable development debate.

Networking Methods

With the theoretical foundations laid, I will turn my attention to gathering empirical evidence on how accountability, transparency, and participation are influenced by new modes of governance. Network governance, in all of its forms, calls for greater input from various sectors outside of the government, whether that be the private sector, non-governmental organisations (NGOs), or community-based organisations (CBOs). Much of the discussion, as I have briefly outlined earlier, surrounds the way this changes the power positions of various groups in the policy-making process. The loss of hierarchy means that, from a structural point of view, these actors move closer to the centre of decision-making and power. They assume different roles and communicate in different ways with the government and with each other. If these forms of governance really do break down the concept of hierarchy, this structural change should have significant impact on accountability, transparency, and participation.

Because the concern is with actor configurations, social network methodologies and theories can shed some light on the questions of accountability, transparency, and participation. A theory of networks—which admittedly, some thinkers argue doesn't exist (Dowding, 1995)—posits that the location of actors, the types of communication that they engage in, and other such networking behaviour can have a causal relationship. Not only does social networking provide a theoretical lens from which to re-envision concepts like accountability, transparency, and participation, but perhaps more importantly, it offers a set of methodological tools to measure network structures by asking interviewees questions about their interactions with others, and then using social network analysis software to generate maps based on a quantification of respondents' answers.

Some of the key thinkers who will guide my hypotheses are Milward and Provan and their analysis of network effectiveness in mental-health units. These authors use network theory to argue that structural characteristics of a network influence its effectiveness. Rather than focusing on the characteristics of the organisations within the networks, they focus on the ties between these organisations as their dependent variable (1998). This is not to suggest, of course, that organisational characteristics don't affect the effectiveness of a group of actors; however, the way they communicate and work together can be significant as an identifier for performance. From these basic assumptions, their study draws some major conclusions on effective network structure. First, they argue that some form of hierarchy is an important element of effectiveness. They also demonstrate that a highly integrated network, centralised through a powerful core agency, is important. The question here, of course, is whether the same characteristics of a network can help to make it more accountable, transparent, or open to participation.

In terms of accountability, a direct connection can be made between an effective network and an accountable one. Making this connection requires the use of principal-agent theory. The crux of agency theory that helps support the equation of network effectiveness and accountability lies in the two key assumptions of the theory: (1) that principals and agents have conflicting goals and (2) that agents will attempt to take advantage of information asymmetry to shirk their responsibilities. As agents attempt to maximise their benefit according to their goals, a principal needs to create incentives that will overcome these dilemmas (Waterman & Meier, 1998; Worsham & Gatrell, 2005). These incentives, of course, come in the form of accountability mechanisms. They are a necessary part of any partnership.

Of course, as Waterman and Meier have pointed out, these dilemmas do not develop in all situations. However, the authors make these critiques in the context of elected officials and bureaucracies as principals and agents. In the case of partnerships between public and private actors, conflicting goals and information asymmetry seem much more likely. From the perspective of organisational culture and goals, public and private organisations can be quite different (Appleby, 1997; Bozeman & Bretschneider, 1994; Jacobs, 1992). While public and private organisations may agree on a project, their reasons for building will remain starkly different and so does their understanding of each other's operations. So, given that public and private organisations suffer from the dilemmas of agency theory, it follows that an effective network must also be an accountable one.

Returning to Milward and Provan, three network structure measures can be used to examine accountability in a network: how connected actors are (*density*), how central certain actors are (*centrality*), and how influential they are. These measures are important, the authors argue, because fragmentation can lead clients to "fall through the cracks." Milward and Provan established that low levels of density and a few central and influential players were important characteristics. In terms of accountability, high levels of centrality and influence for a few key players indicate that members of the partnership know who is responsible for decision-making. While some accountability can be achieved in a flattened network, it still remains too easy to evade responsibility within the group.

Using the idea of network effectiveness to determine a structure that would offer the best transparency and participation offers a less clear picture. If one assumes that transparency and participation are important components of effectiveness, then one can also conclude that dense networks with few central players are also better able to distribute information transparently and also to allow organisations to better participate. Certainly, in terms of participation, this argument makes sense. Participation, after all, is more than just allowing as many organisations to participate in a network as possible. They must also know where to direct their energies and how to communicate with others effectively. A few centralised players would make it easier for actors to determine how best to direct their energies for effective participation. A loose network with a lot of communication might also be easier for new organisations to break into. In terms of transparency,

a few central players would also conceivably be better aware of the activities within the entire network, more so than in a relatively flat structure with many loosely connected actors.

Which Type of Partnership?

The idea of network effectiveness, then, allows one to draw hypotheses in terms of structure for whether a network will be effective. But, this only offers some guidance for hypotheses to draw about how network governance influences accountability, transparency, and participation. To draw solid conclusions, one needs to theorise on the kinds of network structures that one would expect to find in new modes of governance. Based on the governance literature, which argues that one would expect to find loose, decentralised structures, one would expect a network structure with low levels of density and also relatively flat, with no-one truly standing at the centre of the network. However, it's important to realise that one has different levels and types of governance.

One code word for network governance used in the literature is public-private partnerships. This nomenclature is convenient because, in many ways, it describes what network governance does—it partners public and private organisations in a way that ensures policy is made. However, network governance and public-private partnerships are also relatively vague structurally speaking.

In essence, I argue that public-private partnerships and network governance need to be divided into two categories—market-based governance and network-based governance. The first style of governance is based on public-private partnerships that are based on long-term contractual arrangements of 20 to 30 years, usually to build and maintain large infrastructure projects. One other important concept for this form of partnership is the idea of risk sharing. Network-based governance, on the other hand, is more loosely defined and also involves a greater number of partners. Market-based PPPs generally only involve private industry with a great deal of knowledge in this type of procurement. Network-based partnership, on the other hand, is more inclusive, more directly involving NGOs and CBOs in the network.

This book will focus its attention on market-based governance as defined by PPPs. This doesn't mean, of course, that the theoretical sections will completely ignore network-based partnerships because I would like to draw some conclusions about differences of approach to governance and their influence on accountability, transparency, and participation.

Hypotheses

Understanding that the focus in this book is on market-based public-private partnerships rather than network-based ones, I intend to test a number of

hypotheses, using the idea of network structure. This testing will involve contrasting case studies, some of which will use traditional procurement and others public-private partnerships. This will allow me to compare network structures and draw some conclusions about accountability, transparency, and participation in partnerships.

Network theory and structure played a large part in formulating the hypotheses that I wanted to test, but one final set of literature also informed the hypotheses: the literature on the differences between public and private organisations. Differences in organisational culture and also in the goals of both types of information can lead these organisations to do things in different ways.

For example, public and private organisations have traditionally met different standards of transparency. For public organisations, transparency means that bureaucrats are subject to regular review and that organisations are open to the press, interest groups, and others interested in their activities. Private organisations, on the other hand, face a transparency concerned only with presenting truthful information to stockholders, analysts, customers, and regulators (Koppell, 2005, p.96). Private organisations have often protected sensitive financial and technical information from their competitors, and even governments engaged in public-private partnerships assume some of the same negotiating tactics, which requires a degree of secrecy. It's this commercial confidentiality which potentially presents a problem for transparency, at least as it has been traditionally interpreted in a democratic society.

Looking at network structure and organisational culture, then, I have derived four hypotheses about the effects that public-private partnerships—or market-based governance—have on accountability, transparency, and participation, and in turn, the overall influence on legitimacy.

- Public-private partnerships lead to equally accountable situations because contractual obligations ensure that lines of responsibility are clear and that the structure of partnerships remains relatively hierarchical.
- Differences in the organisational cultures of public and private organisations, as evidenced by contract negotiations and commercial sensitivity, mean that public-private partnerships are less transparent.
- The complexity of contracting ensures that only a limited number of organisations can sit at the centre of the partnership. Assuming, however, that governments remain the key stakeholder as the creator of the contract, levels of participation and access should be only slightly negatively affected by partnership.
- Public-private partnerships are less legitimate because of the negative consequences of transparency and problems of public participation.

I argue that accountability, transparency, and participation have important implications for policy effectiveness, and at a broader level, for the democratic

values that Western society holds precious. Public-private partnerships clearly present some problems to democratic legitimacy, but the question that I intend to address by the conclusion is whether the threat is pressing or minor. In the case where the threat is minor—or able to be mitigated by some changes to the structure of public-private partnerships—one might argue that the negative consequences aren't serious enough to influence the effectiveness of this policy instrument.

Clearly, this project takes a particular ideological stance on government and governance. However, with this admission, I would point out that one can read the empirical sections of this book (Chapters 6-8) to find out the general influence that public-private partnerships have on this social triumvirate and can draw other conclusions. The theoretical framework influences the decisions on what to study; however, it poses no threat to the empirical reliability of the data.

National Differences

New modes of governance are all the more interesting, given that people want to implement them in policy arenas that are so different. In the West, new modes of governance are seen as a way to harness resources from outside of the government for policy, with a particular focus on the private sector bringing their funds and expertise into public procurement. But, in eastern European countries, new modes of governance are seen by some as also making government more legitimate, giving actors outside the government a chance to participate (Börzel & Risse, 2005; McLaughlin & Osborne, 2000; McQuaid, 2000).

Therefore, rather than choosing case studies from the same country, I decided to choose countries from various *regime types* to see whether the hypotheses hold for different policy-making regimes. The logic behind this represents a “most different cases” scenario, where I have chosen procurement situations that are as similar as possible, but regimes which are as different as they can be. Some precedent exists for believing that various regimes enact policies in fundamentally different ways. Rather than choosing countries at random, I have based my selection of countries partly on the work of Gøsta Esping-Andersen's *The Three Worlds of Welfare Capitalism*.

Esping-Andersen groups welfare-state development into three regime types: liberal (market biased), corporatist-statist (family biased), and social democratic (state biased) (1990). The first, identified as Anglo-Saxon countries like Britain, the United States, and Canada, derives from a liberal tradition of *laissez-faire*. One feature of these states is that they tend to emphasise labour as a commodity. In other words, a person's survival is contingent on the sale of their labour. These regimes also emphasise class differences, as these states tend to institute means-based social welfare schemes that stigmatise those collecting social assistance. The second regime, as exemplified by Austria, France, Germany, and Italy, represents states that aim to maintain old class differences, and in which the development of

the welfare state very much relied on the idea of *noblesse oblige*. Regime types are important because they influence policy preferences and arguably, also influence the structure of actors in the policy-making process. The third regime, most often seen in the Scandinavian countries, represents those areas most heavily influenced by the urban labour movement and various other groups (as demonstrated in the “red-green coalitions” of Norway and Sweden, as labourers joined with small, capital-intensive family farmers to further their interests at the turn of the 20th century). These states, according to Esping-Andersen, are the most likely to have low levels of labour commodification as well as the least amount of social stratification. Benefits are high and social equality is considered an important political goal.

What is important in regime theory, particularly when looking at configuration of actors, is the assertion that countries policy preferences cluster around different arrangements of the three pillars of the welfare state: the state, the market, and the family. Each of these institutions within the welfare state supports individuals during times of need. Take the example of people who retire. Each of these three institutions may support individuals during this time, as they are no longer producing income to support themselves. State-sponsored pensions are, of course, well known in Western welfare states; however, private-sector pensions also exist. In Canada, for example, the government attempts to promote private-sector pensions by allowing people to deposit a percentage of income into a private retirement fund (an RRSP—a registered retirement savings plan) without paying taxes on that income. Where state and private-sector pensions fail, families represent another level of support for the aged, as parents can rely on their children for some support. In Western welfare states, none of these pillars exists in isolation; however, one tends to receive emphasis over the other two.

The fact that different pillars of society hold different importance should signify a different configuration of actors in various networks. One can imagine, for instance, that welfare states based on the Scandinavian regime would place greater emphasis on the centrality of public actors, while those in an Anglo-Saxon regime would place more emphasis on private ones. This could influence how information flows between public and private actors and also the structure of new modes of governance.

In addition to the potential configuration of actors, there’s evidence to suggest that governments from one regime type will take policy platforms and mould them in such a way that they are more acceptable within their regime. The Danish government, for instance, adopted American-style reforms under the rubric of New Public Management, but adapted the policy’s intent to their situation. Generally, New Public Management involves flattening the differences between public and private sector organisations and reducing the discretionary power of upper-level managers, especially over staff, contracts, and money (Dunleavy & Hood, 1994). Given the neo-liberal economic values entrenched in the United States, it remains logical that these ideas would derive from North America. Private-sector institutions are seen as inherently superior, and government

bureaucracies are viewed with distrust. These American-style reforms not only attempt to bring private-sector values to the public sector, they also attempt to bring government decision-making closer to the “ground,” with decisions made at lower levels of the hierarchy, which in theory, should mean government is more responsive to local needs. Yet, when adapting these reforms to social-democratic-inspired nations like Denmark, some aspects of these reforms were simply ignored:

However, when NPM’s mantra often functions in a Danish context, ... it is *not* primarily due to the kind of depoliticization of administrators and citizens in the ‘boutique Denmark’ which seems so dear to party politicians acting from a hierarchical and rational goal model. On the contrary, it is because both the administration and the users have recognized that creating the desired results requires that they expand self-governance and enter into partnerships, providing for the very kind of wholeness and coherence that their politicians strive for but cannot obtain directly by their abstract models of hierarchy and rational goal attainment (Bang, 2004, p. 168).

Rather than trying to satisfy the citizen by making government more like industry—turning citizens into consumers and civil servants into service providers—the Danish government has managed to make the bureaucracy more responsive to citizens by implementing only those aspects of New Public Management that moved decision-making down the chain. The goal is not to “depoliticize” bureaucracy, because the Danes do not have the same distrust of bureaucracy as Americans. The Danes’ implementation of New Public Management, called New Perspectives on the Public Service, embraces the Danes’ strong tradition of top-down steering and their tradition of self- and co-regulation from below.

Different configurations of actors and values in particular regime types lead to two further hypotheses, which will be tested based on the empirical evidence collected from various countries:

- Actor configurations in various countries should be different, with private actors playing a larger role in Anglo-Saxon regimes.
- Contracting types should differ across regimes.

Most Different Cases: Canada and Hungary and the Relationship to the Netherlands

Unsurprisingly, the centre of academic thought on networks and governance is found in countries with a corporatist history. The Max Planck School in Germany has been instrumental in putting forward the idea of harnessing various sectors of society for the purpose of stable governing. The Netherlands has also been at the fore of this type of analysis, which may relate as much to its sharing of intellectual knowledge with its neighbours as to its long history of negotiation.

Much of the Dutch literature on public-private partnerships has focused on network-based partnerships, with academics Geert Teisman and Erik-Hans Klijn publishing a number of articles on the use of the partnership principle in the Netherlands. In terms of network-based partnerships, their findings are grim. They see governments communicating with the private sector, but also wishing to dominate them—remaining at the centre of any decision-making process as the most important actors. For this reason, Teisman and Klijn fail to see any real partnerships developing within the Netherlands until these attitudes and organisational structures change (Teisman & Klijn, 2002).

Nevertheless, the Dutch government has sought market-based PPPs. Teisman and Klijn imply that these forms of partnership represent “contracting out” relationships, and by extension, should allow governments to remain closer to the centre of decision-making. Yet, those critical of PPPs also see governments losing control over the decision-making process to private-sector actors. The open question, then, is how much PPPs alter decision-making, and by extension legitimacy.

Unfortunately, Dutch studies have failed to address the question of legitimacy and effectiveness in PPPs and network-based governance. For the most part, they have focused on issues of effectiveness at the expense of the legitimacy question. Although the empirical studies completed for this book do not directly apply to the Netherlands, I have selected cases that are “most different” from the Netherlands (and each other) to draw some lessons for partnerships in the Netherlands. I have chosen Canada as an example of an Anglo-Saxon state with few corporatist ties, and Hungary, a state in transition with a heavy tradition of a top-down approach to governing and a weak civil society.

Reading This Book

The hope of every author is that someone will pick up their book, start reading from page 1 and continue to read every gripping word until the final page—from preface to conclusion, including the footnotes, perhaps even in one sitting. However, as an academic tasked with making my way through hundreds of books and articles, I understand the unrealistic and unattainable nature of this desire. For this reason, I would like to offer some guidance for the various people who could potentially read this book and may be interested in some sections more than others.

This book is layered, and as such, you can feel free to peel down to the layer that most interests you. The core material lies in Part II with the empirical work, where I will analyse a selection of public-private partnerships and traditional procurement. In this part of the book, you will find summaries of the projects as well as in-depth analyses of their respective network structures. Supporting this core, however, is the theory that guides the analyses, which is found in Part I of this book. As outlined above in the introduction, I rely on a number of theoretical

assumptions to guide the analysis, specifically network theory and principal-agent theory. Whether you agree with the assumptions made during this theoretical discussion, however, the empirical sections can be enjoyed and used on their own to draw different conclusions.

To break down the book piece by piece, **Part I** (Chapters 1 through 5) addresses the theoretical aspects of this project, summarising the current lines of debate in the sustainable-development and public-private-partnership literatures on the issue of accountability, transparency, and participation. Not only do I examine debates on these subjects, but I also address the fuzzy definitions of both these terms and clarify how these terms are used throughout this book.

Chapter 2 begins with an examination of sustainable development, giving a brief history of the term, and exploring its use and misuse over the past decades. It will focus particularly on the nature of the so-called three pillars of sustainability, namely economic growth, environmental protection, and social equity. The interaction of these three spheres, particularly the much-banded “win-win scenario” that policy analysts like to focus on, will be examined.

Chapter 3 explores the nature of public-private partnerships, starting with a historical look at interaction between governments and private industry. From this overview of public-private interaction, one can then determine whether the modern concept of a public-private partnership differs significantly from actions that have gone on in the past. The answer is defiantly *unpedantic*: public-private partnerships represent a new relationship between government and business, and it is important to determine whether talk about risk allocation and the emphasis placed on contracting really represents a new way of interacting or whether it remains simply a new way of dressing up old concepts.

Chapter 4 is important in understanding the assumptions behind the empirical analysis that follows in Part II since it more firmly sets out my argument. It develops the hypothesis regarding how public-private partnerships influence sustainable development in regard to the three pillars. I argue that the key to understanding the influence lies in understanding how PPPs affect three major concepts in political science and public administration: accountability, transparency, and participation. To further justify the hypotheses laid out in this introduction, I delve further into network and agency theory, discussing their importance in terms of networks and partnerships. With the hypotheses justified, the chapter finishes by defining and determining how to measure accountability, transparency, and participation.

Chapter 5 works as a transition between the theoretical part of this book and the empirical examination of partnerships in Hungary and Canada. Using the definitions of accountability, transparency, and participation, I address how *social network analysis* can be used as way to measure and map patterns of interaction between actors in a network. These networks, of course, can be based on

partnership or traditional procurement, which makes for easy comparison of communication and organisational structures.

Part II (Chapters 6 and 7) presents the empirical chapters of the thesis. This includes a comparison of partnership and non-partnership projects in Canada and Hungary. The empirical analyses examine a total of four cases, providing for each country a description of the major organisations involved in all of the cases as well as a brief history of each project from an economic, social, and environmental perspective.

The analysis section of this book begins with **Chapter 6** in Hungary, where two motorway-construction projects are analysed: the M6 motorway public-private partnership, running from Budapest to Dunaújváros and the eastern section of the European-Union-funded M0 motorway project, a ring road around Budapest.

Chapter 7 addresses projects constructed for the 2010 Winter Olympics in British Columbia, Canada: the Canada Line high-speed transit partnership from Richmond to Vancouver and the Olympic Village on the Southeast False Creek.

The book concludes in **Part III** with **Chapter 8**, which highlights results that illuminate similarities and differences between partnerships in Hungary and Canada. It demonstrates that models for public-private partnerships used in the two countries are remarkably similar, despite the huge disparities in organisational capacity and culture in their public sectors. It points out, however, that small structural differences between various PPPs can influence their effectiveness. I will explore some of the benefits and problems of public-private partnerships, and make recommendations for improvement. Finally, I will relate the findings to the Netherlands, suggesting how the lessons from these two countries may apply in the Dutch context.

Chapter 2

Sustaining Growth and Development

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A Lack of Commitment

Stantec Consulting had been providing design services for the Southeast False Creek project in Vancouver, Canada, a new residential neighbourhood along the waterfront in False Creek, across from the downtown core. I was speaking to a project leader from Stantec about construction of this project, asking questions about accountability and communication. When the interview concluded, we started to talk about the project in general. While the person I spoke with answered my questions patiently and thoroughly, he became more enthusiastic when speaking about the sustainability aspects of the project. This site was to be the first greenhouse-gas-neutral site in North America. Rainwater would be captured and recycled, transit and bicycle usage emphasised in transportation design, and all essential services (supermarkets, schools, and other facilities) would be close at hand. One innovation in which he displayed particular pride was the energy that would be captured from the heat of the sewer system, which generated a consistent temperature of 65°C.

Our conversation soon shifted to the idea of sustainable development in general. Unlike other cases that I had studied for this project, the vast majority of people in this network knew and addressed the concepts—or at least the rhetoric—of sustainable development. This included the idea that sustainability was supported by three pillars: economic sustainability through profitable or revenue neutral projects, environmental sustainability through harm reduction and energy efficiency, and even social sustainability (though interviewees were less precise about what exactly this meant). While the project leader was pleased and passionate about the project at hand, he readily acknowledged that achieving sustainable development outside this small and very valuable parcel of land would be extremely difficult. The value of the land made achieving a profitable yet environmentally and socially innovative design easier. However, the focus on profitability, he believed, also doomed the sustainable development project to failure. Society should place the environment at the top of this triad. Without a liveable environment, economic sustainability and society itself would be irrelevant.

These thoughts—given outside the structured confines of the interview questions—summed up many of the difficulties facing those attempting to grapple with sustainable development. The problem for sustainable development, at least at this moment, is not for lack of diffusion in society. Sustainable development has captured the imagination of many government officials and corporations. Over the past couple of years in particular, governments have brought forward discussions about the environment and climate change. On the campaign trail in Canada, liberal candidate Stéphane Dion won the leadership of his party wearing a green scarf and preaching the importance of the three pillars of sustainable development. In his acceptance speech to the delegates, he projected his message: “Throughout this leadership race, I have proposed such an ambitious project, one that is so needed. I call it the Three Pillar Approach: weaving together, better than any other country in the world, economic prosperity, social justice and environmental sustainability.” (Dion, 2006) Corporations, especially those concerned about corporate social responsibility, have also brandished the term in reference to their own work. Sony Ericsson, for instance, “considers sustainable development and production to be one of the most important challenges for the future and one that demands immediate action from responsible manufacturers” (Sony Ericsson, 2007). For a term brought to prominence only recently in 1980 when the International Union for the Conservation of Nature and Natural Resources presented their World Conservation Strategy (Lélé, 1991), it has accomplished remarkable ascendancy. In many ways, considerations have come to the core of decision-making. While financial considerations still represent the ultimate arbitrator of policy decisions in every department, environmental concerns have moved outside of departments of environment (Meadowcroft, 2000).

The fact that the environment is achieving increased attention with the public and their leaders appears clear. Consensus in the scientific community shows with “high confidence” that man-made activities have caused significant and mostly negative impacts on the environment (IPCC, 2007a, 2007b). Not only will these changes increasingly harm plants and animals, but they will also impact industry and cities. These impacts will be felt in particular in poorer regions, where residents rely more heavily on local water and food supplies. While significant impacts are expected only after 2020, indications of changes to come are already in evidence: eleven of the last twelve years (from 1995 to 2006) have been reported as the warmest on record, mountain glaciers and snow cover have declined in both hemispheres, and weather patterns have changed (IPCC, 2007a).

Yet, for all the agreement that has been reached, most nations have accomplished little in terms of mitigation or preparation. The Kyoto Protocol, initiated in Japan in 1997, called for reduction of man-made emissions of greenhouse gases by at least 5 percent below 1990 levels by between 2008 and 2012 (United Nations, 1998,

p. 3).¹ Commitments between countries vary to meet an average of 5 percent, with countries like Australia, Iceland, and Norway actually allowed to increase emissions (8 percent, 10 percent, and 1 percent, respectively). As well, only developed countries are obliged to participate in the programme, so growing nations like China and India have no limitations. Finally, Central and Eastern European countries are only obliged to meet targets which refer to the year in which they began transition to a market economy. The justification here is that these countries suffered major losses of industry in these years, so it would be too great a burden to expect them to meet 1990 levels. This raises the question whether reductions made would offset increases from other parts of the world. However, this question proves moot because emissions amongst the countries who agreed to reductions have increased by a total of 1.54 percent from the set base level to 2004² (United Nations Framework Convention on Climate Change, 2006b). While China and India have not supplied full GHG emission statistics to the IPCC since 1994, statistics on CO₂ emissions from the Carbon Dioxide Information Analysis Centre show rapid increases from both these countries (see Figure 1 for details) (Carbon Dioxide Information Analysis Center (CDIAC), 2006).

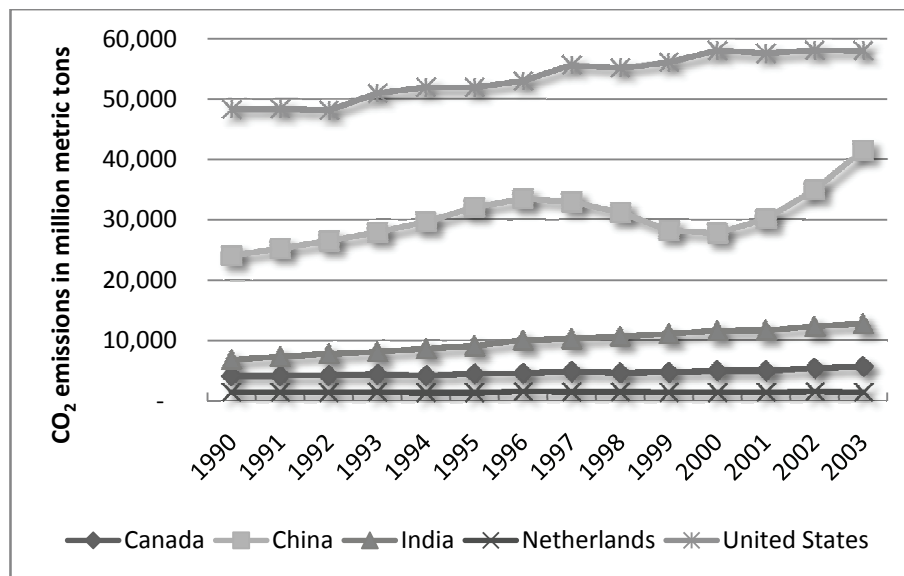


Figure 1. CO₂ emissions as collected by the CDIAC from 1990 to 2003. These figures do not include all greenhouse gases as identified by IPCC, but it remains quite likely that their figures are increasing at similar rates.

¹ The greenhouse gases targeted by the agreement are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆).

² The base year saw a total of 19,829,048Gg (gigagrams) of CO₂ and its equivalent, while in 2004, the total was 20,135,360Gg. These figures are also self-reported by the countries themselves, which opens questions as to their validity.

The lack of urgency in various governments can even be seen in the signing details. The document only entered into force in 2005, the same year in which the agreement states that nations will “have made demonstrable progress in achieving its commitments under this Protocol” (p. 3). The United States has still refused to ratify the accord, and a few countries with commitments on emissions—notably Croatia and Australia—only signed on in 2007 (United Nations Framework Convention on Climate Change, 2006a). Even some who have ratified are now stating that they will not meet their official commitments. Canada, for example, has publicly stated that it will be unable to meet its Kyoto commitments. At a legislative committee meeting on 08 February 2007, Environment Minister John Baird stated:

Let me be clear that there are some fundamental principles that guide this government. We will not spend taxpayers’ dollars to buy international hot air credits just to meet our Kyoto targets.... We want to spend this money here at home in Canada.

The second principle is also clear. The plan must be achievable, affordable, and practical. It must deal with the reality this country faces. Because of previous inaction, Canada is some 35% above its Kyoto target, and there are only two years remaining to start meeting it. Some critics have said we should simply push harder and make it our mission to meet the 2008 to 2012 reduction target. Let me explain what that would mean.

We would have to reduce emissions by some 270 megatons. And what would that mean? Again, as Professor Boyd told this committee, to achieve that kind of target through domestic reductions would require a rate-of-emissions decline unmatched by any modern nation in the history of the world—except those who have suffered economic collapse, such as Russia.

Canadians do not want empty promises on a plan that we cannot achieve, and they do not want our country to face economic collapse (Canada, 2007a).

The problem for sustainable development—both as a concept and as an attainable goal—is that the connection between economic growth and social stability is clear and immediate. Social and economic downturns can occur very quickly, while environmental calamity is a relatively slow and long-term process, one for which society has, so far, paid relatively low visible costs. A further problem is that given years of historical experience, governments can more confidently link the causes and consequences of economic downturn and social unrest, and how they influence each other, but, environmental effects on society and the economy remain uncertain. True, the insurance industry has been producing reports outlining the potential business costs of climate change, and various reports have attempted to estimate the economic impact of a changed environment (Stern, 2006). Yet, these reports remain uncertain and speculative, given a lack of past experience. Risk assessments generally depend on such experience for their

accuracy, relying heavily on historical evidence (Ball, Meafey, & King, 2004). Governments more confidently assert the negative impacts of inflation above 3 percent than the impacts of various greenhouse gases above 600ppm.

The first important question for sustainable development, then, is whether the concept contains any real and measurable meaning given the lack of historical evidence for environmental problems. The concept of social sustainability also remains somewhat fuzzy—as will be addressed in this chapter—which further complicates the portrait of what sustainable development actually represents. I will argue that sustainable development can have measurable meaning that can help guide policy-makers. This definition is also critical for evaluating effectiveness and legitimacy in new modes of governance of sustainable development.

Why Not?

Given the decades-old discussion of sustainable development, and the fact that governments have more or less adopted the idea into the core of policy-making, one is left wondering why so little has been done to move towards a more sustainable future. Is the problem that the three-pillar conception of sustainable development remains too vague to apply? Or is the problem that this vision for the future remains impossible to implement?

As I have already discussed, historically speaking, the connection between social unity and economic growth is well-established and lies at the foundation of the modern welfare state. Some observers of the welfare state see the balance between societal stability and economic efficiency in government policy as a response to the increasing complexity of economic, political, and military strength. An ambitious Otto von Bismarck, the first German chancellor of a newly unified Germany in 1871, recognised the importance of economic security for social unity when he established workers' benefits in the 1880s to forestall civil unrest, and also to provide benefits for returning soldiers. Governments continually attempt to achieve a balance between economic growth and social unity through redistributive policies. Whether one views this balancing act as a compromise between, or the unity of, economic efficiency and social unity (the efficiency vs. equity debate, as those alliterative academics would state) is irrelevant. The point is that both areas must be considered in policy development.

While the links between the environment and economics have been less clear, even the idea of a healthy environment influencing societal conditions isn't new, though the connection has often remained inexplicit. Edwin Chadwick, author of the means-testing Poor Laws of 1834 in the United Kingdom, published a document on *The Sanitary Conditions of the Labouring Population* in 1842. The government commissioned this report primarily in response to influenza and typhoid epidemics in 1837 and 1838 (Fraser, 1984). The report recognised two important facts: the connection between low social standing and an unhealthy

environment, as well as the connection between low productivity and poverty. Workers made sick by their living conditions were clearly not as productive as healthy workers. However, it would stretch the connection too far to call this a precursor to sustainable development, because Chadwick's concern for the environment was more limited, dealing only with the negative impact of environment on health as opposed to resource usage.

Although governments and individuals have not always recognised it, the environment has shaped how economics and society have developed. Cities dot the edges of major bodies of water because this was the easiest way for merchants to transport their goods from one city to the next. In mid-nineteenth-century America, land speculation around major rivers could be rampant, as speculators would try to guess where the next economic metropolis would sprout. "Boosters" would use nature as an argument for why a particular region should grow, such as the natural advantages of St. Louis. Human factors also came into account, of course. New Orleans, for example, could have become the main hub to the Americas just as easily as New York (Cronon, 1991).

Just as at some times, environmental considerations helped support economic growth, they could also be seen as a hindrance to be overcome to extract further capital from the land. The phenomenon of the "dust bowls" of the 1930s in the American southern plains shows clearly how cattle ranchers and farmers tore up the natural grasslands of the area—in a place prone to drought over the long term—leading to the harsh conditions of the 1930s. Historian Donald Worster complains that those who came to exploit the land saw it as mere capital, and that they had an obligation to accumulate wealth from this area with as much force as possible, without giving consideration for any of the long-term consequences (1979).

The dust bowls of the 1930s are not the only example of the environmental balance tipping against society. In fact, they remain one of the less extreme consequences. Ignoring environmental conditions has also led to the fall of a number of civilisations. Ancient destruction of the Mediterranean basin, for instance, precipitated the decline of a series of civilisations in the area. Many cultures began on the coastal plains, and with growth, slowly cleared the surrounding slopes to accommodate growing populations. Grazing goats prevented trees and flora from regenerating that would have been able to keep the soil stable. Soil erosion led to silt build-up, which clogged irrigation systems. The area also proved less able to hold rainwater, which exacerbated the problems with irrigation further downstream. The one exception in the area remained Egypt, which was founded in the much wider Nile basin with a topography more suitable to expansion (Duncan, 1996).

Traditionally, then, governments have understood the trade-offs between economic growth and social cohesion. Often, growth and cohesion run in tandem, but at other moments, governments step in to ensure that economic growth does not leave particular segments of society too far behind: welfare, unemployment

insurance, and a myriad of other programs are supposed to deal with the gap between haves and have-nots in a capital-driven society. Yet, governments have proven less able to cope with how to bring the environment into the equation. The environment has either been viewed as a complement to economic growth and as a helpful resource to harvest, or as an impediment, which needs to be overcome by technological means. Part of what sustainable development entails is redefining how the environment needs to be understood in the context of economic growth and social stability.

Before one can understand whether sustainable development is a program that can be implemented in its current form, it requires a more complete understanding of what it means. Sustainable development requires a vision for how society as a whole needs to progress, and as such, it remains filled with contradictions and points of contention as various groups attempt to define the concept—and how policy-makers implement it—according to their own agendas.

Giving Concrete Definition

Criticism of sustainable development crosses political boundaries, running from left to right on the political spectrum. Those on the left look at its focus on development and proclaim that it represents a too-small shift of societal actions and values, rendering the project meaningless (Willers, 1994). It represents little more than green-washing the idea of economic growth. Those on the right, on the other hand, criticise the fuzzy nature of its precepts. Society cannot possibly meet the goals of sustainable development because science is unable to measure the impacts of current actions into the future with much reliability (Bergkamp, 2002).

While much time and recycled paper is spent arguing about the contents of sustainable development, it would be useful to start by looking briefly at the term itself to understand exactly what it calls for. The first word, sustainable, embodies a simple concept: the ability of a system to maintain itself undiminished over the long term (Lélé & Norgaard, 1996). The open question remains exactly what one wants to sustain, which is when the second word, development, becomes important. While sustainable development is, at its base, a concept which emerged from environmental concerns, it has blossomed into (some would say outgrown) a more manmade creation. Development is a keyword for the current society that the West has built, predicated on the growth of capital and consumption of goods. The 1987 Brundtland Report, one milestone in the advancement of sustainable development, calls for three key objectives, the first two of which prioritise the development of economic wealth:

- 1) innovate in social and environmental policy to achieve a resource-efficient economy
- 2) improve economic welfare and quality of life in developing countries

- 3) promote a healthy natural environment with resources used and conserved wisely (World Commission on Environment and Development, 1987).

Development, then, is important not only to maintain the lifestyle achieved in the West, but also to raise the living standards for the rest of the world. The goals of development in this case are largely normative. Sustainable development means more than achieving an ecologically sustainable society, but also one that embraces particular social values.

These social elements of sustainable development can be defended in one of two ways: as either normative or instrumental. The normative defence, as adopted by defenders of the social justice movement, argue that the society in which we want to live is one in which justice and fairness are afforded to all citizens in society. The instrumental defence for embedding ecological sustainability within a socio-economic framework, however, carries more weight with policy-makers. The argument here is that one cannot expect people to abandon the path to a higher standard of living taken by the Western nations without offering some kind of economic security.

For instance, farmers in South America will care little for nature conservation when clearing forests represents the only way to acquire basic necessities. Researchers like Ronald Inglehart (1990) have shown that environmental and social concerns occur only after basic human necessities are available. Not only must these needs be met in the present, but people must be confident that those needs will continue to be met into the future. This frees people to look beyond material concerns, and to look at belonging, self-expression, and quality of life. One could apply Inglehart's observations and research to sustainable development with some degree of hope—Inglehart clearly shows that Western countries have moved from materialist to so-called *post-materialist* values. Those living in the West feel relatively confident regarding their basic needs, so they can look to fulfil other needs. Yet, post-materialism is not anti-materialism. *Post-materialism* is just as likely to mean that people will be more concerned about the statement made by the brand and look of their mobile phone than about other issues such as the environment. One can see today, in fact, how the desire to belong and self-expression have been tapped by marketers as material possessions allow people to define themselves and identify with others in their peer groups.

Elements of post-materialism seep into the Brundtland Report. In the report, the authors outline a list of objectives that should be taken into account when developing policies. One of the six objectives is to change the quality of economic growth.³ In addition to the recommendation to make growth less material- and

³ The other five objectives are as follows: reviving growth; meeting essential needs for jobs, food, energy, water, and sanitation; ensuring a sustainable level of population; conserving and enhancing the resource base; reorienting technology and managing risk; and merging environment and economics in decision-making (World Commission on Environment and Development, 1987, pp. 59-60).

energy-intensive, they also argue that “sustainability requires views of human needs and well-being that incorporate such non-economic variables as education and health enjoyed for their own sake, clean air and water, and the protection of natural beauty” (World Commission on Environment and Development, 1987, p. 63). The underlying tone in these statements is that placing a value on the environment beyond its capacity to provide economic wealth—through mineral extraction, for example—will make implementing environmentally sustainable policies easier.

On the surface, public opinion surveys appear to present some hope for a rise in post-materialist attitudes. For example, in a special Eurobarometer report published in 2005 on European attitudes toward the environment, on average, 85 percent of respondents in the European Union said that policy-makers should consider the environment to be as important as economic and social policy (European Commission, 2005a, pp. 31-32). Other surveys show that people are willing to forgo some economic wealth for the sake of the environment (see Figure 2).

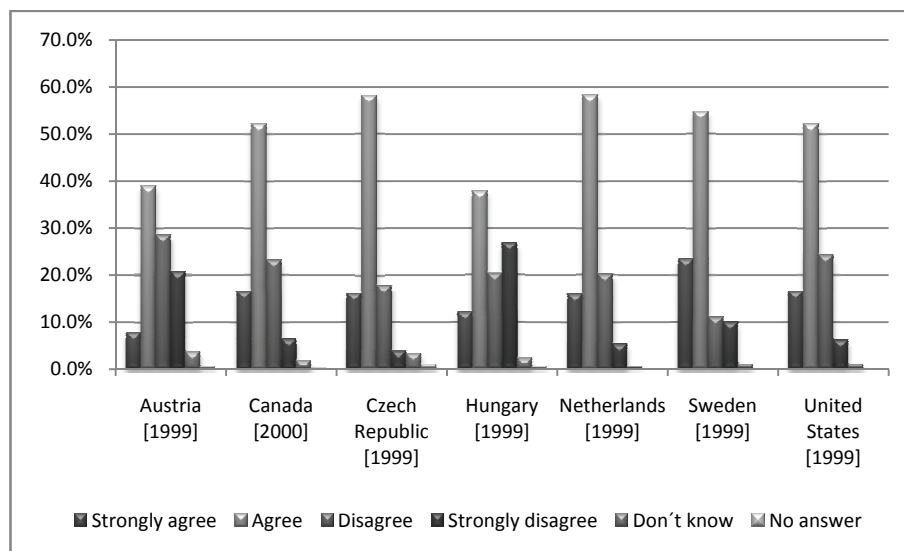


Figure 2. World Values Survey data for various countries, asking respondents whether they would give up part of their income for the environment.

Yet, drawing firm conclusion on how deep these environmental attitudes run is strikingly difficult. These figures remain less than definitive given the vagueness of the question. In fact, other survey data from questions asked in different ways present contradictory evidence. For example, in the spring 2004 Eurobarometer report of public opinion in the European Union, 47 percent of people identified unemployment as one of the top two problems facing their country, while protecting the environment ranked highest for a mere 3 percent (European Commission, 2004, p. 22). It remains extremely unclear exactly how much economic value people place on environmental protection.

The uncertainty over how much citizens are willing to sacrifice for the sake of environmental sustainability is one of the factors behind the drive to discuss environmental sustainability in terms of development. The 1992 United Nations Conference on Environment and Development (UNCED)—dubbed the Rio Earth Summit—firmly established the idea of liberal environmentalism, in which the liberalisation of trade and environmental protection could be seen as mutually reinforcing (Sneddon, Howarth, & Norgaard, 2006). Again, drawing on Eurobarometer statistics, it seems European citizens generally believe this. In a survey on the Lisbon Agenda, 64 percent of respondents believed that environmental protection policies were, *above all*, an incentive for innovation as opposed to 20 percent who believed they were an obstacle to economic performance (European Commission, 2005b, p. 36).

Essentially, thinkers on sustainable development can choose from at least two theoretical assumptions, which derive from different intellectual disciplines. Those from the environmental and other “hard” sciences emphasise the limits of a closed system, and focus on restricting economic growth within those limits. Those leaning more toward the social sciences, particular in economics, hold an opposing view. For them, the focus remains on growth. While ecological resources may be finite, technology’s ability to wrestle ever-increasing economic value (and by extension social well-being) from those resources can and should continue unabated. The debate is also imbued with a value difference, which can be drawn through a number of debates within the sustainable development and sustainability communities. On one side, people believe that individuals need to fundamentally change their attitudes towards nature; on the other is a more pragmatic belief that technology and efficiency gains are enough to achieve a sustainable future (Robinson, 2004).

This current view of sustainable development leans on the second, more pragmatic theoretical assumption, and sees continued economic growth in all societies—particularly in the third world—as the framework under which society must continue. Despite the postmaterialist protestations of the Brundtland report, the focus for sustainable development still is on maintaining current lifestyles inasmuch as it may be possible. The environment can be compatible with the way society is currently organised. Economic development and growth can continue to be at the centre of what brings social stability and a healthy environment. Technological innovation also remains at the centre of the way to sustainable development. Environmental technologies can be designed to reduce the impact of the use of goods and services so that they negligibly affect economic growth or, in some people’s view, even provide some benefit. This leads naturally to the idea that sustainable development is seeking some sort of win-win scenario, where economics, environment, and society can work in unison.

The Dirty Social Lens?

This discussion has, until now, clearly distinguished two components of sustainable development: economic growth and the environment. However, as I have already indicated in the introduction to this study, sustainable development is about a balance between three aspects: economic growth, environmental protection, and social cohesion. However, these terms and this conception are up for debate and in flux, in particular the social aspects of sustainable development. Most proponents of sustainable development agree that the concept engages three pillars. Sometimes these pillars are described as overlapping spheres or even a three-legged stool (Hodge, 1997; Sadler, 1996; Vos, 2007). The point to these metaphors—see Figure 3 for an example of the interlocking spheres—is that each aspect of sustainable development influences the other. If one leans too heavily on one aspect, then one or even both of the other two may be negatively impacted. Or, in the image of the stool, make one leg too short, and development becomes unstable and unsustainable. The metaphor that I prefer—and the one that I use for

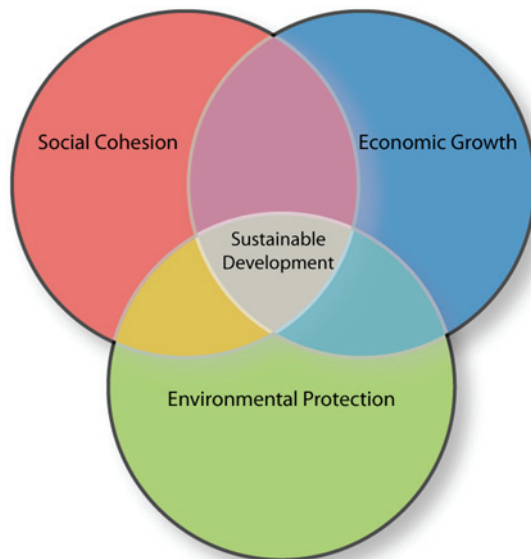


Figure 3. A view of sustainable development as a balance between three spheres. Some overlap is necessary.

the remaining parts of the thesis—is to refer to lenses. Each lens colours the policy-making process in a different way.

Many examples demonstrate the truth of these statements. For instance, too much focus on environmental concerns at the expense of social cohesion and economic growth can lead to protests and gridlock for implementing policy. The UK, for instance, has encountered frequent protests in response to attempts to introduce carbon taxes in some form.

In 1993, when the government attempted to introduce VAT on energy, protests and a revolt from the back benches caused the government to pull back, leaving the tax at a lower rate of 8 percent. When the Labour party came to power in 1997, one of their five pledges was to further reduce this rate to the 5 percent minimum mandated by the EU. Fuel protests over increased prices in 2000—partly brought on by increased taxation to influence choice in car purchases—brought massive disruption. Within months, the Chancellor of the Exchequer announced a freeze in fuel duties (Dresner, Jackson, & Gilbert, 2006). This example of protest against environmental taxes illustrates the kind of balance that the pillars represent. Tax protest

demonstrates that the government leaned too heavily on environmental protection without accurately assessing the impact that this would have on societal acceptance.

Yet, for all the examples of the interaction between society, the economy, and the environment, debate about where the emphasis needs to lie in sustainable development still remains. Ideally, taking the metaphor to its logical conclusion, one would assume that all three should hold equal sway. Yet, as many thinkers point out, people have an ideological predisposition towards one of the three pillars. Governments and, arguably, much of society may see economic growth within a socially and ecologically sound framework as the main focus, but others argue that the other lenses need to hold primacy.

Those that consider the ecological lens to be the most important criticise sustainable development for its focus on development and society. Sustainable development for them breaks down because it fails to properly embed people into their environment. They claim that it continues to encourage society to live outside the physical limits imposed by the environment. Neil Dawe and Kenneth Ryan (2003) argue, for example, that the three-legged stool is an inappropriate metaphor for sustainable development, as the environment is really the floor on which the stool sits (one imagines this stool must now have two legs). The environmental lens, then, should be the primary viewpoint for policy-makers.

A second school of thought counters that the best way to achieve sustainability is to make the social lens primary. In essence, these thinkers argue that environmental problems are, at their root, social ones. Understanding the point requires a slight revision of how I have characterised the social lens of sustainable development to this point. I have chosen to use a very loose, high-level definition, describing the social lens as an issue of social stability and cohesion. In the examples I have presented, I have also equated social cohesion with a lack of social unrest. However, the best way to forestall that unrest lies on many levels, and is up for intense debate. As well, for some—primarily those in the social or environmental justice movements who believe in sustainable development—a sustainable society is one that is fundamentally just and fair. Jude Fernando (2003), for instance, argues that solving social inequalities is a necessary precondition for dealing with environmental issues. He argues that the drive for profits causes production decisions to be driven not by the capacity of the environment or the basic needs of the poorer elements of society, but rather by the need to create commodities that have economic value. Following the argument to its conclusion, a fairer distribution of wealth, in Fernando's opinion, should lead to ecologically more sustainable decisions. Of course, this view of the social lens is on the extreme end of a basic argument about social equity.

Nonetheless, various arguments can be found which suggest that a more equitable society—one in which some form of equality is promoted—is a prerequisite for sustainable development. Generally, the push for a more equitable society is seen as a better way to produce a sustainable society, which in turn will be more likely

to accept decisions for the greater economic and environmental good of society. A society which is equitable will be more likely to accept particular decisions for economic and environmental reforms and will have better long-term prospects (Munasinghe, 1999; World Commission on Environment and Development, 1987). These assertions are based on a long tradition in the community which discusses political participation. Authors that discuss the importance of political participation sometimes preface their remarks with examples of political protest or resistance to policy implementation. They state—or imply—that participation would be an outlet for this resistance (Davies, 2001; Wälti et al., 2004).⁴

Sustaining Legitimacy and Effectiveness

While I do not believe the social sphere of sustainable development should receive any special attention or placement on a hierarchy, I do believe that it remains key to understanding the legitimacy and effectiveness of sustainable decision-making. It remains the base which limits all other decision-making. Governments that believe in the sanctity of markets need to convince their populations that free-trade agreements need to be made and ratified. Governments that believe that climate change remains the biggest threat to long-term economic growth also need to convince their populations; otherwise little will be done. Certainly, I agree with those thinkers who believe that—in essence—society will be limited by the environment, and in an ideal world, it should remain at the top of any decision-making. However, the key to bringing sustainability to the fore lies in proving the legitimacy of sustainable decision-making. One of the primary justifications to focusing on legitimacy, then, is because it reduces resistance to unpopular decisions.

As mentioned in the introduction, the literature on effectiveness and legitimacy in network-based partnerships (governance) is receiving increased scrutiny. However, the relationship between legitimacy and effectiveness differs in the sustainable-development literature versus the network-governance literature. In sustainable development, legitimacy (through participation) is a component to bring about more effective and efficient implementation of environmentally and economically sound decisions. Legitimacy begets effectiveness.

The problem with placing this idea within the partnership and network-governance debate is that this literature looks at the idea of legitimacy from a completely different perspective. These thinkers turn the logic on its head, seeing effective decision-making as a key to achieving legitimacy. So effectiveness begets legitimacy.

This difference comes about because of a fundamental distinction over the meaning of participation. For network governance, participation means bringing

⁴ Some people also argue that participation creates more effective decisions, both through increased accountability as more people examine decisions and also by bringing more ideas to the table. This issue will be discussed more thoroughly in Chapter 4.

in stakeholder groups, generally meaning associations such as NGOs, CBOs, business, and other local interests. For sustainable-development proponents who rely on principles of participatory democracy, the term stakeholder is anathema. Entrenched stakeholder groups can take over the policy process and reduce the legitimacy of a decision. Equity and participation rely on the idea of citizenship as opposed to stakeholders.

One reason that network-governance thinkers may exclude the idea of participatory democracy is because some evidence suggests that participation—particularly for contentious issues—can lead to gridlock and ineffective decision-making (Scharpf, 1999). In fact, even in governance or partnership projects where only stakeholder groups are involved, decision-making can remain a slow and painful process. In the city of Utrecht in the Netherlands, for example, the city council has been debating with private “partners” how best to redevelop a shopping centre at the main railway station called Hoog Catharijne. The Dutch government began discussions in the early 1980s, with a memorandum of understanding published in 1988. This project ended in disagreement, along with two other attempts in 1997 and 2000 (Teisman & Klijn, 2003). Discussion and planning were begun again in 2002, and only in 2007 was construction scheduled to begin (Gemeente Utrecht, 2007).

Intractable disagreement is not the only problem that can befall participation. Alternatively, for non-controversial decisions in which citizens generally have little interest, participation can lead to wasted resources, as the process itself is time-consuming for both government officials and those involved in the process (Irvin & Stansbury, 2004). More important from a sustainable-development perspective, some evidence suggests that participation can lead to poorer environmental performance and short-term thinking. Philip Goodwin (1999), for example, points out the discord between local groups empowered through participatory mechanisms—various programs under the UK Local Agenda 21 programme—and “conservation professionals” who saw a larger, more unified vision of the environment for larger regions.

Despite some questions in the academic community about the efficacy of equity and participation for the social lens of sustainable development, much of the best-known material on sustainable development takes social equity as a given and an essential good. The opinions of the Brundtland report have already been discussed, but other organisations and reports have supported the need for greater participation. At the United Nations Conference on Environment and Development in Rio in 1992, one major statement labelled Agenda 21 referred to the importance of participation to “improve and restructure” decision-making to take into account social and environmental issues. It states that governments need to “develop or improve mechanisms to facilitate the involvement of concerned individuals, groups and organisations in decision-making at all levels” (United Nations Division for Sustainable Development, 1993). This call is echoed in the Aarhus Convention, a European-level declaration, which calls for minimum standards for access to information and public participation (Zaharchenko &

Goldenman, 2004). Even applied policy units like the OECD have offered governments ideas for best practices on how best to achieve participation to improve the quality of decision-making (OECD, 2001a).

And yet, while participation may remain unnecessary in some cases, it still only remains only one element of democratic legitimacy. In fact, I strongly disagree with the notion of effectiveness imparting much in the way of legitimacy in and of itself. Rather, I hold that the sustainable-development thinkers have the right way of considering the issue. Legitimacy leads to effectiveness. And greater legitimacy is acquired through three important concepts: first, as discussed above, participation; but also accountability and transparency. These three ideas collide and interact to create legitimate governance, a point further addressed in Chapter 4.

Linking Participation and Equity

To return firmly to the point of participation, one reason that proponents argue so strenuously for participation is because they believe that it leads to greater input and output legitimacy. An inclusive decision-making process is, by definition, considered to be more legitimate in terms of process. A decision, for instance, in which all members of a group agree is fully legitimate. Obviously, in a democratic society, not everyone can or should participate in decision-making. However, academics take it as a given that the more people that one can include, the closer one comes to achieving this complete (input) legitimacy. Greater participation also leads, according to some, to more effective results. As I've already stated, for some, this means less resistance when policies are implemented. However, for others, this also means more equitable and fairer decision-making (Smith & McDonough, 2001).

But what is an equitable society? Some choose to associate equity with equality. Figures which look at income disparities are a prime example of this part of the debate. However, the idea of equality is in many ways unsatisfactory, from a theoretical, practical, and even fairness level. Equality measures represent a crude figure at best to examine the idea of societal equity (for an in-depth discussion, please see Sidebar 1).

Sidebar 1. Different Measures of Equality

One of the simplest measures of inequity in society is to look at income disparities—the difference in income between the richest and poorest individuals in society. While a crude measure, it remains useful as a starting point for inequalities in a society.

One of the most popular ratios used in literature looking at issues of income equality is the *Gini index*. This index expresses the difference in income between two randomly selected people in a group as a proportion of the group's average income. For example, a value of 0.3 indicates that the expected difference between

two people is 60 percent (Kangas, 2000). An index of 0 indicates perfect equality while 1 indicates perfect inequality (sometimes these figures are also represented between 0 and 100). The index is measured using the following formula:

$$G = \frac{1}{2n^2 \cdot u} \sum_{i=1}^n \sum_{j=1}^n |y_i - y_j|$$

n. Number of people in the group

u. The average income

y_i & y_j. The incomes of persons i and j.

Based on world incomes as reported by the United Nations Human Development Report, of the developed nations, Denmark, Sweden, and Japan rank as some of the most equal societies in terms of income distribution, with scores of 24.7, 24.9, and 25.0, respectively. Some of the lower ranked nations include the United States, Portugal, and Italy, with scores of 40.8, 38.5, and 36.0, respectively (United Nations Development Programme, 2006).⁵

Yet, while this offers researchers a quantitative measurement of income equality, the index is problematic. This measurement can lead to allocations of income that feel intuitively unfair. Take the following scenarios—derived from Douglas Rae—in which an academic department has €180 to spend per day on bonuses for its personnel. The department decides to use this bonus money to try to encourage staff to arrive at the office earlier. In the first scenario, the department decides to pay €60 to each staff member as they arrive (leaving the hapless person who hates mornings with nothing). In the second scenario, the department decides to give proportionally more to the staff that arrive earlier, but also ensures that each person receives at least something:

Order of Arrival	Daily Bonus	
	Scenario A	Scenario B
First	€60	€80
Second	€60	€50
Third	€60	€40
Fourth	€0	€10

In scenario A, the following Gini index can be calculated:

⁵ In the survey, Denmark, Sweden, and Japan ranked 2nd, 3rd, and 4th overall while Italy, Portugal, and the United States ranked 52nd, 59th, and 74th, all respectively. The survey reported figures for 125 countries, with Namibia ranking last with a score of 74.3. As further evidence of the crude nature of the Gini index, this survey is part of a larger project meant to rank quality of life. While the United States ranked quite low in terms of income equality, they were much higher in the overall ranking for the survey (ranking 8th overall).

$$G = \frac{1}{2 \cdot 4^2 \cdot 45} \cdot 360 = .250$$

However, the second distribution leads to the following:

$$G = \frac{1}{2 \cdot 4^2 \cdot 45} \cdot 440 = .305$$

Based on the Gini index, scenario A is the more equal distribution. Yet, as Rae points out, this situation can be calculated as unequal from another perspective. Consider the following scenario. If the department decided to divide the bonus equally amongst all the staff, each would get €45. So, if one calculated how far each person was above or below the equal distribution amount of €45, one would see that in scenario A, the average is €22.50, while in scenario B, the average is €20. If we then divide these amounts by the average income, we get figures of 0.50 and 0.44 for scenario B, indicating that the second scenario would be the more equal distribution (Rae, Yates, Hochschild, Morone, & Fessler, 1981).

	<i>Daily Bonus</i>			
	Scenario A		Scenario B	
Order of Arrival	<i>Received</i>	<i>± From Average</i>	<i>Received</i>	<i>± From Average</i>
First	€60	€15	€80	€35
Second	€60	€15	€50	€5
Third	€60	€15	€40	€5
Fourth	€0	€45	€10	€35
Average ±€ from €45		€22.50		€20.00

More importantly, if one ignores the mathematics of the two scenarios and just looks at the distributions, some may argue about the fairness of each distribution. For example, in scenario A, if the third person arrives minutes before the last, they still receive a full amount while the morning-challenged staff member receives nothing. Also, some may find the idea that one person is excluded from a particular benefit unfair.

This small mathematical exercise demonstrates only part of the problem in achieving an agreed-upon standard for measuring equality. H. Peyton Young (1995) identifies three philosophical bases from which the term has been defined and used in real-world situations: Aristotelian equity, which asserts that benefits should be divided equally; egalitarian equity, which believes that goods should be divided in a way that maximises the total benefit to all claimants; and Rawlsian

equity, in which the least well-off group in society should be made as well off as possible. Each of these three forms of equality could lead to very different distributions of the bonus given in the example of the academic department above. Let's say, for example, that a university has three departments: the classics department is run by Aristotle, the economics department is run by Jeremy Bentham, and the philosophy department is run by John Rawls, and each decides to distribute the bonus according to their own rules:

Aristotle's distribution. Aristotle is a man unfettered by the complexities of modernity, and he decides that each student deserves an equal share of the bonus money. Equality is equality.

Bentham's distribution. Bentham's primary concern is to use the bonus money to achieve the most productivity for his department, which in modern academic terms, means publishing articles. He offers bonus money to each staff member who successfully publishes a peer-reviewed article. With the department's increased reputation, it will receive more funds, which can then be used to increase the total bonus money available for all.

Rawls' distribution. John Rawls believes that the bonus money should be used to boost the base incomes of the junior staff members who receive less income. The department has one poor Ph.D. student, so Rawls decides to give this person a higher share.

	<i>Bonus Money Allocation</i>		
	Aristotle	Bentham	Rawls
Department Head	€45	€45	€40
Ph.D. Student	€45	€40	€60
Senior Staff Member	€45	€50	€40
Junior Staff Member	€45	€45	€40

Each of these distributions is equal in its own right and demonstrates some degree of fairness. In this example, both Aristotle and Rawls have an overall goal of equality in mind, but each has a different domain from which they choose to measure—Aristotle uses the bonus money as the only indicator, while Rawls looks at all of the money that each staff member earns. Bentham's approach appears more far reaching. While the distribution is unequal, the money is used in the most efficient way, which can in fact lead to more money for all.

Understanding that equality represents a relatively crude figure for measuring the inequities of society, thinkers have grasped at a number of other concepts and ideas for how to measure the social lens: fairness, justice, and equity. These three concepts, however, are heavily debated and highly contested, and have arguably been discussed since antiquity. Not only do 2,000 years of intellectual discourse make the topic difficult to approach, but the concept's scope also makes a single

theory near impossible. The fractured nature of the concept is established by psychologists who have shown that people's perception of justice varies by situation. In one set of experiments, researchers demonstrated that ideas of fairness in the distribution of child-care resources changed when those activities were done in the private and public sectors. Those under a private regime viewed equity (distribution in relation to input) as fairer while those under a public regime regarded equality as fairer (Eek & Biel, 2003). The idea also exists that certain goods should be treated more equally than others. Those goods and services which are more essential to human life, such as health care, should be treated differently than less essential goods, such as income (Goodin, Headey, Muffels, & Dirven, 1999). If these difficulties aren't enough for academic minds, they must also contend with a jumble of uses for the term justice and equality. Some writers, for instance, equate the ideas of equity, equality, and justice while others spend a great amount of time differentiating and defining each word according to their ideas and agendas.

Equity is best defined in contrast to equality. One way to approach the difference in these two terms is to view equity as being concerned with equal opportunity while equality concerns itself with wealth redistribution. Psychologists Daniel Eek and Anders Biel (2003), for instance, define equality as an equal share for all, while equity represents distribution in relation to input. Along a similar line, Julian LeGrand (1991) claims that equality has a descriptive—and therefore measurable—element, while equity is based strictly on normative values: "Equality of various kinds may be advocated for reasons other than equity; equitable outcomes may be quite inegalitarian" (p. 11). Of course, equality remains an important component of equity, because liberals believe that giving people equal opportunity will lead to the most desirable levels of equality.

Fairness, on the other hand, is a term virtually synonymous with justice, though again, no single definition exists. One definition of fairness centres on equity theory, which asserts that people judge outcomes as fair when the ratio of their inputs and outputs equals the ratio of others. The second definition centres around relative deprivation theory, which argues that people judge outcomes unfair when what they receive falls short of their expectations (Van den Bos, Vermunt, & Wike, 1997).

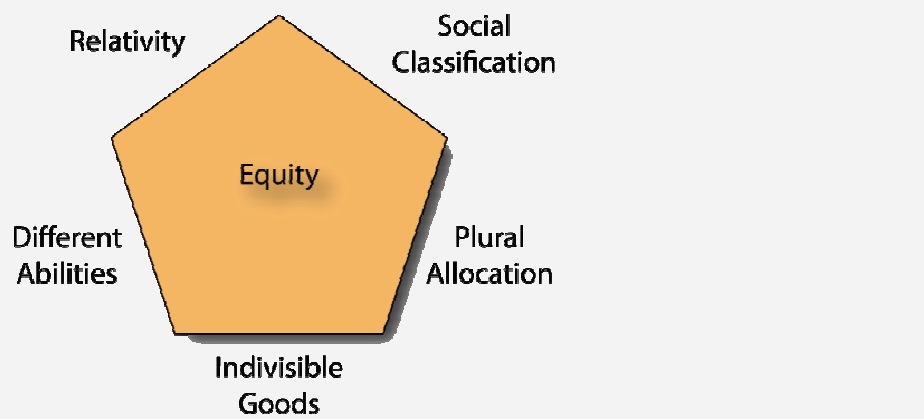
Fairness can be an extremely important element in decision-making, as it possesses a strong influence on people's willingness to co-operate (Beersma & De Dreu, 2003; Eek & Biel, 2003; Pillutla & Murnighan, 2003). Fairness is not only an important component in getting people to co-operate, but also in ensuring that people will not sabotage projects (hence the reason why policy-makers believe that participation is an important component for effective policy-making). Of course, this assertion runs counter to what some neo-liberal thinkers assume about human behaviour, as they assume for their models that people act in a rational manner, pressing to achieve the best outcome in any situation, hence maximising their utility. But as some academics have shown, utility maximisation and rational choice are not always the best model for judging human behaviour.

Madan Pillutla and J. Keith Murnighan, for example, summarise a series of experiments to test game theory's assumption that people attempt to maximise the amount of money they receive when playing two specific types of games: ultimatum games and dictator games. In an ultimatum game, one person is given money and asked to distribute it according to certain principles. The receiver is then given the chance to either accept or reject the single offer. If the receiver rejects the offer, neither gets any money. Game theory assumes that an offer can be very low, and the receiver should still accept, yet Pillutla and Murnighan's summary shows that to have any reasonable possibility of success, the giver needed to give nearly 50 percent of their money.⁶ In dictator games, on the other hand, the giver gives what they want to the receiver based on some criteria. The receiver can choose to reject the amount, but it will not influence what the giver receives. Even in these games, some sharing occurred, even in situations where it wasn't required (Pillutla & Murnighan, 2003).

Clearly, concepts like equity and fairness influence decision-making and how people react to decisions. However, the problem for decision-makers is that equity and fairness change according to the individual and the situation. Making the problem even more complex, equity can be measured on a number of levels (see Sidebar 2 for more details).

Sidebar 2. A five-pronged approach to equity

Douglas Rae and his team of researchers (1981) show that equity is beset by five serious complications: complex social classifications, plural allocation, indivisibilities, human differences, and relativity. Each of these complications represents a different facet of equity.



⁶ One can argue that the amount of money up for grabs—in many experiments, between U\$10-100; in others, more is offered, but only theoretical amounts—meant that people would be more willing to reject an offer based on principles of fairness than in other situation where more was at stake. Nonetheless, it remains important to demonstrate that the principle of fairness is a factor in decision making and co-operation.

Social classifications, which refers to the *subject* of equity. Rae identifies three classifications, two of which relate to individuals and one to groups. The first measure for individuals—straight individual-regarding—ensures that each individual in a group receives equal access or consideration in a particular situation. The second involves segmental comparisons, which is defined by two features: (1) two or more mutually exclusive groups and (2) pair-by-pair equity within each group. An example of this type of equity would be how individuals are treated within a hierarchy. Each rank might have a different set of standards by which individuals in that tier are measured. The group measurement—block equity—is defined by equity between groups as a whole, but people within each group could be very unequal. Many racist structures can be block-equal. For example, in the U.S. case of *Plessy v. Ferguson* (1896) upheld the Jim Crow law in Louisiana, which required equal but separate accommodations for whites and non-whites. No individual within each group needed to be looked at as equals and there could be huge disparities between the top and bottom of each block.

Plural allocation refers to the fact that for different types of subjects, equity occurs in three *domains*: straightforward, marginal, and global. The larger the domain, the more factors are used to calculate equity. For example, in the case of university departments dividing student bonus money, Aristotle uses a straightforward domain, while Rawls' idea is marginal: "In general, *marginal equalities equalize domains of allocation, yet leave domains of account unequally divided because they ignore the residue between the two domains. ... And, in general, global equalities promote equalization of a full domain of account, probably through unequal division in a domain of allocation.*" (p. 50, italics in original)

Indivisibilities refer to the distinction between straight equality and equality of opportunity. This basic distinction between equality and equality of opportunity is relatively straightforward—equality of opportunity means that everyone should have the possibility to achieve a particular goal, but that great differences in result will be tolerated (how this works in practice is, of course, a lot more complicated). Equality of opportunity requires some elaboration, however, because two forms exist: prospect-regarding and means-regarding. The first means that those within a particular group should have the same probability of attaining a particular goal. A lottery is a good example of prospect-regarding equality, because every ticket has an equal chance of winning. Means-regarding equality, the much more common form of equal opportunity, indicates that people should have the same instruments to achieve a particular goal, such as equal access to education or transportation.

Human differences involve the point of observation. Does one consider every member of society to be the same, or should each case be looked at on an individual level? A common *lot-regarding* measurement of equity, then, could be the statement "all people are considered equal under the law." *Individual-regarding* equity, on the other hand, considers individuals' abilities and needs, and measures allocation accordingly. To use an example of a basket of goods, lot-regarding equity states that all members should have a basket with the same value (the

goods themselves don't need to be the same). Individual-regarding equity states that one needs to consider whether people derive the same value from those baskets of goods. For example, all baskets of goods may be worth the same, but some people may require expensive medication to stay alive. In this case, society should allocate baskets of higher value to those who need it.

Relativity refers to whether the equity is relative or absolute.

While these conceptualisations of equity may not be explicitly discussed in public discourse, they find expression in many conflicts. Consider those who argue for affirmative-action laws (or quotas, in the eye of opponents). Those who support these laws are looking at lot-regarding equity while those against believe in individual-regarding equalities.

Does the Measure Matter?

The debate over equity versus justice versus fairness could continue for the remaining pages of this book, but while this discussion holds high theoretical importance in other contexts, it can be set aside for the sake of this discussion of sustainable development. Equity, justice, and fairness, at their base, are all possible outcomes of a decision-making process which is both legitimate and effective. Legitimate decisions, as discussed above, will tend to be viewed as being more fair, no matter what the reality (Rowe & Frewer, 2000). Understanding what constitutes a fair or equitable or just decision is important, but what remains more important is understanding the variables that lead to these kinds of decisions.

Legitimacy, then, is an important component of sustainable development. It supports the social component of sustainability, which in the end helps to support more effective policies that lead to support for the other two pillars of sustainability, which will be addressed further in Chapter 4.

The Required Level of Overlap

Often, the debate on sustainable development may focus on a single lens because of the ideological slant of the researcher. However, many still agree that focusing on one lens without taking the other two into account creates problems. For example, the assumption that a focus on participation and social equity by itself will necessarily reinforce ecological sustainability rings false. Some results suggest that equity in resource access can even have the opposite effect. For instance, communal irrigation tanks in Tamil Nadu, India fell into disrepair with the reduction in the feudal powers of the village landlords (Lélé, 1991, p. 616; Von Oppen & Subba Rao, 1987, p. 28). A decision-making process which brings about a completely equitable decision may do devastating long-term damage to both the

environment and economy. One should not assume that what looks good through any one lens will, by necessity, bring benefit to the other two.⁷

However, while numerous discussions of sustainable development (including this one) may agree that bringing together the three aspects of sustainable development remains crucial, discussion of how to do so in practice remains particularly fuzzy. Academics are quite apt at identifying the trade-offs and conflicts involved in sustainable development. As previously discussed, one can find debates on the trade-off between economics and social equity or cohesion. One can also find trade-offs between the environment and economics, as people working in the logging and fishing industries can attest (S. Campbell, 1996). A trade-off can even exist between social and environmental issues. In Cleveland, policy-makers made a conscious choice to support poorer residents in the inner city who already relied on buses, rather than focusing on subway or train systems designed to get suburban residents out of their cars (Krumholz & Forester, 1990). Yet, understanding how to approach policy that can realistically take all of these trade-offs into account remains difficult, especially in a pluralistic policy environment in which policy-makers are expected to take into account all points of view in an inclusive process.

One problem that this picture of sustainable development creates is the idea that every policy decision must lie perfectly in the middle of the three lenses. It offers little in the way of concrete advice for policy-makers when creating individual policies. It also remains overly vague about the precise meaning of the social component of sustainability, making the balance even more difficult to achieve. For example, if one considers social sustainability to be vaguely about fulfilling social needs, then the idea becomes overly broad and impossible to implement.⁸

Finding policies which present the rare “win-win-win” scenario, if one uses the vague of idea of “social benefit” as the determinant for social sustainability, is difficult. One example could be public transit. The environmental consequences of transit are clear when compared to individual cars; however, it also can achieve economic and social benefit. For example, in Vancouver, the primary criterion for

⁷ In the debate on sustainable development, one further concept that receives attention is the idea of intergenerational equity. This derives again from the Brundtland report, which states that “Humanity has the ability to make development sustainable to ensure that it meet the needs of the present without compromising the ability of future generations to meet their own needs” (p. 24). Repeated mentions of “future generations” have led some thinkers to talk about intergenerational equity. I have avoided this term because, by definition, a sustainable society is one that future generations will also be able to enjoy. As such, it only further and unnecessarily complicates an already difficult concept to address the idea of intergenerational equity.

⁸ To clarify this point a bit further: I am not attempting to contradict the concept held by some thinkers that sustainable development is about “fulfilling needs”. The idea of fulfilling needs encompasses all three lenses of sustainability. Economic growth, for example, fulfils people’s ability to sustain themselves. Rather, I am criticising those who use the social lens of sustainability as a catchall for components of public policy that does not represent economics or the environment.

the SkyTrain remained the speed at which it could bring people from the airport to the downtown core. This was considered essential for business, particularly the tourist industry. Expanded public transit can also offer social benefit, especially if aimed at lower-income families which rely on transit as their primary mode of transportation. Yet, instances like these remain very rare indeed.

Keeping networked and market-based solutions could also make achieving socially sustainable decisions more difficult, as the government gives up direct mechanisms of influence on the policy process. With network-based decisions, the government becomes one actor amongst many, while market-based decisions obviously involve the government even less. Government and policy-makers still play an important role in terms of setting the rules of the game. Emissions trading is but one means by which the government plays a steering role in achieving sustainability. The government also plays a role in how it distributes resources to various players in policy networks so that its objectives can be met.

Participation in its various forms, then, becomes a key variable in determining the potential sustainability of various governance structures. Here, I talk not just about participation of citizens to help facilitate greater acceptance of changes to society—and also to help ensure that those changes are as equitable as possible—but, also about the key issue of participation of industry and capital. As John Robinson has eloquently argued, the private sector must be involved in any solution for sustainable development as “a major source of creativity, innovation and entrepreneurship” (2004, p. 378). These activities must, he continues, then be monitored and questioned by an active NGO sector. This plea, in essence, is at the heart of the governance debate about how to best bring about more effective government.

Participation is not the only variable necessary to achieving legitimacy and effectiveness. Other variables also play a part, most notably accountability and transparency. Because the social component is a significant part of sustainable development, it remains important to know how new forms of governance influence the legitimacy of policy-making. Knowing how various stakeholders in society can come together, however, requires understanding of the various forms of partnership that can be achieved between public and private actors. The next chapter will discuss the various ways in which public and private actors interact.

Chapter 3

Partnership in Markets and Networks

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Blurry Boundaries

After only a few minutes talking with Jose Etcheverry at the offices of the David Suzuki Foundation, it became clear that my understanding of public-private partnerships (PPP) differed markedly from his. By understanding, I do not mean our ideological assumptions. As a dispassionate researcher, I had come to listen to his ideas rather than debate our underlying beliefs. The problem, rather, was that his definition of public-private partnership caused him to refer to institutions which I considered to be other forms procurement. I would ask a question, expecting answers about a particular set of institutions, and he would talk about arrangements that were outside what I believed to be PPP. Etcheverry referred extensively to motorway 407, a private toll motorway in the Toronto area, and also to the nuclear industry in Ontario. But his concerns, in my mind, referred more to privatisation than to public-private partnerships. Would his generalisations about public-private partnerships apply to my own study? And how could we construct such different frameworks to describe what appears to be a relatively simple-sounding term?

In fact, all parts of the term public-private partnership remain in contention. The word partnership has become so fashionable in the last years, and has been stretched into so many roles, that its meaning has become unclear. Almost any form of interaction can be labelled as a partnership. Governments talk about partnerships with NGOs, business, and citizens. Yet, all of these relationships cannot possibly be equal, nor represent the same types of interactions. Some partnerships hold legal standing while others are looser forms of co-operation. Some involve joint projects and close relationships, while others remain a simple exchange of information and are much more distant.

The words public and private, at first glance, appear more solid. But even these terms are less well defined than one would imagine. Boundaries between public and private organisations are not as firm as they had once been conceptualised. As governments devolve their responsibilities to organisations outside of the national bureaucracy, yet still keep some say in the operation of those newly minted organisations, the boundaries between public and private blur.

One example of the blurring of boundaries lies in quasi-autonomous non-governmental organisations (*quangos*), which hold part of the public trust, but are also separated from the government's structure, hence operating somewhat like a private organisation. Quangos, generally, spend public money while remaining independent from the political structure and its accountability mechanisms (Greve, Flinders, & van Thiel, 1999, p.139). Independent central banks represent a visible example, though these organisations appear in all aspects of economic and social policy. The organisation running the airport in Vancouver, Canada, for example, could be classified as a quango. The Vancouver Airport Authority leases facilities from the federal government and operates the airport according to the wishes of "local stakeholders"; however, various levels of government still sit on the Board of Directors, with two or more nominees from the federal government and one from the provincial government. The federal government also keeps jurisdiction over all issues of safety and security (Tretheway, 2001). Does one define this organisation as public or private? This question becomes important in the context of this research project when one considers that the Vancouver Airport Authority is also a primary funding agency on one of the largest public-private partnerships in Canada: the extension of the high-speed transit system in Vancouver from the city of Richmond and the airport into the downtown core of Vancouver. (For more information, see Chapter 7.)

Even a quick glance at the literature on public-private partnerships, however, makes it clear that the problem defining a partnership delves deeper than classifying organisations as public or private. Almost any kind of communication between government actors and anyone outside of the bureaucracy has been labelled as partnership. The loose use of a term that holds positive connotations for interaction has led to confusion over the real benefits of a public-private partnership. It also leads people to support or oppose public-private partnerships for the wrong reasons.

People who believe in a strong distinction between public and private-sector values, for example, argue that public-private partnerships represent the first step toward privatisation, and can even be considered a euphemism for privatisation. For instance, *The Georgia Straight*, a local newspaper in Vancouver, complains that public-private partnerships are "really just a user-friendly name for privatization" (Dobbin, 29 December 2005). A few academics and practitioners also choose to make this equation (Heald, 1997; Savas, 2000). However, while the justification for public-private partnerships may borrow from the literature on microeconomic theory and market-based efficiencies, the government can still retain some control and involvement in a partnership. But, what these individuals are arguing is that government organisations remain silent (or worse, complicit) partners in a PPP. While this form of interaction can be considered partnership—in the form of the "shadow of hierarchy"—it remains only one form.

The goal of this chapter, then, is twofold. First, it aims to provide some guidance to separate public from private partners. Some people find distinct and distinguishing features to describe the roles of the public and private sector. Yet, I

will show the hazy nature of the line between the public and private sectors, and demonstrate that it has always been in flux. This will lead me to conclude that the argument about public vs. private diverts attention from more important questions about the effectiveness of various forms of organisations, including partnerships. Second, after providing a better understanding of public and private, the chapter will proceed to define public-private partnership in terms of governance. Public-private partnerships, I argue, can be divided into two camps—one in terms of markets and risks, and the second in terms of networks. From this definition, I will discuss the perceived merits and drawbacks of each form of partnership.

Defining Public and Private

In December 1967, then justice minister Pierre Elliot Trudeau of Canada (who would become prime minister the next year) famously opined that “there is no place for the state in the bedrooms of the nation” (Chaffey, 1993, p. 128). He asserted this during a press conference, in which he was justifying proposed changes to the Criminal Code that would legalise sexual acts between consenting adults conducted in private, no matter what their gender. In essence, Trudeau and his ministry were proposing to redraw the line between the public and private sphere. The public—as represented by the government—would no longer proscribe activities in this area, hence relegating sex to a private affair. This event not only shows one way in which people intuitively think about the differences between public and private affairs, but it also hints at why some people worry about public procurement activities done in private. Some fear that activities in the private sphere are, by definition, less accountable—less seen by public eyes, and therefore, less transparent.

But is it fair to link this example of private activities of individuals to the private activities of companies? Certainly, some critics of private enterprise providing public goods complain that business lacks transparency, with some going so far as to suggest that transparency is a core public value (Jørgensen & Bozeman, 2002; Skelcher, 2005). Private enterprise thrives on the control of information. Drug companies, for example, carefully guard the formulas for their medications so that they can then sell these to others for profit. The same holds true for more mundane items, like food preparation. Coca-Cola and Pepsi have built two major empires around specific formulas for what amounts to sugared, carbonated water. They profit because no one else can replicate the specific tastes of these products. This commercial confidentiality—a notion which will be more thoroughly defined in Chapter 4—even extends beyond end products and into relationships between organisations. Contract negotiations between companies can be heavily secretive, lest a competitor undercut a final offer at the last moment.

To declare that private companies are inherently secretive while public companies are open to information oversimplifies the point, however. Public officials have an equal desire to hide information from public scrutiny. Access-to-information laws

in Canada have led government officials to work more orally or to use easily disposable sticky notes attached to official documents to convey their true feelings outside of the public record (Gilbert, 2000). Even academics, particularly those in the hard sciences, have an interest in protecting their methods and results until they have been published.¹ The major difference between public and private organisations, rather, lies in the rules that each faces. Public officials are often mandated to remain open to the public and the press, whereas companies will—at most—only need to be open to their stockholders (Koppell, 2005). And it's this requirement for openness from public organisations that leads to the impression that much of what private enterprise does is “in private”.

Yet, as business activity has grown from local to global enterprise, regulated and controlled for the public interest, more activities of private enterprise have been brought under public scrutiny. Electricity utilities, for example, remain under constant scrutiny from public officials, despite the fact that they may be private entities. Private companies can also come under public scrutiny at shareholder meetings, with managers called to account for any number of activities. Shareholder activism and voluntary agreements between private companies can even be seen as a means to accomplishing public goods, such as sustainability (Sharma & Ruud, 2003). For example, in the late 1990s, the Canadian NGO Taskforce on the Churches and Corporate Responsibility (TCCR) challenged Talisman Energy over their investments in Sudanese oil fields. Concerned over various human rights abuses, TCCR managed to achieve 27 percent in favour of a motion to adopt clear human-rights standards in the area. Major investors such as the retirement funds for teachers and municipal employees in both Ontario and Quebec supported the motion. While none of the motions carried, the stock price was devalued by as much as 25 percent because of the bad publicity, and Talisman withdrew from Sudan a year later (Guay, Doh, & Sinclair, 2004).

Many private companies, then, are subject to limited public controls and are, in some ways, open. These complications clearly show that the question of public versus private cannot be a binary opposition. For this reason, a number of authors have proposed other structural or cultural characteristics to differentiate public and private organisations (Appleby, 1997; Bozeman & Bretschneider, 1994). Researchers have examined issues such as job satisfaction, perceptions of reward, organisational structure, decision patterns, and even performance to separate the two types. And yes, these studies hold great appeal and are valid in clear-cut cases of government and private enterprises. However, categorisations which differentiate on structural or cultural elements will still fail in cases where hybrid organisations—such as quangos—are involved.

One way to circumvent these problems, Peter Steinberger (1999) argues, is to stop thinking about how to cordon off public and private sectors within exclusive

¹ Even in the social sciences, this secrecy can occur (though much less frequently). In my introduction to social network analysis, the teachers refused to give out examples of their survey to the class, saying that they wanted to publish their results before exposing their questions to the wild.

boundaries. Instead, one needs to think about public and private as different ways of justifying actions. Activities in the private sphere inherently resist any formal justification. Take the example of a parent executing their authority in the privacy of the home. In general, a parent is not expected to justify why they have disciplined a child. The parent is not accountable to the child nor, in general, to society at large. Parental activities only become public in matters where society has decided that a child's rearing is of interest to the state. So, if a parent is considered unfit, then the state holds a parent to account. The matter of parenting moves from the private sphere to the public one as one thinks about the activity in a different way. Actions in the public sphere call for public means of accountability. A publicly traded company must produce reports to account for its performance. Public officials are also held to account through numerous mechanisms, including commissions and elections. The distinction between public and private in this way of thinking comes down to the difference between acting in a responsible manner, as in the example of the parent, versus an accountable one.

This way of thinking about public and private, however, holds a few weaknesses and requires some theoretical tweaking. The metaphor works when talking about families, and even when talking about government types. Steinberger differentiates, for example, between publicly driven democratic governments and privately driven absolute monarchs. Absolute monarchs, he argues, are no more accountable for their actions than a parent. However, to claim that private companies remain unaccountable is clearly untrue. When a private company enters into a contract, it can be held to account for its actions. True, these accountability mechanisms are generally public ones. If two companies cannot reach agreement over a dispute, a court case will bring out this information to the public. But not all accountability mechanisms need to be public ones. If a payment is late, a buyer and seller can agree on a form of penalty in private. This does not mean that Steinberger's conceptualisation needs to be jettisoned. Rather, the differences between public and private should be labelled as the differences between open forms of accountability versus closed ones.

This conceptualisation works well when talking about the messy world of quasi-public organisations, including quangos and even publicly traded companies. Publicly traded companies, for instance, must produce annual reports for the stock market, which are available to the public. The question becomes the degree to which different organisations are held to public account. Annual reports present data for which an organisation can be held publicly accountable, but only very specific types of financial and other performance data need to be released. Some organisations may even choose to make themselves more public by releasing corporate social responsibility reports. These documents contain information about the role of a company within their local community, the well-being of workers, and environmental performance (Mathis & De Bruijn, 2006), all of which arguably make them even more open. Governments face a much broader and more open process than any private firm, specifically through access-to-information

laws and other legislation granting information to the public. The amount of openness called for, then, can determine the “publicness” of an organisation.

Openness in an organisation can occur on a number of levels, and James Perry and Hal Rainey (1988) identify three such levels with a meta-analysis of various studies in public versus private organisations. They find three categories in which an organisation can vary along a public-private continuum: ownership, funding, and the type of social control. Ownership and funding are relatively straightforward concepts. Ownership indicates the entity that is ultimately responsible for the activities of the organisation, while funding indicates the source from which operating revenues are obtained. For instance, a government department might be legally responsible for the actions of a quango, but that organisation’s funding could be derived either from government taxation revenues or by selling services on the market.

The idea of “social control” represents the pressures a company faces that influence the way it conducts itself. These pressures can be either direct or indirect, whether edicts mandated from the top of a hierarchy or social pressure to conform to particular standards. For ease of understanding, and also to allow this categorisation to better fit with this project, I have renamed this category to *accountability provider*. Accountability, after all, can be defined as the way that a principal ensures that an agent has completed assigned tasks.² This is an important form of control over an organisation’s actions.

Perry and Rainey’s original discussion offers a binary choice between public and private for the ownership and funding categories; however, for the category which I have relabelled as *accountability provider*, they offer the choice between polyarchy and the market. They derive this distinction from thinkers like Robert Dahl and Charles Lindblom (1953), who identify four forms of control exercised over organisations: markets, hierarchies, polyarchies, and bargaining.³ Hierarchy differs from polyarchy, in their reasoning, because a hierarchy is more unified and top-down, with everyone following a single leader. Polyarchy, on the other hand, reverses the control, where those on the bottom control the actions of leaders. In other words, those with the power to act take their cues from others, such as in a democracy. While these distinctions could be important in other contexts, for the sake of my discussion, it suffices to divide this category into public or private. The three categories, then, can be seen in Table 1 with examples of organisations with different levels of publicness.

² A fuller justification for this definition of accountability is available in Chapter 4.

³ In the Dahl and Lindblom’s original discussion, they actually use the term “price system” as opposed to markets. In these categories, one can also see the echos of the more modern distinction between markets, networks (through bargaining), and hierarchies.

	<i>Ownership</i>	<i>Funding</i>	<i>Accountability provider</i>	<i>Example</i>
Government Department	Public	Public	Public	Departments of Finance
Government Corporation	Public	Private	Public	State-Run Motor Vehicle Insurance Companies
Government-Sponsored Enterprise	Private	Public	Public	American Corporation for Public Broadcasting
Regulated Enterprise	Private	Private	Public	Private Electric Utilities
Governmental Enterprise	Public	Public	Private	
State-Owned Enterprise	Public	Private	Private	EADS, owner of Airbus
Government Contractor	Private	Public	Private	Halliburton
Private Enterprise	Private	Private	Private	IBM

Table 1. Three categories to judge publicness of an organisation, partly adapted from Perry and Rainey (1988, p. 196).

Even within each of these categories, one finds a mix of public and private, providing further gradation to the publicness scale. For example, Volkswagen AG is a publicly traded company whose two major stock holders include Porsche AG (another publicly traded company), which owns 30.8 percent of ordinary shares, and the state of Lower Saxony, which owns 20.47 percent ("Porsche Raises Stake in VW, But Puts Takeover Plans on Hold," 2007, March 26; Share Fact Sheet," 2007, March 9). Another example lies in the accountability provider. Increasingly, state-owned postal services respond both to government pressure to provide equal postal services to all regions of the country and to market pressures from competition from private delivery services. Therefore, one can choose to add Mix as a further granularity of the publicness scale.

Sorting through this confusion is important because it has important consequences for theorising about the influence that various forms of governance bring to bear on public policy. Understanding the proper distinction between public and private can help to clarify any hypotheses about the influence that public-private interactions should have on governing structures (as discussed in Chapter 4). The point here is that it would oversimplify the issue to make blanket statements about the influence of private companies when accountability can take place on different levels depending on the type of private company.

A Brief History of Public-Private Interaction

The debate over private-sector involvement in governing can sometimes revolve around the question of the “traditional” roles for governments (Keating, 1997; Kettl, 2000). The implication is that the private sector is getting involved in areas that have long been a part of the public sector’s domain. However, these arguments against private-sector involvement fail to acknowledge that the modern welfare state, and in particular the professional bureaucracies that run them, are relatively young in historical terms. In fact, the historical norm has shown that the boundary between public and private has always been porous. Dating back to Roman times, governments have attempted to use private actors to extend their resources. One can find historical examples that compare with the various types of interaction one sees today. Sometimes, private actors were “contracted” to accomplish particular tasks, while at other times, one can arguably see joint decision-making patterns reminiscent of network governance.

Constructing roads has been one important and ubiquitous form of public-private interaction. Strong governments have always found road construction an important task to satisfy their desire for control and power. One of the most important reasons to undertake road construction has been for purely military reasons. One of the first roads on record used for military purposes was built by the Syrian King Darius I around 500BC between Suza and Izmir. Right up until the twentieth century, road-building had been considered essential infrastructure for moving military equipment. Expansion of the German *autobahns* was strongly accelerated by Nazi Germany in 1933, with one *oberstleutnant* declaring that “the interests of defence demand the motorization of the economy” (Lay, 1992, p. 98). At around the same time, the Americans were also busy justifying road expansion for everything ranging from evacuation of citizens to the movement of military vehicles. Roads, of course, served other purposes, such as trade and communication. The Chinese were early converts to the communication potential of roads: horses used in a relay system meant they could achieve speeds of up to 430km/day.

Many leaders have acknowledged the importance of roads to sustain and expand their lands, but few have had the resources or manpower to build and maintain them. While some, like the Romans, relied on the forced labour of slaves and convicts, other leaders relied on private citizens and organisations to offer expertise and even resources. One of the first recorded contracts between a government and a private organisation took place in 1650, when the mayor of Paris signed a contract with Master Paviers du Clondit and Eveque to repair the surface of a road from Porte Saint Martin to beyond Yblon Bridge.

Private involvement in road construction and maintenance involved more than just contractual relationships whereby governments purchased services from individuals or organisations. Acquiring resources for infrastructure could be much more creative. In the thirteenth century, for example, road repair could be seen as an act of religious penance or fervour (Lay, 1992). Many parishes offered

indulgences—typically for a period of 40 days—in exchange for funds for road work. In the seventeenth century, individuals were given full control over sections of road, making them responsible for maintenance and even expansion, in exchange for tolls. These roads quickly acquired the name turnpike, based on the hinged pike guarding the entrance to a section of road. The first such turnpike evolved in the UK, known as the Great Northern Road, with private investors given the right to collect tolls along three points for a period of 21 years. By 1706-07, the first turnpike trust had been created to improve a section of London-Holyhead motorway between Fornhill and Stony Stratford. This method of road construction became increasingly popular, and by the 1840s, nearly 1,000 Turnpike Acts existed, making profits between 4 to 5 percent for people willing to invest (Grimsey & Lewis, 2004).

These private roads—sanctioned by the government—were not always popular or effective. Some trustees, for instance, would buy land to block existing motorways and force people onto toll roads. Others would collect funds without properly maintaining the road they owned. What caused the largest amount of unrest, however, was that many people could not afford the tolls. Riots against turnpikes took place in both 1726 and 1732, causing George II to introduce the death penalty for anyone caught damaging or destroying a turnpike gate. Even these penalties did not stop the unrest, however, as mobs from Bristol and Yorkshire destroyed a dozen gates in 1753 (Lay, 1992).

Despite the problems, road travel did increase significantly during this era, as did the number of roads. What finished off the turnpikes was not those upset with bad management and unfair levies, but rather the advent of steam and rail power, which would supplant the road as the primary mode of transportation for nearly 100 years.

One can see echoes of this era in some modern-day public-private partnerships building roads today. One of the first motorways to be built in post-communist Hungary was the M1, running 42.4 kilometres from the Austrian border at the city of Hegyeshalom to Győr. A private consortium named the Hungarian Euro Expressway Consortium, led by French and Austrian firms, started construction in 1993 and completed the project in 1995 ("Experience with Motorway Funding and PPP Schemes in the Central and Eastern European Region," 2003). This project, however, encountered significant protest and revenue shortfalls. People could not afford to use this stretch of motorway, which some described as the most expensive piece of toll road (on a per kilometre basis) in Europe. Poor press, court cases, and financial disaster combined to force the government into action. Eventually, the Hungarian government took control of the road from the bankrupted consortium. (For more information, see Chapter 6.)

Over the years, public and private interaction has not been limited to roads or other types of infrastructure. Non-governmental actors were instrumental in furthering governmental objectives on a macro scale. Mercenaries, for example, were an important feature of the military of many European countries from the

latter Middle Ages, as enterprising men, faced with ever-shrinking opportunities for fiefdoms, sold their services to the highest bidder. These early mercenaries could prove particularly troublesome. The men who fought in these companies were without land, and if they were not being paid by a prince or monarch to wage war, they would tend to turn on the residents.⁴ While the Swiss were popular mercenaries, theirs was a nationalised industry, with contract negotiation and troop selection handled by canton authorities. But, for the Germans, war was pure business, as these companies of *landsknechte* recruited from many classes and even other countries (Howard, 1976). The use of private forces for military purposes did not stop on the land. In Drake's fleet that defeated the Spanish Armada in 1588, 163 of 197 vessels were privately owned and under contract to the Admiralty (Wettenhall, 2003).

Military objectives were not the only use for private funds and skills. The great charter companies of the Renaissance, for example, brought about tighter interaction between government and private resources to expand empire through more commercial means. The Dutch and British East India Companies are the best-known examples, but the longest lasting charter company—which still exists today as an organisation—is the Hudson's Bay Company, tasked with taming the Canadian wild for the fur trade (Robert, 1969). The function of these organisations could easily fit into modern-day terminology for governance. Governments recognised an opportunity to exploit private-sector desires to expand their markets to achieve their own ends—in this case, the spreading of national influence to all corners of the globe through colonisation and economic subjugation.

In their origins, these organisations could be considered no more than state-sanctioned monopolies. The British East India Company, for example, got its start when a group of 125 merchants raised £30,000 to fund a small flotilla of ships to exchange goods in the East Indies.⁵ Queen Elizabeth I, particularly interested in bringing spices back to England, sanctioned the organisation with a charter, which granted them sole right to trade with the East Indies. While the risk was high, profits could also be substantial—the third fleet of ships which departed in 1607 earned a 300 percent return on investment. A more governance-like arrangement between the company and monarch began after 1660 when Charles II was installed to the throne. Charles II was responsible for issuing a new charter to the Company,

⁴ Machiavelli's thoughts on private mercenaries are worth quoting, and may be worth noting by American authorities: "Mercenaries and auxiliaries are useless and dangerous; and if one holds his state based on these arms, he will stand neither firm nor safe; for they are disunited, ambitious and without discipline, unfaithful, valiant before friends, cowardly before enemies; they have neither the fear of God nor fidelity to men, and destruction is deferred only so long as the attack is; for in peace one is robbed by them, and in war by the enemy. The fact is, they have no other attraction or reason for keeping the field than a trifle of stipend, which is not sufficient to make them willing to die for you." (Machiavelli, 1515 / 2006)

⁵ Calculating present value of cash before the nineteenth century is notoriously difficult. However, one estimate would value this amount at over £4 million, in today's currency (Officer, 2007). Quite a bargain by today's standards as well.

as the old charter has been issued when England briefly flirted with republicanism under Oliver Cromwell. The new charter granted the Company powers of government, including the right to appoint Governors to India, to wage war or conclude peace treaties with indigenous populations, to administer justice, to acquire territory, and to seize ships from competing traders (Robert, 1969, p. 73). The East India Company possessed the resources while the rulers of England possessed the political power. Each partner had something to offer.

The Hudson's Bay Company was another British charter company that would end up assuming some roles of governing and governance. Founded in 1670, *The Governor and Company of Adventurers of England Trading into Hudson's Bay*, the company would eventually acquire powers similar to those of the East India Company. While the original charter covered the Hudson's Bay area, the powers of the Hudson Bay Company would eventually spread all the way to the west coast, into what would be called British Columbia. The company sought not only economic monopoly over the fur trade, but also to impose a political and social order. Company and civil authorities often worked in close unison (Loo, 1994).

Partnership between public and private actors can be labelled in a number of ways: aristocratic and bourgeois, or government and business. However, throughout history, these two major forces of society have partnered their resources for the sake of accomplishing national goals. While not nearly as extreme as today, the mixed nature of government versus business can also be seen in the Renaissance period. The Duke of Albemarle, the Earl of Craven, Lord Arlington, and Lord Ashley were all founding "shareholders" in the Hudson's Bay Company, while also holding the privilege of the aristocratic classes. True, the nature of business and government has changed substantially over the years. Governments are more open today and business also faces stricter regulation. As well, modern-day governance involves a greater variety of organisations, as non-governmental and community-based organisations counter the power of both business and government. Nonetheless, the idea of governance and even networks should not be thought of as particularly new. Governments have "leveraged" private resources long before modern-day accountancy.

This historical discussion is not meant to suggest that governments are using modes of governance already tried in the past. Clearly, the pluralistic and open nature of the modern nation-state creates a different dynamic than one in which a few institutions dominated. However, one should also keep comments about private-public interaction within some context. Arguing that public-sector bodies have "traditional" roles of government versus the private sector, for instance, ignores a long history of interaction between these two sectors. Just as today, public-private interaction can lead to controversy, but it can also lead to furthering goals which would not otherwise be possible without co-operation. The important question in today's context is, of course, whether partners to the government can be held accountable and transparent according to the norms of a modern democracy. The goal of new modes of governance, after all, is not to

replicate the “successes” of the autocratic partnerships of the past, but rather to build new types of partnerships acceptable to a democratic society.

Defining Partnerships

While the word governance remains foremost and fashionable on the academic’s list of new terminology for public-private interaction, the term most used by governments and practitioners is partnership. The appeal of partnership is understandable, as it connotes two or more relatively equal actors working together to achieve some kind of goal. Partnership also describes a relationship in which power is evenly distributed. One side does not dominate the other. For this reason, many authors describe a successful partnership as a win-win scenario (HM Treasury UK, 2003a; Hofmeister & Borchert, 2004; Industry Canada, 2003; Janssen, 2001; Wakeford & Valentine, 2001). Each partner enters the relationship with specific goals in mind, but needs the resources of another to achieve them.⁶

Yet, while authors who support partnership can generally agree on the positive results from partnership, their discussions of the actual functioning of those partnerships vary markedly. Partnership has become a keyword (some would say buzzword) to indicate anything from communication to co-operation to joint decision-making. Each of these forms of partnership involves interaction of various actors; however, the commitment between partners, the legal obligations, the amount of shared resources, and various other variables vary wildly between these different types. To talk about partnerships in any theoretical meaningful way, one needs to solidify exactly what forms of partnership exist and how they are structured.

A few researchers have attempted to bring order to this conceptual chaos. Tanja Börzel and Thomas Risse (2005) approach the problem from a structural perspective as opposed to a goal-oriented one. They identify four archetypical types of partnership:⁷

(1) Consultation. The most common and weakest form of partnership. Governments consult with various groups in exchange for knowledge and credibility within various communities, whether with NGOs or businesses. These groups also receive some benefits with more access to government decision-makers.

⁶ One could carry the metaphor further into that of a relationship. This term might even better describe the sometimes troubled relationship between partners that might not necessarily trust each other nor are always looking out for each other’s best interests.

⁷ The authors actually identify five, but by their own admission, this fifth type remains questionable—state adoption of privately negotiated regimes. Essentially, the government legitimizes activity already performed in the private sector, accepting it as a *de facto* standard. The Internet Corporation for Assigned Names and Numbers’ (ICANN) role in registering domain names on the Internet is an example.

(2) Delegation. This usually represents some form of outsourcing. This type of public-private partnership also has particular appeal for governments seeking cost savings, as it gives them a more “flexible” work force. From one perspective, governments can more rapidly shift resources from one project to another, giving their workforce more dynamism. From another perspective, delegation also allows governments to circumvent public-sector unions by contracting out to the lowest bidder. A few examples include the International Organization for Standardization (ISO) and the Committee for European Normalization (CEN).

(3) Joint decision-making. Governments give stakeholder groups a meaningful role in the decision-making process. One example is the World Commission on Dams (WCD), a negotiating mechanism that reconciles dam construction with principles of sustainable development.

(4) Self-regulation in the shadow of hierarchy. Government works like a referee, loosely interpreting the rules of conduct. In this regime, governments walk quietly and carry big sticks. This self-regulation usually works best when a number of large, high-profile companies control an industry. A classic example is the chemical industry’s reaction to a massive chemical spill in Bhopal, India in 1984. In this incident, gas leaked from a tank of methyl isocyanate, killing approximately 3,800 people and injuring many others. In reaction, industry drew up new codes of conduct rather than have the government regulate the problem (Johnston, 2004). The threat of regulation is important in this case. While some may point to falling stock prices as the incentive for change—and hence, the market encouraging good corporate behaviour—the reason that the chemical industry made these changes was because of the *threat* of government intervention. The organisations knew they would need to make real changes, otherwise the government would impose its own solution.

These four categories may accurately describe interactions between public and private partners; however, grouping them under one umbrella term blurs the concept. Clearly, consulting with private organisations involves different interaction than freeing companies from regulation while ready to whack them with a big stick if they fail to adequately protect the public interest. They involve different partnership structures, different lines of communication, and different allocations of resources and skills. Presenting four (or more) types of partnership makes the idea of public-private partnerships conceptually unwieldy.

Rather than thinking of multiple categories of partnership, one can look at partnership through a larger lens—that of governance types. Specifically, one can see public-private partnerships from the viewpoint of two different literatures: one based on market principles, and a second based on network principles. This division can certainly be seen in the various literatures on public-private partnerships.

One camp encompasses individuals who would feel comfortable talking about new public management and other market-driven forms of public policy. They

inherently believe that markets are more efficient than government bureaucracies, subscribing to some extent to Milton Freedman and other advocates of the Chicago School. They see public-private partnerships as a more efficient use of public resources. In this literature, common phrases like the discipline or efficiency of the market appear (McQuaid, 2000; Osborne, 2000; Sedjari, 2004). While these authors make blanket assertions on the efficient nature of markets, others narrow the scope of the efficiency argument. Rather than claiming that governments are ineffective, they argue that private companies can better assume the responsibilities of a specialised area. Each party in a partnership can prove effective at particular tasks, and various partners assume risks (and the financial consequences) with which they can best cope, whether technical, financial, or political.

This type of partnership best matches what is often referred to as a public-private partnership, abbreviated as either *P3* or *PPP*. PPPs have been discussed extensively in the popular media and academic literature. The Public Finance Initiative in the UK is probably the most high-profile, but organisations and departmental units in a number of other jurisdictions also have experience in this field, such as the PPP Knowledge Centre (*Kenniscentrum PPS*) in the Netherlands; Partnerships BC in British Columbia, Canada; and the PPP division at the Ministry of Economy and Transport in Hungary. The focus of these organisations remains very clear, and a concrete set of terms and concepts has developed to govern relationships between private and public organisations: value for money, public-sector comparators, calls for tender, and risk-sharing are all key. Relationships, at their base, are purely contractual, and while long-term relationships can and do develop between public

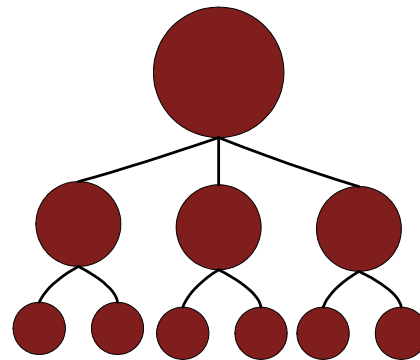


Figure 1. Stylized hierarchical structure

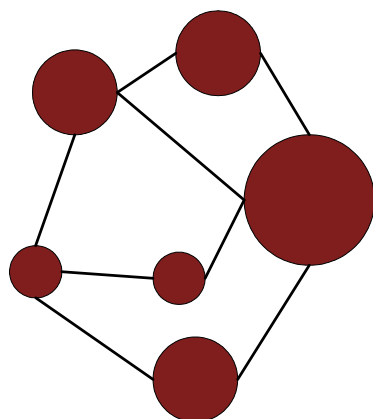


Figure 2. Stylized network structure

and private organisations, this is *not* a defining characteristic. Indeed, contractual public-private partnerships emphasize tendering and competition, a process which can contradict the principles of long-term relationships and trust-building that networked forms of co-operation emphasize.

The second camp of researchers on partnerships acknowledges and discusses the importance of markets and efficiency in the debate on partnership, but they broaden the approach, focusing heavily on networks as opposed to contracts. They believe that PPP can become a vehicle for *network governance*.

Network governance, in essence, is a form of governing in which the government co-ordinates groups in society as opposed to controlling everything from above. The government helps to establish and steer various sectors, but does not directly legislate their actions. The government, in essence, is a powerful partner within a group of organisations, forming relationships and negotiating with others to accomplish its goals.

These networks develop and become an important “new” means of governing meant to respond to failures of hierarchical government and the inequities of the market. So-called hierarchical failure occurs because of the increasing complexity of society. Proponents of network governance argue that society itself has become so complex that a hierarchy is no longer flexible or quick enough to deal with the pace of change in society. The problem can be viewed in terms of supply lines. As society becomes more complex, more levels of specialisation are required. Ultimately, decisions are made at the top of the hierarchy, but information must be synthesised and simplified at so many levels that the pace of change slows unacceptably. Also, hierarchical structures lead to tunnel thinking from various departments and organisations, as little interaction occurs between them. Information passes up one side of the hierarchy before descending the other side.

In a network structure, information flow is freer, as different levels of organisations interact with one another. Rather than visualizing a decision-making structure as vertical, one can look at it horizontally. No individual or department plays a gate-keeping role. Importantly, a network environment doesn’t imply a lack of lead organisations. Larger organisations, particularly ones that control important resources, still dictate what other organisations can do, but this control isn’t direct. Lead organisations, in a true network, do not send orders down to other organisations. In this environment, money and other resources also help to create the rules which organisations and individuals follow. Partnerships, then, are but one manifestation of the network society (Hofmeister & Borchert, 2004; Klijn & Teisman, 2000; McLaughlin & Osborne, 2000; Peters, 1997).

Thinkers looking at networks argue that post-modern society has moved away from bureaucratic and hierarchical ways of operating to a flatter, more networked approach. Reading proponents’ words about networks and how they apply to government, one gets the idea that some believe they can achieve the best of hierarchies and markets: they can harness the efficiency and flexibility of markets while also maintaining political control to achieve social goals such as increased equity.

This second, broader definition of partnerships introduces a significant problem for any discussion of public-private partnerships. Market-based definitions around contracting and risk offer a limited scope of analysis and discussion. Once we move to a network-based definition of public-private partnership, nearly all forms of interaction between government and private industry can be labelled as PPP. Despite these problems, however, a few unifying characteristics do exist and will be discussed later.

I argue, then, that only these two conceptual frameworks are important to analyse partnerships from a theoretical perspective. Above, I have labelled these two types of partnerships as market-based partnership and networked-based partnership. However, for the sake of trying to match more popular use of the term, I will use PPP to refer to market-based partnership while using the more generic term partnership to refer to network-based partnership.

It is worth dissecting and further defining these two types of partnerships to better understand the relationships involved in each type. Also, some of the definitions will be important to the next chapter, where the hypotheses will be laid out.

PPPs: Markets and Risk

A PPP is a long-term contractual relationship between two consortiums of public and private actors, which aims to achieve *value for money*, primarily through risk-sharing and private-sector innovation. In theory, PPPs could be used to achieve any policy aim; however, in practice, they are used for large infrastructure projects, such as transportation or buildings. Three factors seem to limit PPPs to large-scale infrastructure projects. First, a PPP contract must concretely commodify the procurement goal in question, or else the private sector cannot become involved. Infrastructure projects easily accomplish this goal, as building costs in the private sector can be used as a benchmark. Second, private-sector expertise in this area is abundant, making a competitive bidding process more likely.

The third, and perhaps the most important factor, is that the initial transaction costs are very high for PPPs, and only large projects (such as infrastructure) offer the room to offset these costs. Transaction costs are high because of the long-term nature of these projects, and the very complex contracting that must result. A contract needs to foresee a great number of variables, which can take months to negotiate. Not only do policy-makers need time to investigate contracts, but they also need time to calculate whether a PPP arrangement is more valuable—able to achieve better value for money—than traditional procurement. Investigations into the value achieved by using a PPP can be particularly arduous and expensive to undertake. Even monitoring costs can potentially be higher (Fischbacher & Beaumont, 2003). For this reason, PPP contracts are always large-scale projects, which infrastructure fulfils nicely. The use of PPPs for infrastructure also feeds upon itself. The more experience that policy-makers acquire with these projects, the more standardised contracts can be prepared, hence reducing transaction costs (Long, 2006 November 28).⁸

⁸ In the long term, high transaction costs of public-private partnerships can cause problems for the competition that policy makers want to encourage. Smaller private organisations do not have the resources to engage in protracted talks with the government, leading to the

A typical PPP passes through a number of well-defined phases, which are perhaps somewhat more rigid and sequential than might be found in traditional procurement. One can divide the span of a PPP project into three phases: policy and planning; transaction; and construction and concession (Eggers & Startup, 2006). The reason that these phases remain relatively rigid is because of the rigours of the tendering and contracting process. Bidders require a regular schedule and some degree of predictability.

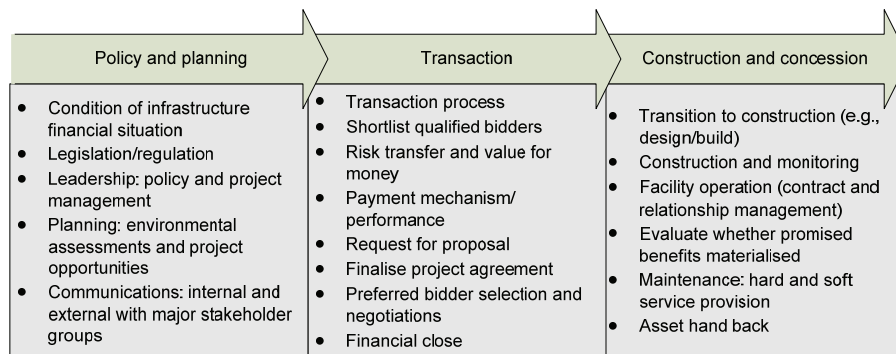


Figure 3. Outline of the three phases of PPPs, adapted from Eggers & Startup (2006).

These three phases generally occur in chronological order; however, a few items may spill over. For instance, in Figure 3, the environmental assessment for a project takes place mostly in the policy and planning phase. But, part of the environmental assessment will continue during the transaction phase. This is especially true when various bidders present plans which involve different methods of construction, and a more concrete assessment cannot take place until a bid has been agreed upon. For example, an underground rapid-transit line can use two methods of construction: cut-and-cover or boring. Each construction method has different environmental impacts, but a proper assessment cannot be made until it's clear which method (or what combination) will be used by the successful bidder.

A PPP displays unique characteristics that differentiate it from other forms of public-private interaction, the first of which is the structure of the collaboration. The *provider*—the “private” side of the PPP equation—is most often a conglomerate of large organisations. These organisations generally have complementary skills, which in combination, give them the knowledge and resources necessary to handle all aspects of a large project. For the sake of the project, they will often create a *special purpose vehicle* (SPV), which becomes a legal entity in which each parent company will hold a small amount of equity. This vehicle is a separate entity, and as such, must rely on revenues from the project to pay operating expenses and financing costs (Grimsey & Lewis, 2004). Underneath the SPV, a number of subcontractors can be hired, depending on the needs of the project.

same large organisations bidding for projects. Smaller organisations only have the option to join one of the larger conglomerates as a subcontractor.

The network of the *purchaser*—the “public” side of the equation—can develop the same kinds of relationships. True, in many cases, a government department or quango may be the sole signatory of the main PPP contract—referred to as the *concession agreement*. However, this is not always the case. Sometimes, multiple departments may sign the agreement. As well, the public sector can also create a project vehicle of sorts. For example, in a recent expansion of the rapid transit system from the Vancouver airport to the downtown core, a vehicle called RAV Project Management Ltd (later renamed to Canada Line Rapid Transit Inc.) was one of the main signatories of the concession agreement. This organisation was specifically set up to oversee construction of the project from the purchaser’s perspective: the organisation was a subsidiary of the quango which oversees public transit in the city, with Board members from various public- and private-sector employees, including some of the other financial contributors. (For more information, see Chapter 7.) The purchaser also hires a number of subcontractors, often to monitor the work being done by the provider.

A further unique feature is the long-term nature of the contract, with contracts generally ranging between 20-35 years in length⁹. Contracts extend over such long periods because the provider is expected both build the project in question, and often, manage and maintain it. So, unlike traditional procurement where private-sector contractors may be used, the bidder is expected to put together a complete bid. This gives planning in PPPs a unique characteristic. By some viewpoints, this can lead to longer-term thinking, as providers will make bids considering the lifecycle of the project. This would contrast quite sharply with a situation in which different contractors build and maintain a project. In these cases, one contractor may be more strongly motivated to argue for a cheaper design, even if it may be more difficult to maintain over the long term. This feature of public-private partnerships has led some to argue that they are a more efficient method of procurement, causing decision-makers and providers to consider things like energy efficiency and durability more carefully (Office of Government Commerce (UK), Office of the Deputy Prime Minister (UK), Department for Transport (UK), & Department for the Environment Food and Rural Affairs (UK), 2002).

One final point—and a very important one in the justification for PPPs—is the idea of both *value for money* and *risk sharing*. Many proponents of PPPs—particularly in the government—support this form of procurement for one primary reason: they achieve more efficient results. In other words, they are cheaper, either because a project can be done for a lower price or because a project is more likely to come in on budget. One term that has been adopted and is widely used during any evaluation of a PPP is value for money. This term is so widely used that some government departments have even abbreviated it to an acronym of VfM (Directorate-General for Regional Policy, 2003; HM Treasury UK, 2004; Industry Canada, 2003; Karakas, Leiner, Percze, & Wagner, 2004). This term is used to

⁹ There isn’t a set period for PPPs, and this is really an estimate based on existing contracts. In the UK, for example, contracts for equipment can be as short as 7 to 15 years (Spoehr, Whitfield, Sheil, Quiggin, & Davidson, 2002).

emphasise that policy-makers and project managers should not choose the lowest-cost bid. To use the words of the UK guide, it represents “the optimum combination of whole life cost and quality (or fitness for purpose) to meet the user’s requirement, and does not always mean choosing the lowest cost bid” (HM Treasury UK, 2004, p. 3).

When officials are making the final business case for a PPP, one of the most important calculations in their documentation is *public sector comparator* (PSC). The PSC is essentially an official’s best-case scenario of the overall cost of a project under traditional procurement methods, where the government finances the project and assumes all of the risks. This allows officials to compare the costs of a PPP against the theoretical costs of completing a project under traditional procurement. The value-for-money comparison takes four factors into account:

Base cost. The overall cost of delivering a project over a particular time. This includes upfront capital costs and operating expenses required to build, own, and maintain a project. The period chosen for analysis is determined by the PPP project against which the PSC is being compared. So, if the PPP project is for 25 years, then the base cost is also calculated for a 25-year period.

Competitive neutrality. A calculation of the total monetary advantages (and potential disadvantages) held by the government when constructing a project. For example, the government saves paying property taxes, which a private concessionaire would have to pay, hence increasing the cost for a PPP bid. However, the government recovers these additional costs, as it is the recipient of those taxes. In traditional procurement, the government pays nothing. In a PPP, the government pays these costs, but then receives them back when taxes are paid. This calculation is necessary, then, to make the two bids comparable.

Retained risks. The PSC also calls for risks to be quantified in monetary terms. Risk represents the chance that a project will go over budget due to technical or political problems. In a PPP, the concessionaire will assume some of the risks of unforeseen problems for a project, and as such, these need to be factored into traditional procurement to make the two comparable. The issue of risk transfer to PPP is critical, and will be addressed in more detail later, in the section “Sharing the Risk; Reaping the Reward” (Partnerships Victoria, 2001; Redlin, 2003).

Probably the most advanced jurisdiction for evaluating and promoting PPPs is in the UK. Since 1992, the Public Finance Initiative (PFI) has been used as the umbrella term to describe the UK government’s attempt to further private-sector involvement in public procurement. The PFI includes projects that range from complete or partial privatisation to PPPs to partnerships or network governance (Spackman, 2002). Popularly, the PFI is best known, however, for its efforts to forward PPPs. Under the leadership of the Treasury, a series of manuals and electronic tools have been developed to help department managers solicit and evaluate private-sector proposals. While the Treasury’s *Green Book* presents managers with general guidelines for all procurement, they have specific

documents for PPPs, including standardised contracts and value for money guidelines (HM Treasury UK, 2006b, 2007). The Treasury even supplies a spreadsheet intended to automate the process of calculating value-for-money (see Figure 4).¹⁰

The spreadsheet is titled "PFI Value for Money Quantitative Assessment" and is organized into several sections:

- General:** Includes "Timings" (Contract period: 34, Initial CapEx period: 5, Year when OpEx is first incurred: 5, Proportion of UC in initial CapEx period payment (%): 50%) and "Rates - Escalators & Discount" (CapEx escalator: 4.5%, OpEx (non-employment) escalator: 2.5%, OpEx (employment) escalator: 3.5%, Unitary charge escalator: 50%, Nominal discount rate: 6.09%).
- Costs:** Includes "Whole Life" (Initial CapEx (£'000): 65,250, Lifecycle costs at each LC date (£'000): 6,325, Lifecycle intervals (yrs): 10, OpEx (non-employment (p.a.) (£'000): 1,075, OpEx (employment per person) (p.a.) (£'000): 20, OpEx (employment number): 29) and "Transaction" (Public sector (£'000): 1,320, Private sector (£'000): 0).
- Flexibility:** Includes "Scope change year" (10), "Probability factor (%)" (50%), "Level of scope change (%)" (50%), and "Premium flexibility factor (%)" (0).
- Indirect VFM Factors:** Includes "Amount (Npv)(£'000)" (0).
- Tax:** Includes "CP adjustment factor (%)" (8%).
- Lifecycle Related Adjustments:** Includes "Lifecycle / residual cost benchmark" (50%), "CP lifecycle VFM adjustment if lower than benchmark" (40%), "CP lifecycle VFM adjustment if higher than benchmark" (40%), "CP residual cost factor if lower than benchmark" (70%), and "CP residual cost factor if higher than benchmark" (35%).

Summary values for CP and PFI are shown at the bottom of each section:

- CP: 475, PFI: 575
- CP: 0, PFI: 2,000
- CP: 8%, PFI: NA
- CP: 50%, PFI: NA
- CP: 40%, PFI: NA
- CP: 40%, PFI: NA
- CP: 70%, PFI: NA
- CP: 35%, PFI: NA

Additional metrics include "Third Party Income" (CP: 475, PFI: 575) and "Pre Tax IRR Targets" (High: 18%, Medium: 15%, Low: 13%).

Legend:

- bps: Basis Points
- CapEx: Capital Expenditure
- LC: Lifecycle Costs
- NA: Not Applicable - no input required
- OB Pre: Pre-FBC Optimism Bias
- OB Post: Post-FBC Optimism Bias (for CP only)
- OpEx: Operational Expenditure
- CP: Conventional Procurement
- Input required (can link from previous sheet)
- Hard-wired Assumption - no input required

Figure 4. Spreadsheet designed by Partnerships UK to calculate value-for-money and supplied by the Treasury in 2007.

The most controversial aspect of the value-for-money calculation comes not with the PSC, but rather with the discount rate used to calculate the lifetime costs of the project. One fundamental difference between traditional procurement and PPPs is how the project is paid for. In traditional procurement, the government sets most of the budgetary allocation up front in the first year. However, in a PPP, the private sector generally finances the project itself, and the government then

¹⁰ In most value for money reports, the term used is PSC. However, in the 2007 version of the Treasury's documentation, they have begun to adopt a slightly simplified version, which they call Conventional Procurement (CP). The 2004 version of this spreadsheet still used the more common analysis, the PSC. To quote the manual: "The user will, therefore, not find many of the aspects that they would have expected to see in a conventional public sector comparator. Whilst greater complexity could be introduced, the simplicity reflects the level of inherent uncertainty to which any quantitative spreadsheet is subject when used at an early stage of project development, in this case investment and project assessment stages. Equally, it highlights the fact that quantitative analysis is only one element of the VfM assessment and should be used only in conjunction with the qualitative assessment which is completed in parallel." (HM Treasury UK, 2007, p. 2)

pays the concessionaire for services rendered (such as use of a road or building) on an ongoing basis. This creates a number of controversies.

First and foremost, this allows some governments to hide budgetary obligations. No longer is the entire project recorded as a liability on the government balance sheet for the entire cost of the project. In an article written by the Auditor General of Hungary, for example, Gusztáv Báger (2006) states “an increasing demand for PPP projects, through which many could *exploit the creative use* of the public finance accounting, is expected” (emphasis added). Potential problems with accounting in PPP have not been limited to financially strapped Central and European countries. Many other western jurisdictions have also been hit by controversy, as critics complain that PPPs have been used to keep projects “off balance sheet” (Commission on Public-Private Partnerships, 2001; Hodges & Mellett, 2004; Reeves, 2003; Wakeford & Valentine, 2001).

Various jurisdictions have dealt with the controversy by enacting accounting standards to prescribe that at least some of a PPP needs to be “capitalized” up front. In other words, governments need to identify a particular percentage of the project as a liability on the balance sheet in the first year of the project, which will then show up in any debt figures for the government at the end of the year. For example, in the late 1990s, the Accounting Standards Board (ASB) in the UK proposed a series of regulations for accounting in the PFI. The final application note that was adopted stated that if payments for a PPP could be separated into distinct streams, with particular funds flowing to construction (capital assets) and others to service elements (operations), then liabilities for any assets should be recorded on the balance sheet. However, this only needed to be the case if substantial risks were retained by the public sector (Hodges & Mellett, 2002). This has led to approximately 50 percent of capital assets being recognised on UK government balance sheets. These rules, however, are open to interpretation, which may help to explain why this 50 percent figure is actually a decline from 2003, where nearly 60 percent of capital assets were recognised (HM Treasury UK, 2003b, 2006a).

Second, and also important for the value-for-money evaluation: because these payments take place in the future, they need to be discounted. Because the government is not paying for the project up front, it has more money today which it could use for other purposes (even though it has already created future obligations). As such, one assumes that money collected today is worth more than money obtained later. This discount rate—expressed in percentage terms—is more than just inflation. It takes into account that one places particular value on using the money now for a different purpose. The discount rate values a preference: people prefer to consume now and will only defer to the future if there is some tangible benefit, which is represented by the discount rate (HM Treasury UK, 2003a).¹¹

¹¹ For information on how to calculate the net present value, see Appendix B.

In the 1990s, the UK used a standard rate of 6 percent for all projects that, critics argued, unfairly favoured the private-sector. This figure was justified because it closely represented discount rates used in the private sector (Shaoul, 2002). This justification, however, quickly succumbed to a number of attacks. First, the discount rate in the public sector should be lower given the lower borrowing costs available to governments. Also, the academic literature on discount rates argued that governments needed to adopt a figure based on social time preferences, which also results in a figure much lower than private sector discount rates (Heald, 1997). Eventually, the UK government acknowledged its critics, and now recommends a much lower discount rate of 3.5 percent (HM Treasury UK, 2003b). Other jurisdictions continue to debate the appropriate discount rate to use for their evaluations.

Sharing the Risk; Reaping the Reward

One of the primary ways to achieve value for money is through the concept of risk sharing. One cannot overestimate the importance of this concept to justify the use of a PPP contract, because generally, the value of risk is instrumental to achieving value for money. PPP arrangements are already at a financial disadvantage over traditional procurement, since governments can generally borrow money for a project from 1 to 3 percent lower than the private sector (Haggard, 2004). In one report from the Accounts Commission in 2002, all six cases that they examined showed higher construction and operating costs using PPP; value for money was only achieved through risk transfer (Ball et al., 2004). True, other factors can favour the private sector. Researchers Darrin Grimsey and Mervyn Lewis (2004) identify a further five aspects of PPPs that offer better value for money: long-term contracting, output specification, competition, performance measurement and incentives, and private-sector management skills. However, these figures are not captured in the PSC—nor should they be. While some evidence suggests that PPP projects are more likely to be on time, there is nowhere near enough consensus to suggest this should be the primary reason to use PPP over more traditional procurement.

Risk-sharing is essentially an agreement between the government and concessionaire about which party will assume the financial risks in a project. This list of risks associated with a project can seem limitless, but parties of the contract attempt to quantify as many as possible, allocating each risk to a particular party of the contract (for a list of some of the most common risks that can be addressed in a contract, see Table 2). Governments argue that PPPs become more efficient because they can off-load some risks to the private sector, hence reducing the overall costs of the project. In theory, each party assumes the risks which they are best able to cope with. Governments, for example, will generally assume all political risks, while the concessionaire may assume many of the construction risks involved.

<i>Risk Type</i>	<i>The risk that...</i>
Construction	the project will be late or fail to meet specifications.
Demand	an item will fail to achieve usage targets. For example, payments for a transit line may depend on ridership. In some cases, the government will guarantee payment to a certain base amount; in other cases, the concessionaire could assume the risk.
Design	the design cannot provide the necessary level of service.
Environmental	a project may have unintended adverse effects on the environment.
Financial	a project will be over budget.
Force majeure	unanticipated disasters will occur, such as war or earthquake.
Inflation	inflation—especially the cost of materials or labour—differs significantly from what has been expected during the course of the project.
Legislative	changes to government legislation will change the costs for the project.
Maintenance	the costs of maintaining a project are much higher than anticipated.
Operational	the costs of operating a project are much higher than anticipated given the desired performance standards.
Residual value	the value of the project at the end will differ significantly from expectations.
Technology	new technologies will render a project obsolete or severely inefficient.

Table 2. A list of potential risks that can befall a project. In a PPP, these risks are divided amongst the government and the concessionaire.

In Vancouver's Olympic construction, for example, labour costs have increased rapidly, as a booming economy has meant a shortage of workers and a general increase in cost of raw materials. From 2000 to 2003, the average increase in the price index for non-residential construction ranged from 1.0 percent to 1.3 percent. Since 2004, those numbers have jumped substantially to between 7 to 13 percent annually. While the original 2002 Bid Book presented to the International Olympic Committee only offers estimated construction costs in 2002 dollars, later business plans make clear that the local organising committee assumed an inflation rate of 2 percent. This increased the original estimate of C\$470 million from the original bid book to C\$580 million in the latest business plan for June 2006 (Office of the Auditor General of British Columbia, 2006). Given the inflation figures for construction costs over the previous years, a general increase of 2 percent per year would appear a reasonable assumption; however, this example

demonstrates how even inflation can throw off budgetary estimates quite substantially.

Of course, risk analysis carries risks of its own, especially in terms of quantification.

The problem does not lie in determining who will assume which risks, but

rather in assigning a value to the amount of risk that one is assuming. In the business world, risk has been traditionally thought of as something manageable: one can offload risk to other parties and insure against it (Grimsey & Lewis, 2002). Since the early 1990s, for example, credit derivatives have allowed financial institutions to trade and offload risks, in the form of various bonds, to individuals or companies willing to invest (Duffee & Zhou, 2001). Despite advances in assigning market value to particular risks, a proper valuation of risk in terms of a project still remains imprecise at best. Risk, by definition, is something uncontrollable and somewhat immeasurable. While some risk-transfer estimates are based on benchmarked or historical evidence, these estimates rely on a degree of guesswork and intuition (Asenova & Beck, 2003; Ball et al., 2004). This does not diminish the importance of risk transfer, of course. However, it does call into question the method used to value its benefits.

What does influence the benefits of risk transfer is that governments can fail to properly punish the concessionaire for failures on a project, especially in cases where the penalties would drive the concessionaire out of business and cause long delays in the project. The microeconomic theory of sunk costs applies directly in these cases. It can be cheaper for a government to bail out a financially bankrupt concessionaire rather than scrap a project altogether. The fact that this can occur, however, further questions the usefulness of risk transfer as a concept to achieve value for money. This is especially problematic in PPPs with special-purpose vehicles. The parent companies have very few assets at risk, while the government faces project failure and loss of reputation. This offers the government very strong incentive to step in and save a project while the private sector holds very little incentive.

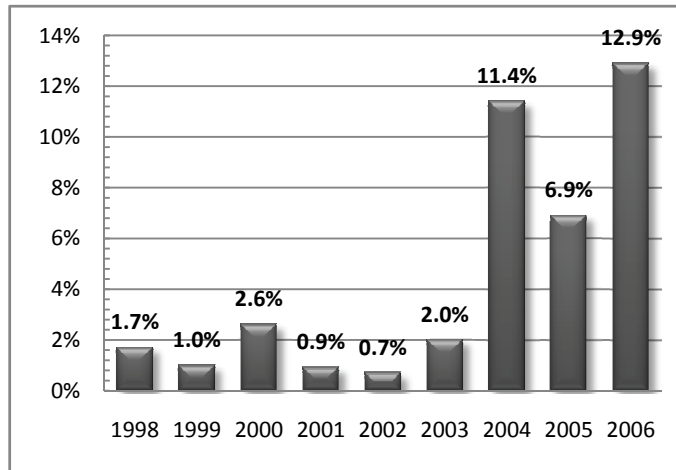


Figure 5. Percentage increase in non-residential Building Construction Price Index, from the previous year fourth quarter to the current year fourth quarter. Compiled from data by Statistics Canada.

Researchers have identified many projects in which governments have either feared imposing large penalties or been left facing the consequences of a failed project. In the late 1990s, for instance, the British government awarded a contract to Pathway, a subsidiary to ILC computer services group, to automate social-security payments through the use of a magnetic strip card. Work on the project began in May 1996, but within months, it became clear to the concessionaire that their time estimate of 10 months had been overly optimistic. Rather than have the project fail, the government agreed to reopen the terms of the agreement in February 1997. All parties agreed to delay delivery by three months, with each party bearing their own costs for the delay. Delivery dates continued to slip and it took until May 1999 before the government cancelled the project (Comptroller and Auditor General (UK), 2000). The same pattern can be seen in a second failed project for a National Insurance Recording System, which was to be implemented by Andersen Consulting in the UK (Public Accounts Committee (UK), 1999).¹² In Hungary, with the failure of the M5 motorway, the government was left with no option but to nationalize and maintain a road which was supposed to be fully paid for by the concessionaire.

A Gamut of Acronyms

For theoretical reasons, I have chosen to place public-private partnerships in two camps. Of course, within each of these camps, large variations occur. In PPPs, for instance, private-sector involvement can differ. In some cases, the concessionaire may transfer ownership of the infrastructure in question at the end of the contract, or it may retain ownership. The timing of that transfer may also differ, as ownership may change hands once construction is complete or only at the end of the contract. The type of ownership can also be different, as the contract may stipulate outright ownership or a leasing arrangement. For a list of PPPs and their acronyms, see Table 3 below.

<i>Acronym</i>	<i>Meaning</i>
BLT	Build lease transfer
BLTM	Build lease transfer maintain
BOO	Build own operate
BOOR	Build own operate remove
BOOT	Build own operate transfer
BOT	Build operate transfer
BTO	Build transfer operate
D&C	Design and construct
DBFO	Design build finance operate ¹³

¹² Renamed to Accenture in 2001.

¹³ Also referred to as DBOF by some authors and policy makers.

Acronym	Meaning
DBFOM	Design build finance operate maintain ¹⁴
DCMF	Design construct manage finance
JV	Joint venture
LROT	Lease renovate operate transfer
O&M	Operate and maintain
OM&M	Operate maintain and manage

Table 3. Some common acronyms used for PPP structures.

Each term in a selected acronym represents the obligations placed on the concessionaire. So, a BTO would see the private partners build the project in question, transfer the ownership rights to the government partners, and then be responsible for operations for the duration of the contract. Two qualifications for these terms may be useful, however.

First, operate and maintain should represent two different functions. Think of a railroad where one company operates the cars running along the track and the other maintains the tracks themselves. The Dutch rail system functions in this way, in fact (though not as a PPP): ProRail is responsible for maintaining the track infrastructure, while a number of operators—including the Dutch railways, *Nederlandse Spoorwegen*—use the track. In practice, however, this distinction between operation and maintenance isn't always made when choosing an acronym for particular PPPs.

The second clarification of the terms used in these acronyms is “finance.” This term indicates that the private sector is responsible for financing only the construction or implementation of the asset, but not necessarily for ongoing financing of the operation. Generally, moneys for ongoing operations come from a combination of user fees or payments from the government for usage. In many transportation projects, for example, payments are determined by usage. A company may be paid by the number of cars using a road or by the number of passengers using a transit line.

Forms of PPP that involve the private sector in the building phase are the most common. Between these various “build” partnerships, there remain only slight differences in form, at least in terms of how it would influence the structure of the partnership network. In all cases, the private sector not only builds the project in question, but is also responsible for either its operation or maintenance. The most common form, however, is the DBFO, at least in the European Union (Renda & Schrefler, 2006; Spoehr et al., 2002). And really, this makes a great deal of sense, because to fully benefit from private-sector innovation, it would make little sense to block the concessionaire from the design phase of a project.

¹⁴ Some refer to the final “M” as maintain, while others as manage. Such is the vagueness of these acronyms.

In the end, it remains somewhat unclear whether these acronyms are properly used in the field. In some cases, DBFO has simply become an acronym for the only type of PPP always under consideration. However, they do possess important differences. Hungary's first motorways built under PPP arrangements—the first phases of the M1, M5, and M15—followed a BOT model (though it would be more accurate to call it a DBOT model) and were outright failures. Consensus around the DBFO (and its variations) as the best representation of the PPP appears to be growing.

Partnerships: Activities in Governance

Network-based partnerships are less rigid in form and definition than PPPs, but might be loosely defined as an interdependent, ongoing relationship between governments and various stakeholder groups for policy deliberation and implementation in a specific field. This definition of network-based partnership shares many characteristics with its market-based cousin: in both cases, partners are involved to exploit the resources of other partners, and the relationship continues in the long term. However, network-based partnership calls for much tighter integration of partners and also a greater number of organisations. In a PPP, the government may consult with potential partners to see what they are able and willing to provide; however, in the end, the government still drives policy decisions. As well, the partners in a PPP are only large organisations with the resources to sign and execute contracts worth very large sums of money. In a network-based partnership, by contrast, all forms and sizes of stakeholders are supposed to be involved in the policy process, including NGOs and CBOs. Their discussions also drive decision-making as opposed to informing it.

One further defining characteristic that differentiates partnership from looser forms of participation advocated in the past is the interdependence of the partners. Without the resources and co-operation of the stakeholder groups, governments would remain unable to act effectively. As mentioned in Chapter 1, the fact that stakeholders are involved in all stages of policy-making helps differentiate governance from other models of citizen participation.

Finding examples of network-based partnership, despite their somewhat vague nature, is not difficult. To turn once again to the UK, the Labour Party—talking about a platform of “social inclusion”—has used partnership rhetoric quite heavily to describe their attempts to bring local groups into the decision-making process. One such set of partnerships is the local Project Management Boards (PMB) set up by the government, which proposes to set up committees made up of community groups so that direct input can be received on policy decisions (Whitehead, 2007).¹⁵ The OECD (2001b) has published an extensive document outlining local

¹⁵ Whitehead questions, however, whether these partnerships really do away with hierarchy, given that public sector agencies tend to dominate the meetings and work as intermediaries between the government and community groups.

partnerships in seven countries, emphasising that while no universal model exists, all the partnerships shared basic traits:

- 1) to pursue a policy goal, such as stimulating economic development, promoting social cohesion, improving the quality of life;
- 2) to seek to attain this goal mainly through increasing the degree of co-ordination between policies and programmes across government services and levels, and adapting them to local conditions;
- 3) where better co-ordination is not enough, to set up new projects and services;
- 4) to work at [the] local level to involve local actors, including civil society, in the definition of priorities and in the development of projects, and to draw on local resources and skills.

In terms of definitions, it could be useful to further define the characteristics of network-based partnerships in contrast to market-based ones:

- Partnership emphasises joint decision-making, while PPPs represent a more traditional principal-agent relationship.
- Partnership emphasises trust relationships and a flat decision-making structure, while PPPs emphasise contractual relationships and more hierarchical decision-making.
- Partnership emphasise relationships based on geography or industry, whereas PPPs are based on single projects.

At a theoretical level, then, market-based PPPs run closer to more traditional types of procurement in the sense that they maintain many of the same types of relationships between members of a project. Just because principals and agents straddle the public/private continuum, one should not assume that some fundamental characteristics of governmental procurement are jettisoned.

No Bridges: The Terms Used in this Study

Ideally, one would like to bridge the gap between these two camps of partnership for a single theory of public-private partnerships; however, as the above discussion makes clear, this is impossible. These two camps of partnerships examine different structures of partnership or interaction between public and private actors, and each should be kept theoretically separated from the other. It remains unrealistic to hope that the muddle of terminology will stop, given that government and business like the positive connotations of the word partnership.

However, I would call for academics and policy-makers to clarify the terminology around partnership.

Some of the most important concepts to take forward to the next chapter are that, first, two different types of partnerships exist. Second, judging any form of partnership requires one to understand that members of a project or network cannot be judged in some binary form of public versus private. Organisations can exhibit characteristics of both. To judge the functioning of a particular partnership, then, requires looking at the degree of publicness exhibited by all the organisations in a project or network, but also the publicness and openness of the entire network.

The remainder of this book will focus heavily on market-based partnerships or PPPs. In fact, all of the partnerships evaluated in the empirical section of this book are PPPs. However, I will still discuss some aspects of network-based partnership in the remaining theoretical sections of the book. As such, I will use the term PPP when referring to market-based partnership and network governance when referring to network-based governance.

The next chapter will proceed to analyse the main research questions of the thesis, examining theoretical issues of legitimacy and effectiveness of public-private partnerships within the context of sustainable development.

Chapter 4

Theorising Partnership

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A Legitimate Decision?

Lajos Kovács lives on the eastern outskirts of Budapest in the growing suburb of Csömör. Finding his house for an interview proves adventuresome, as I descend from two-lane motorway, to main road, to side road, to dirt road. I feel as if I am on the outskirts of a metropolis that is pushing outwards. On one side, I see grazing goats, while on the other, an orderly row of homes, ready to march forward over the countryside like an army.

We stand atop a small hill, not more than 100 metres from the last row of houses. Kovács, who is retired, breathes heavily, and I briefly worry about his health. I look down on the landscape, as he shows me the advancing construction site of a new two-lane motorway that will ring not only Budapest, but a good deal of his house. He is angry, and wonders about the state of democracy in his country. How can the government allow such a large artery to cut right through his backyard?

Kovács is a member of Safeguarding Community Interests in Csömör (*Csömöri Polgárok Érdekvédelmi Közössége*), a one-man NGO teamed up with a number of other small organisations in the area that are opposed to the new construction. Speaking to people from these organisations, I get the idea that they are determined, but also that they are fighting against a group of very powerful interests, who will yield little to their cause. While they are involved in the policy process through small-scale campaigns and even support for a court case, their voice remains very small in comparison to government and business interests in the area.

This story goes to the heart of the debate over effectiveness versus legitimacy in public procurement and governance. Proponents claim the inclusion of these kinds of community groups is a way to inject legitimacy into the policy process. Including communities through these locally based groups helps to balance the objectives of government and business, because giving voice will help to tweak policy objectives so that they take the community more into account. However, in some cases, it remains clear that CBOs can be ineffective and remain a light-weight counterbalance to the other two sectors.

Yet, one caveat remains: creating a perfect balance of interests, in cases where they may not come together easily, can create stagnation and ineffective policy-making. Clearly, a project cannot expect to please all residents of a particular neighbourhood. NIMBY (not in my back yard) is a well-worn phrase found in both academic material and the media, and most large-scale projects will attract their fair share of the dispossessed and disgruntled. However, how far should society go towards meeting the legitimate concerns of citizens who are hurt by public projects? And does this drive for legitimacy help to meet the objectives of particular projects by creating inclusion? Or does it create long-winded decision-making processes, in which inclusion and equity make creating effective decisions impossible?

The goal of this chapter is three-fold. First, it aims to more fully explore why partnership has been seen as a means to create more effective government, better able to meet policy objectives (and, by extension, provide sustainable development). After discussing this question, I will then address the problems that partnership creates for legitimacy in various forms of partnerships and governance. Legitimacy also presents issues related to sustainable development, in particular the social lens. Finally, it will argue that the best way to analyse these issues is to look at traditional concepts of political science—namely, accountability, transparency, and participation. With these connections made, I will further elaborate on the hypothesis regarding accountability, transparency, participation, and legitimacy.

Explaining the Shift to Partnership

The shift to partnership, in its various forms, has taken place in the context of claimed budgetary weakness of governments. When justifying the use of partnerships, policy-makers tend to point to either budgetary weakness or a need to expand capacity as reasons to bring other actors into the policy-making process (Commission on Public-Private Partnerships, 2001; Directorate-General Regional Policy, 2003; Kouwenhoven, 1993; Lienhard, 2006). Fiscal weakness is certainly a concern in some European jurisdictions. Tax revenues in France and the United Kingdom, for example, have taken some rather hearty hits in the last decade. However, other jurisdictions have not been hit as hard. Dutch tax revenues have climbed relatively smoothly, while the federal government in Canada has enjoyed huge increases (see Figures 1 & 2). Budgetary weakness may be a mantra used by governments to justify partnership; however, it remains a weak justification. In fact, ironically, some of the fiscally stronger governments are more likely to use partnership than those who are less well off.

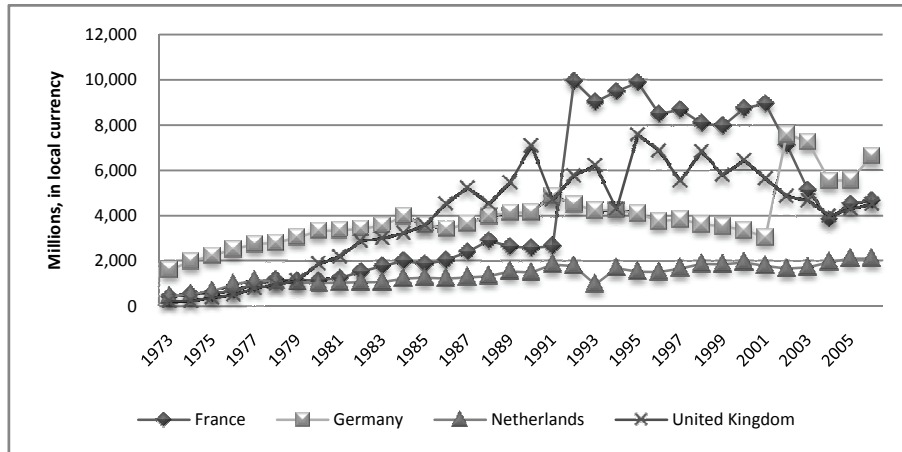


Figure 1. Tax revenues of selected national or federal governments in Europe from 1973 to 2006. All figures in local currency. Figures collected from SourceOECD Revenue Statistics of OECD Member Countries.

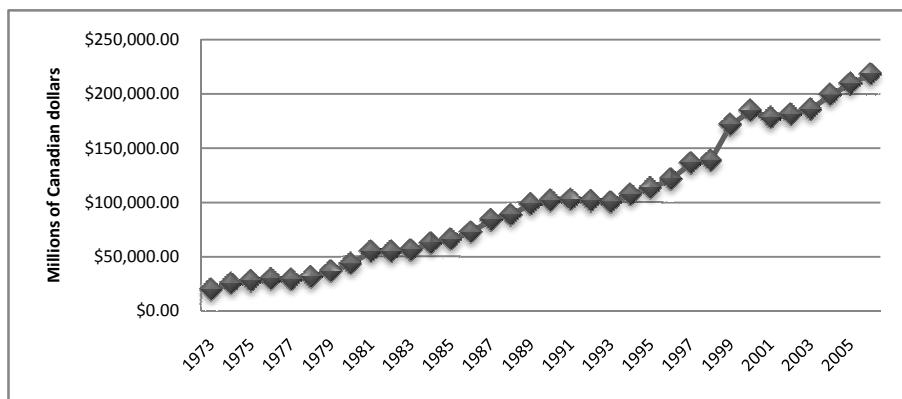


Figure 2. Tax revenues of the Canadian federal government from 1973 to 2006. Figures collected from SourceOECD Revenue Statistics of OECD Member Countries.

Rather than being based on fiscal weakness, the move towards governance and partnerships derives from three distinct arenas, all of which began coming to the fore in the 1980s. The first is an ideological shift in the structure of government bureaucracies with the advent of new public management (NPM). The second derives from the process of globalisation, and the need for both business and government to look beyond national borders and create transboundary partnerships. The third represents the recognition of the value in networks. Essentially, through co-operation, businesses and governments understand that in some circumstances, they can pool resources without adversely affecting their competitive positions. At the very least, they will gain more from co-operation than they will lose. Using the term competition in relation to the government may seem strange; however, governments also compete for resources, especially in

terms of power. They compete with various levels of government, and they also compete with industry over what kind of regulations they can install.

NPM, then, represents the first reason to shift more heavily towards partnership, a movement to bring business practices into the management of government. Importantly for the partnership debate, NPM has changed the focus of bureaucracies from process to output—from means to ends. With more traditional management techniques, bureaucracies would focus on building trust between agencies and also on the process of government. The “new” management sees these aspects minimised, though certainly not eliminated. The focus in NPM remains on targets, in an imitation of business practices. Managers are expected to meet particular targets, or face disciplinary measures. Salaries are also tied to employees’ ability to meet those targets (Dunleavy & Hood, 1994). This move to NPM, while not necessarily a driving force for partnership, has helped to increase its likelihood. The more bureaucracies move toward business practices in the way they organise, the more closely aligned the organisational cultures of business and government become. This makes communication a little easier. Of course, one cannot exaggerate the alignment of organisational cultures. As mentioned in Chapter 3, significant differences still remain. Nonetheless, as more recent studies have argued, the difference in culture between business and bureaucracy has become blurred.

While NPM represents one of the ideological shifts that makes partnership more acceptable, globalisation represents the primary driver of the move to partnership. Globalisation is important not only in terms of the global economy, which is what gains the most media coverage in terms of globalisation. Transnational problems such as crime and environmental degradation are also on the rise. Governments have realised that they cannot work independently if they are to survive. Globalisation challenges the sovereignty of nations—not external threats from other nations, but rather, the challenge that Wolfgang Reinicke (1998) identifies as internal sovereignty, the ability of governments to gain legitimacy in relation to challenges from other actors within a country. In unstable regions, this could represent powerful and violent militias, over which the government has no control. In more stable countries, however, this sovereignty threat can come from other actors that hold economic, as opposed to military, power.

The problem with globalisation is that it unravels the tie between economic and political geography. While governments continue to control a particular region, capital is more free to roam. For weak governments, such as in Central and Eastern Europe, transnational companies hold enormous power over governments with limited fiscal resources. They can make demands—such as for lower taxation or other regulatory favours—or threaten to move their operations to other locations. This remains less of a problem for the stronger, Western nations. However, even here, governments have lost some ability to control what business does. The problem for Western governments is not necessarily fiscal, because tax revenues are not always threatened by global capital. Rather, the problem is one of

sovereignty, and by extension, legitimacy. Governments gain legitimacy through their ability to fully control what goes on within their boundaries. Globalisation threatens this.

Co-operation in the form of governance, Reinicke argues, remains the key to maintaining this internal sovereignty. Governments need to partner with other organisations—whether other governments or the private sector—to maintain some degree of control over policy-making. This does not mean protective measures or lower tax regimes to attract business, but rather, partnerships so that governments can continue to further their agendas without relying on the physical location of business.

With ideological changes and the proper motivation (at least from governments) in place, one final change has helped to usher in the era of partnership—the rising prevalence of network theory. Of course, government officials and business managers may fail to use the terms now common in network theory. However, writing in the mid-1980s, Raymond Miles and Charles Snow (1986) identified what they saw as a breakthrough in organisational design. Competition in business before this time, they argue, could be identified through three different forms: defenders, prospectors, and analyzers. The first rely on centralised decision-making, the second on autonomous work groups, and the third on a mixed structure whereby managers mediate between various units. An increasing use of joint ventures, subcontracting, and new business ventures, the authors felt, showed that a new form of organisation was appearing—the dynamic network. Miles and Snow's description of this new business structure would be very familiar to network analysts. Networks allowed businesses to benefit from collaboration while maintaining their basic competence and identity. The network as a whole is enhanced by the participation of all groups, but also held in check. If a member of the network performs poorly, it remains easier to have that organisation removed for the greater good. This makes a network more flexible than an individual firm (or bureaucracy) in which everything is integrated. Indeed, one can see this kind of partnering even with firms that traditionally would be in competition. As one example of many, Toyota created joint ventures with General Motors starting in 1983, and more recently with PSA Peugeot Citroën (to build the Toyota Aygo, Citroën C1, and Peugeot 107 in the Czech Republic) as well as ventures with firms in Turkey and China ("The car company in front," 2005).

Partnership and governance appear to evolve naturally from the current milieu in society. Given the problems that sustainable development introduces to society, and the kinds of rapid change that one should expect, partnership and governance appear to be ideal tools to create solutions. To look at the issue from a slightly different perspective, the move to networks represents a shift away from both hierarchical and market-driven models of governing. Markets fail because they are unable to take into account the effect of negative externalities—such as various types of pollution—on the activities of firms. At the same time, hierarchies also fail, as short-term goal setting, limited information, and contradictory goals cause states to fail in their stated goals (Jessop, 2000). Networks appear to have all the

flexibility of markets with all the controls of hierarchy. A network is allowed to take its own direction, since no central authority directly imposes its will. At the same time, government can steer the process as one of the actors involved in the network and also as a powerful funding agency.

Revisiting the Legitimacy vs. Effectiveness Debate

Partnership and governance, then, are primary tools for increased effectiveness in the search for sustainable development. However, these decentralised tools of governing significantly challenge the status quo for political legitimacy. The biggest challenge partnership presents is the potential change to traditional lines of accountability. Ministerial responsibility, despite its problems, remains a fundamental link in the chain of accountability that links elected officials to the bureaucracy and the electorate. The full length of this chain is important to create not only accountable, but also legitimate, government. These direct links provide the moral authority for the government to operate as a voice of the electorate. The authority derived from this connection leads to responsibilities for elected officials, which ideally, means that ministers or other top elected officials must answer for any decisions they have made and account for the performance of their units (Martin, 24-25 November 1997). Failure of the bureaucracy can lead to some kind of sanctions against a minister, and even to their resignation. To attain the flexibility and freedom so desired in partnerships, this hierarchical responsibility must be diluted. Partnerships take some aspects of governing outside of government, which can mean that an outside agency delivers a particular service to the public, or even that decisions regarding policy are at least partly made by stakeholders in a network. In this case, ministers cannot be held fully responsible for actions completed outside of their purview.

Proponents of partnerships answer this attack on traditional forms of accountability and legitimacy in two ways. First, they respond that ministerial accountability hasn't worked, and therefore, there is little point in defending it. Incompetent top-level officials are often left in place, while elected officials take the blame for poor decision-making. In the extreme case, this even removes the person best capable of holding underlings to account (Bovens, 1998). A new minister is put in place, who is then handicapped by a lack of knowledge about their new portfolio. Change is likely to occur much more slowly than if the original minister had been left in place to call people to account.

The second, more effective, answer to the weakening of ministerial responsibility is to point out that multiple forms of legitimacy exist for various institutions. In developing and developed nations, independent and unelected supreme courts have achieved the legitimacy necessary to have their decisions accepted and implemented. Given that these courts often countermand decisions of elected bodies, it becomes clear that they derive their institutional legitimacy from means other than a direct link between elected and elector (Gibson & Caldeira, 2003). The American system of government is a case in point: hierarchical accountability is

largely absent from the system and rather than a top-down approach to accountability, various executive branches keep each other in check (Palmer, 1995).

This second point is worth pursuing further because it opens the possibility that governance and partnership structures—the hollowed-out state—can be as legitimate as an elected, representative government. The key to sustaining this legitimacy comes from a two-pronged approach. First, one must ensure that the system remains both accountable and responsive to a broadly based public. Importantly, the system need not remain responsive directly to the entire electorate, but may be policed by stakeholder groups, whether consumers, professional organisations, or even the courts (Benner et al., 2005). In this system, legitimacy can also be achieved through a broad consensus of groups representing different aspects of society (Börzel & Panke, 2005). This argument ends up taking the legitimacy versus effectiveness debate full circle. Effectiveness, in essence, leads to greater legitimacy. People are willing to accept the rule of independent and unelected bodies when they believe they are more effective than elected governments. Effectiveness, in essence, generates its own legitimacy.

Creating legitimacy through effectiveness in a globalised world, with the problems of sustainable development, becomes even more critical when one considers that governments must increasingly adapt to fast-changing, internationally driven decisions. These decisions may be affected by geographically free capital or by the actions of other nations. Taking sustainable development as an example, decisions about climate change and other environmental problems need to be made in concert with other industrialised and industrialising nations. As well, governments must also take into account global inequalities that lead to mass migration and place further pressure on the global environment.

As already mentioned in the introduction to this study, this kind of thinking has led academics such as Fritz Scharpf (1999) to identify legitimacy generated via inputs and outputs. More precisely, this means legitimacy can be based both on the process of decision-making, such as through active participation of citizens or elections, and on the results of that policy-making. This discussion can sometimes divorce input from output legitimacy, suggesting that one can exist without the other. However, it should be reiterated that output legitimacy can only operate with at least tacit approval of other institutions that have input legitimacy. Independent institutions—such as courts, central banks, and other professional bodies—have achieved institutional legitimacy because they are designed as a check and limitation on the power of the elected branches of government. More importantly, the view must be that the input-legitimate organisation (the legislative branch of the government) is still the ultimate arbiter. Courts can strike down laws, but legislative branches can still counter with new regulations or even amendments to constitutional authority. Even though central banks have more autonomy, they are still clearly closely tied with a single national government, which has the authority to remove the head, if deemed necessary. This represents the main problem for organisations like the World Trade Organisation. While

originally created to reach agreements on tariffs and trade, they also seem outside of governmental control. Their link to input legitimacy is very weak at best. The anti-globalisation movement, after all, is as much (if not more) an issue of legitimacy in globalisation as it is a fight against global capitalism. Michael Zürn (2004) describes the problem for globalisation as a legitimacy deficit, one which rallies against the triumph of executive power in multilateral arrangements and the poor accountability of political elites.

The links between the legitimacy-and-effectiveness debate versus the sustainable-development debate are more striking than might appear at first glance. The same logic that governance proponents use to create a link between effectiveness and legitimacy underlies the view that sustainable development is a balance between the three lenses of economics, environment, and society. Each feeds the other. In fact, if one superimposes the concepts of effectiveness and legitimacy onto the three lenses of sustainable development, one quickly sees the connections. An effective government is one that can provide economic growth and environmental protection. And to maintain social cohesion, citizens must see the decisions being made on their behalf as legitimate (see Figure 3) (Clark, 2003).¹

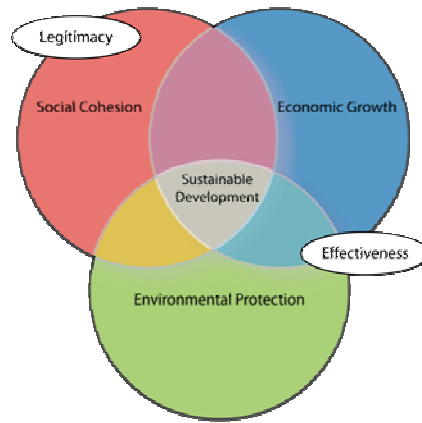


Figure 3. Linking legitimacy and effectiveness of policy making with sustainable development.

A Legitimizing Triumvirate

One way that effectiveness can help to strengthen legitimacy in governance and partnership is for institutions with input legitimacy to have a reasonable and continued say in their operation. These organisations should not dominate, but rather should remain equal partners in any network. Just as there is a balance between the various branches of government, so should there be a balance in a network. However, the government must perhaps remain a bit more equal than any other organisation in a partnership. It should remain the final arbiter.

The remaining question, then, is: what variables can be used to determine whether governments are moving towards a legitimate and effective form of governance? Traditional concepts of political science offer one potential answer: accountability, transparency, and participation. Accountability and transparency, for example,

¹ Clark specifically distances legitimacy from justice or fairness, because it represents only “the degree of consensus.”

are clearly essential for both effectiveness and legitimacy. Accountability mechanisms ensure that agents fulfil their obligations, and transparency ensures that the principal has the information required to hold the agent to account. In this sense, accountability and transparency are inexorably linked and can almost be called mirror concepts. Finding a discussion of accountability which fails to mention transparency is very difficult, and vice versa. Accountability and transparency also feed into legitimacy of an organisation. This comes partly because accountability and transparency help build trust, which leads to greater legitimacy.

Trust-building is not the only reason that accountability and transparency generate legitimacy. If these two variables are coupled with some form of participation, legitimacy is further enhanced. First of all, participation feeds legitimacy because it can increase citizens groups' understanding of particular decisions, making it more likely they will be accepted. This legitimacy is increased in particular if those involved have their opinions reflected in any final decisions (Dryzek, 2001; Halvorsen, 2003; McQuaid, 2000). This discussion shows one primary reason why accountability and transparency also feed into participation, hence making legitimacy stronger. They both allow participants to be more confident that their input has produced value and that trust can be more easily built (a key facet of successful governance and network-based partnership). In a sense, participation creates another type of principal-agent relationship. In this case, the participants are the principals while the government ultimately responsible for making the final decision is the agent. Even in participatory structures where a level of joint decision-making is accomplished, a bureaucracy or government is still ultimately responsible for carrying out any decisions. And as such, accountability and transparency are essential components in making this relationship successful.

Accountability, transparency, and participation are useful to measure together because they also feed off each other in the same way that the three lenses of sustainable development—or the effectiveness and legitimacy—play off one another. The strength or weakness of one will influence the others (see Figure 4). Acknowledging that accountability, transparency, and participation are important factors to examine when looking at issues of sustainable development, and the ability of partnership to accomplish it in a

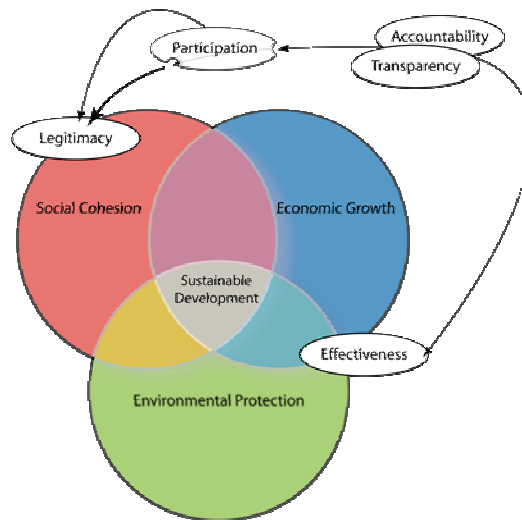


Figure 4. The role that accountability, transparency, and participation play.

legitimate and effective manner, I need to further address what these three concepts entail, and how they potentially influence various forms of partnership.

Accountability & Transparency

Accountability embraces three facets: responsibility, measurement, and punishment. On the first level, accountability is the process by which a principal delegates responsibility to an agent for a task. The act of accountability takes place when the agent proves to the principal that the task is being done satisfactorily. Measurement and punishment, however, are the other faces of accountability. First, a principal needs a way to ensure that the agent is completing the assigned tasks. Then, to give the agent incentive to perform honestly, sanction must be threatened if wrongdoing is found. This punishment can be direct or indirect: an agent can be fined, fired, or jailed; or, they can be shamed through the media or within their network, hence affecting their reputation and ability to work with others in the future (Behn, 2001; Keohane, 2002).

Changes to accountability structures in all types of public-private partnerships have been strong points of contention. In traditional means of procurement, hierarchical accountability remains the chief form of holding agents responsible. This method remains a fundamental, deeply entrenched, and widely accepted ideal. Accountability in all PPPs, however, shifts the locus of responsibility from this hierarchy. The extent to which that locus shifts depends on the type of partnership. In a network-based partnership, the hierarchy is either dissolved or severely weakened, and other forms of accountability need to be substituted. In market-based partnerships, on the other hand, the problem is not necessarily a lack of hierarchy. Rather, the hierarchy resembles a hydra, with multiple principals making different demands on agents. The hierarchy is fractured.

This shifting and fractured hierarchy has become the focus for proponents and critics of accountability in partnerships. While many authors don't directly refer to network configurations, they certainly focus their attention on how many and where actors are placed in an accountability structure. Those who support partnerships suggest that the increased number of "eyes" in the project, by definition, increases accountability (Speklé, 2001). In a similar vein, the accountability system isn't owned by a single organisation (such as the government), and is therefore less subject to manipulation and control (Grimsey & Lewis, 2004). The number of partners in a project is, at the same time, presented by other researchers as a negative point. They argue that the large array of organisations in a partnership can lead to complexity that obscures the chain of accountability (Rhodes, 1996).

Although hierarchical accountability is one of the foundations of the principle of ministerial responsibility and an important concept for democratic theory, it is not the only way that principals hold agents to account. Robert Keohane, for example, illustrates the following other avenues which ensure the principal-agent relationship functions properly (Grant & Keohane, 2005; Keohane, 2002).

Supervisory. This form of accountability represents a proxy accountability of sorts. In this case, the organisation wishing to complete actions delegates responsibility to another organisation. This second organisation is given freedom to conduct itself within the loose boundaries provided by the delegating organisation. However, the original organisation retains oversight, and can change the rules if it determines that the organisation to which it has delegated responsibility is not accomplishing its tasks satisfactorily. The relationship between legislative and executive branches of government in the United States is a classic example of this. The House of Representatives and Senate pass legislation to the president, who then executes it. The legislative branch also maintains oversight authority.

Fiscal. A mechanism whereby accountability is completed solely through fiscal means. Reports accounting for the use of particular funds are scrutinised, and if that information is deemed unsatisfactory, then resources can be cut off.

Legal. A mechanism which relies on the courts for enforcement as opposed to sanctions deriving directly from the principal.

Market / User. Rather than speaking about some amorphous invisible hand that controls the actions of organisations, market and user accountability refers to a very direct relationship. With this mechanism, investors in equities and bonds can punish an organisation by withdrawing their investments. Shareholder activism, in which shareholders demand changes in a company's practices, represents one example of this. As well, consumers of products who have some choice can choose to abandon an organisation for another. This can represent an effective form of accountability when many principals exist, such as a group of consumers. A large number of "exits" will not destroy the principal/agent relationship, but should cause the agent to alter its behaviour. Of course, in a market environment, exit is not the only means of expressing an unsatisfactory principal/agent relationship. Albert Hirschman (1970) points out that consumers (or principals) have two options: exit and voice. Voice is not so much a new concept, but a substitute term for complaining. However, clearly "voice" only carries meaning in an accountability sense when the voice can be backed up by the threat of exit or some other form of punishment from governmental authorities.

Peer / Professional. A mechanism which relies on certification by other organisations not directly involved in the principle/agent relationship. This type of accountability can be related to peer review and other types of professional validation, such that conferred by legal or medical associations.

Public reputation. This mechanism is less formal and direct than the others, but can be important in cases where the other forms of accountability are missing. If agents fail to complete the tasks that their principal demands, their reputation may be negatively affected. If this loss of reputation makes it more difficult to form new relationships in the future, it can work as an effective form of punishment.

Multiple forms of accountability can exist in any principal/agent relationship. So, if one assumes that a partnership loses some of its hierarchical accountability, this may be acceptable if one of these other forms can ensure that agents continue to carry out their responsibilities accordingly.

The counterpart of accountability, as mentioned earlier, is transparency. Transparency is, at its heart, a commitment to getting information out into a public forum for scrutiny (Grimsey & Lewis, 2004, p. 156). However, transparency can also be significant within partnerships, as it remains important that all partners can get information from other partners whom they consider to be key players. Availability of this information is not the only important criterion: the timing of its release. Information which is released so late that an individual or organisation can no longer activate accountability mechanisms by which to punish an agent are of little use.

In a market-based PPP, for example, much debate takes place over both the definition of key documents and the timing of their release. Governments have been particularly sensitive about releasing information in a timely fashion, not necessarily because they want to hide their activities from the public (though this may be true in some cases), but also because governments are engaged in negotiations with companies that want to keep their final offers from their competitors. Even the government may wish to hide its final position from those companies bidding on services. Keeping this information private is a key to successful negotiation in which one is looking to maintain competition.

However, this lack of transparency in the early phases of a PPP—in the name of commercial confidentiality—can influence the debate on whether a particular project is adopted. For example, the details of the public sector comparator (PSC) are often kept from the public eye until after the contract is signed. Because the PSC is essential for determining whether a project should be done via PPP or a more traditional route, keeping the exact details of this document can prevent a proper debate regarding the procurement type. Of course, this does not prevent accountability, as the details of these documents eventually reach the public, and a form of reputational accountability comes into play—the next call for a public-private partnership may face more opposition, whether the PSC is valid or not.

The United Kingdom, as a leader of the movement towards private finance, offers a good example of how broadly the idea of commercial confidentiality can be taken. Section 43 of the UK Freedom of Information Act, which came into force in 2005, contains three exceptions in commercial interests when information should remain hidden from the public:

- 43.** - (1) Information is exempt information if it constitutes a trade secret.
- (2) Information is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

- (3) The duty to confirm or deny does not arise if, or to the extent that, compliance with section 1(1)(a) would, or would be likely to, prejudice the interests mentioned in subsection (2) ("Freedom of Information Act (UK)," 2000).

In the UK, the public authority responsible for releasing information is also responsible for determining whether a piece of information meets one of the exception criteria (§ 17). Any decision by a public authority can be appealed to an information commissioner (§ 50); however, importantly, this decision can be overridden by a minister or the attorney general (§ 53.8).

While the UK appears to have good oversight, the potential problem for transparency lies in the vague phrases "trade secret" and, in particular, any material that would "prejudice the commercial interests of any person." To solidify what exactly these two phrases mean in practice, the information commissioner has released a series of guidelines, in which the commissioner points out that a trade secret can include more than just a formula or some other discovered know-how: it can also include pricing structures and names of customers. The commissioner continues in the discussion of commercial interests to differentiate between commercial and financial interests, with several examples of how revealing information about how much government authorities have paid for projects cannot be considered a commercial interest. Importantly for the discussion of public-private partnerships, and the example I have already given above on the timing of releasing information, the commissioner states: "The price submitted by a contractor is likely to be commercially sensitive during the tendering process but less likely to be so, once the contract has been awarded" (Information Commissioner (UK), p. 6). Clearly, some latitude exists on what kind of information to release and when.

To compare the UK guidelines with those of one of the countries used in this study—Canada—one can see similar, though slightly more specific, guidelines in regards to the "economic interests of Canada."

- 18.** The head of a government institution may refuse to disclose any record requested under this Act that contains
- (a) trade secrets or financial, commercial, scientific or technical information that belongs to the Government of Canada or a government institution and has substantial value or is reasonably likely to have substantial value;
 - (b) information the disclosure of which could reasonably be expected to prejudice the competitive position of a government institution or to interfere with contractual or other negotiations of a government institution;
 - (c) scientific or technical information obtained through research by an officer or employee of a government institution, the disclosure of

which could reasonably be expected to deprive the officer or employee of priority of publication; or

- (d) information the disclosure of which could reasonably be expected to be materially injurious to the financial interests of a government institution or to the ability of the Government of Canada to manage the economy of Canada or could reasonably be expected to result in an undue benefit to any person... ("Access to Information Act (Canada)," 1985).

Just as in the UK, the institution in charge of the information is also the one to say whether it remains appropriate to release it. And again, an information office exists to investigate complaints into the way the Access to Information law has been interpreted. However, the rulings provided by this office have no legal force and as such, do not need to be overridden by a minister (Banisar, 2002).

Participation

Political participation conjures images of government fact-finding bodies asking citizens to offer their opinions on policy options. One can imagine a large room, with a long rectangular table—perhaps slightly elevated on a stage—resting at the front. Sitting at this table may be government bureaucrats and experts consulted on a particular field. And then, facing this line of professionals would be an audience of interested members. One could also picture two rows in this room, each with a microphone at the front, where members of the audience would be given an allotted time to speak their opinions, which would be dutifully noted by a stenographer or note-taker. The mood of the room would vary based on the issue at hand. At some meetings, one could see people calmly filing up for their turn at the microphone; at more contentious meetings, where people's livelihoods or health were at stake, one could imagine the meeting descending into chaos, as level-headed professionals are shouted down by angry citizens.

This story presents one type of participation—a forum for professionals to gather opinions to help them make decisions. In this atmosphere, these opinions don't drive decision-makers, but give extra information that they can plug into their decision-making process. So, a forum may be a convenient way to gauge public opposition to a particular policy decision, and determine what this will mean for implementation. Or perhaps experts have determined several optimal solutions to a policy problem, and wish to use the public to determine which direction to take. Participants are only involved in the decision-making process in an indirect way.

One reason that this form of participation develops is because an important component of modern representative democracies—and in particular, the bureaucracies that serve them—is professionalism. Citizens appoint representatives not just because they have more time in which to consider and make decisions, but also so that they can appoint a number of professionals to make considered decisions on public issues. Representative democracy works very

much like an inverted hierarchy. At the top of the inverted pyramid sits the “average” citizen, with general concerns but the least amount of knowledge on which to make decisions. These citizens elect representatives who specialise in governing and can control the structures which generate the knowledge required to make decisions. And so down the pyramid one moves, with ministers specializing in their one area of government, managers specializing in a particular area of a department, and finally scientists and experts with very particular knowledge.

This ideal of professional representation leaves governing bodies with a dilemma—the citizen’s primary role in this style of participation rarely reaches beyond fostering accountability. In this view, participation works to support both accountability and transparency. In a sense, the ideas of accountability, transparency, and participation come together into a triumvirate; however, the concepts exist in a distinct hierarchy, with one supporting the other. Participation is a tool for further transparency. Participation in its many forms can bring information forward that might otherwise remain hidden, as citizens make demands for particular types of information. And, as discussed earlier, transparency is a tool to ensure that accountability can take place.

Yet, proponents of participation—as elaborated in Chapter 2—believe that it represents more than just a check on government. They argue that participants need to drive public policy. Many also take the position that participation can aid in the policy process, making it more effective for a number of reasons. For example, some feel that bringing people into the policy process helps to improve the quality of ideas on the table (Heinelt & Töller, 2003; OECD, 2001a). It can also help to bring forward local knowledge of which bureaucrats and national experts are unaware (Coenen, Huitema, & O’Toole, 1998). Irvin Renée and John Stansbury see a host of advantages from public participation, for both the participants and the government. In essence, the authors see participation from a partnership perspective, where discussions are mutual learning processes, as opposed to the negotiation and barter sessions that some participation sessions can become.

	<i>Advantages to Participants</i>	<i>Advantages to Government</i>
Decision process	<ul style="list-style-type: none"> • Education (learn from and inform) • Persuade government to act • Gain skills 	<ul style="list-style-type: none"> • Education (learn from and inform) • Persuade citizens and build trust • Build strategic alliances • Gain legitimacy for decisions

	<i>Advantages to Participants</i>	<i>Advantages to Government</i>
Outcomes	<ul style="list-style-type: none"> • Break gridlock and achieve outcomes • Gain greater control of policy process • Better policy and implementation 	<ul style="list-style-type: none"> • Break gridlock and achieve outcomes • Avoid litigation costs • Better policy and implementation

Table 1. Summary of theoretical benefits of participation, as summarised by Irvin Renée and John Stansbury (2004, p. 56).

In the end, how far this belief in participation goes depends on a policy analysts belief in the efficacy of professionals. For proponents, the health care professionals, climatologists, criminologists, and psychologists all exist to determine the optimal levels in various areas of people’s lives. Society even trains welfare economists to tell it the best level of government support (or interference) in redistributing society’s wealth to achieve the greatest efficiency. For supporters of stronger participation, this tool remains essential for good governance.

This tension between professionalism and open participation can be seen in various forms of participation. Sherry Arnstein (1969) divides participation into eight distinct forms, which she places on a ladder, suggesting that the higher rungs represent more full participation to which one can aspire (see Figure 5). At the bottom of this ladder are participation models which seek to either manipulate people or offer only some kind of therapy to accept decisions that are already a *fait accompli*. Moving up the ladder, Arnstein addresses three types of participation which can best be seen as a chance for policy-makers to gather opinions from the populace, but importantly, feel no obligation to act on that advice. This includes information campaigns, consultation sessions, and including citizen groups in decision-making bodies (Arnstein chooses to label this as “placation,” a harsh term given what she is describing). Closer to the top of the ladder, one finds the concept of partnership, where governments and citizens have equal power in decision-

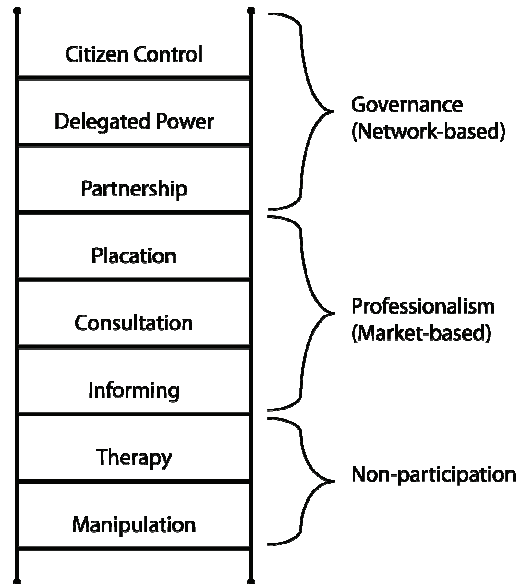


Figure 5. Participation ladder, adapted from Arnstein (1969, p. 217)

making. At the top of this hierarchy lies direct citizen control over decision-making.

The use of a ladder metaphor is unfortunate, because it implies that one should try to reach the top, but the division of participation is useful because it demonstrates fundamental differences in how market-based and network-based partnerships deal with the wishes of citizens. Information and consultation campaigns show citizens as an important part of the policy process, yet, given the complex contracts that need to be signed and the nature of their negotiation, it remains extremely difficult—if not impossible—to involve citizen groups beyond a consultative role. Governance and network partnership, on the other hand, by definition call for fuller participation. Governments (and professionals) stand back, as they take on a more consultative role. Let me not exaggerate the idea of governments in a consultative role. As already discussed, even in the governance ideal, governments still steer the policy process through their control of resources. Nonetheless, the relationship between partners still remains fundamentally different.

To put this discussion into network terms, the issue for public participation is the number of access points into the decision-making process. Or, more accurately, which groups have access and influence on the actors with the most power. In market-based partnership, participation should not really change. Market-based partnerships may spread power between public and private actors more; however, this spread will be limited by the necessity of the contractual relationship. Those organisations that are at the centre of the contractual agreement should have the most influence. The question for participation is which organisations have the best access to these “central” organisations.

In network-based partnerships and governance, the issue of participation becomes fuzzier and more difficult to predict—it should depend more on the structure of the particular partnership. Governance and networks will be more flexible, given that it remains easier for organisations to enter and leave the partnership, depending on their effectiveness. This flexibility gives governance its strength, but also makes them less predictable instruments. Partnership in the governance sense should increase participation, but the question still remains whether disproportionate resources means that some will be better able to participate and manipulate the process than others.

Political participation for this study, then, focuses on stakeholder access to various decision-making bodies. This definition of participation contrasts some of the material written on sustainable development and political legitimacy, which focuses on bringing citizens into the decision-making process. In the context of public-private partnerships, this focus on stakeholders as opposed to citizens makes more sense. The problem with involving the polity as an actor in any analysis is that, by definition, they can have no voice in the process. Actors within the network might reflect the views of the polity and one might work more closely to ensure that some of the central actors in a network forward the views of the

polity as opposed to their self-interest. Nonetheless, by definition, the polity cannot be engaged in a policy network because it doesn't represent a unified entity with which one can exchange resources.

Measuring the Triumvirate

Scholars almost unanimously concede that public-private partnerships mean a loss of some forms of accountability, most notably traditional forms of hierarchical accountability. As discussed in Chapter 3, the flexibility that advocates of partnership tout comes partly through the lack of process accountability, as partnerships concern themselves exclusively with results. This leaves some room for a form of traditional accountability, though some argue it remains too difficult to identify the centre of that accountability.

Of course, hierarchical accountability isn't the only way of keeping people accountable. Professional accountability, for instance, plays an important role in the medical community. Arm's-length organisations, such as the central banks of many countries, have been removed from government "interference" (and also from hierarchical accountability). But these institutions continue to function due to the strong role of professional accountability within each of these fields.

One way to identify actor configurations is to examine contracts, read organisational charts, and talk to stakeholders. Examining official documents offers an excellent view of *official* lines of communication and accountability, which can give some insights. Social network analysis (SNA), however, adds the ability to measure *unofficial* levels of communication and accountability. In the same way that the literature on organisational culture discusses how informal communication and actions can work around formal culture (Bowditch & Buono, 2001), so accountability can occur in both formal and informal ways. In many cases, even though lead organisations may not be officially accountable to other stakeholder groups, some organisations can remain sensitive to critiques made by actors outside of official structures (particularly if those critiques reach the media). NGOs can play some role, for instance, in ensuring that companies and governments follow particular guidelines.

Essentially, two standards can be used to judge the effectiveness of an accountability structure. A lower bar measures official patterns of communication, based on legal documents and contracts. However, while this level of analysis may be easy to measure and analyse, it represents only a first step in an effective and accurate analysis of accountability. A higher bar would measure communication patterns and unofficial sanctions at a network level. This offers the possibility to see patterns not always visible in official documents—extensions, exclusions, and even evasions. This higher bar for measurement offers a richer picture of what is happening on the ground.

Evaluating these accountability structures (and, by extension, transparency) remains such a strong point of contention, perhaps because no easy method exists to allow one to compare across projects. Many studies which evaluate and criticise accountability within projects only do so by pointing out what may be missing from the simple equation of evaluate and punish. In market-based public-private partnerships, for example, authors have focused on commercial confidentiality and how it can be used to hide information from the public domain (Commission on Public-Private Partnerships, 2001; Hood, Fraser, & McGarvey, 2006). Given that information is one of the two key components of accountability, the lack of transparency can hinder proper functioning of accountability.

The problem for a comparison is that a critique of confidentiality, although a valid concern, helps very little when comparing various forms of partnership with regular procurement. It fails to offer a basic unit of analysis on which a comparison can be made. More importantly, it either fails to address whether accountability can take place on other levels or assumes that placing all information immediately into the public domain is the only way to achieve proper accountability. I do not want to suggest that placing information in the public domain is unnecessary. I do want to suggest, however, that members of a particular network are as important for gaining accountability as other avenues. Freedom-of-information laws are critical, but information can find its way to accountability holders through other means.

For this reason, I argue that if one wants to identify whether partnership offers better or worse performance in terms of accountability, a more holistic approach is necessary. Simply counting the accountability mechanisms will fail to capture whether a project is truly being held accountable. One needs to find out how information is distributed throughout a partnership. Where is that information located and how can it be filtered out to organisations that can hold the network to account—whether through access to information or through other “leaks”? Network theories and measurements can provide figures which make various projects more comparable. SNA works as an excellent methodological tool to quantify patterns of communication into tables and graphs, showing how people or organisations interact, which is an important component of accountability. The importance of SNA is, as well, that it can be applied to any type of project where multiple principals and agents interact, offering a way to compare different forms of procurement.

Because the concern is with actor configurations, network methodologies and theories can shed some light on the accountability question. And the questions that will assume the remaining focus of this study are: what kind of network shift do we see with partnerships and how should this influence accountability? SNA works as an excellent methodological tool to quantify patterns of communication into tables and graphs, showing how people or organisations interact, which is an important component of accountability.

This analysis follows the lead of Milward and Provan and their analysis of network effectiveness in mental-health units as a theoretical guide on the accountability question. Some of the same characteristics that make a network involving public and private actors effective also make it accountable. The reasoning behind this assertion can be found in agency theory.

The crux of agency theory that helps support the equation of network effectiveness and accountability lies in the two key assumptions of the theory: (1) that principals and agents have conflicting goals and (2) that agents will attempt to take advantage of information asymmetry to shirk their responsibilities. As agents attempt to maximise their benefit according to their goals, a principal needs to create incentives that will overcome these obstacles (Waterman & Meier, 1998; Worsham & Gatrell, 2005). These incentives, of course, come in the form of accountability mechanisms. They are a necessary part of any partnership.

Of course, as Waterman and Meier have pointed out, these obstacles do not develop in all situations. However, they make these critiques in the context of elected officials and bureaucracies as principals and agents. In the case of partnerships between public and private actors, conflicting goals and information asymmetry are much more likely. From their organisational culture and goals perspectives, public and private organisations can be quite different (Appleby, 1997; Bozeman & Bretschneider, 1994; Jacobs, 1992). While public and private organisations may agree on a project, their reasons for building will remain starkly different and so does their understanding of each other's operations.

In addition to the conflicting goals of public and private partners, one can also find information asymmetries—or at least the strong possibility that they will develop. Public and private partners specialise in their areas, and information sometimes only reaches various partners only through intermediaries. Government departments, for example, often rely on contractors to gather information about the construction site.

Both of these obstacles in agency theory, then, are very much at the fore in public-private partnerships. And accountability mechanisms are one critical component to ensure that partners do not take advantage of information asymmetries and also ensure that all partners remain committed to an agreed-upon goal, despite diverging goals. Therefore, proper accountability is a prerequisite for creating an effective partnership.

Importantly, this is not to say that accountability is the same as effectiveness. Dictators may be effective at certain tasks, even if they feel no real accountability. However, as I have argued above, partnerships present a special case where the two obstacles of agency theory come to the fore. A successful partnership must also possess accountability mechanisms from within that can not only punish individual members, but also ensure that the entire network or partnership need not collapse. Inadequate accountability mechanisms would lead to eventual

network or partnership failure. For this reason, in the network situation, an effective network must also be an accountable one.

Returning to Milward and Provan, three network structure measures can be used to examine accountability in a network: how connected actors are (*density*), how central certain actors are (*centrality*), and how influential they are. These measures are important, the authors argue, because fragmentation can lead clients to “fall through the cracks.” Milward and Provan established that high levels of density and a few central and influential players were important characteristics.

Centrality and influence are also important factors in accountability. According to Milward and Provan, some form of hierarchy is an important element of network effectiveness. A hierarchical organisation or network will show a few central players at the top of the hierarchy, with influence and centrality decreasing down the chain. And, for Milward and Provan, a loosely integrated network centralised through a powerful core agency is more effective. High levels of centrality and influence for a few key players indicate that members of the partnership know who is responsible for decision-making. While some accountability can be achieved in a flattened network, it remains too easy to evade responsibility within the group.

In terms of network density, one might expect that more dense communication should lead to a greater feeling of accountability in the group. Studies looking at the importance of network density present contradictory findings depending on the level of analysis (individual or group level) or the measure of effectiveness (Provan & Milward, 1995; Reagans & Zuckerman, 2001; Sparrowe, Liden, Wayne, & Kraimer, 2001). Often, those who argue for increased effectiveness base the argument on the idea that more intense communication indicates higher levels of trust between organisations or individuals, which in turn increases the likelihood of co-operation. In terms of accountability, however, levels of trust and co-operation should only remain so high, lest actors become captured by the internal workings of the network and rendered ineffective in calling for accountability (Harlow & Rawlings, 2007).

Measuring a network for this research involved an interview process in which I attempted to speak to as many organisations within a partnership as possible, to create a map of communication (for more information, see Chapter 5). With regard to information exchange, interviewees were asked to identify how often they gave and received four types of information from other organisations—financial, technical/operational, environmental/social, and other—leading to eight matrices. This level of detail was needed for two reasons. First, different organisations specialise in particular types of information. Engineering firms tend to focus on technical and perhaps environmental information, but might have fewer concerns about the financial details of the project. Second, dividing information exchange into categories offered a way to identify organisations that were involved in every aspect of the project. Those organisations should prove much more important and central than others.

Two further questions were asked regarding questions about evaluation and penalties. Organisations were asked who had the ability to evaluate their performance on a project, and whether that organisation had the authority to dispense some form of punishment. (For the exact wording of the questions, see Appendix A.) These questions helped to better formulate exactly how accountability looks within a partnership—who are the actors with the power to create accountability, what type of organisations are they, and where are they located within the communication network.

Further Measures of Transparency

A network analysis, then, which essentially offers a map of how information is flowing throughout a partnership, can also be used to evaluate transparency. However, network measures in and of themselves are not enough to make a final decision on transparency. Certainly, a network analysis offers an excellent first benchmark to determine how information is flowing throughout a partnership. One may find, for example, that a few organisations control a great deal of information. The task then becomes to determining whether these specific organisations release information when asked by other partners in the organisation in a timely fashion.

Beyond this sort of internal transparency, it also remains important to evaluate how easily information can escape from the partnership to the outside world. As such, asking questions about the public availability of documents is essential. Grafting the answers to these questions onto a network map also remains critical, as it does little good for 90% of the partnership participants to be relatively transparent in how they release information, if the few organisations which control the most important information are completely opaque.

Of course, it is unreasonable to expect individuals or companies to be completely transparent about all of their activities. Not only is this level of transparency unnecessary, but it involves such high levels of oversight that it becomes impractical. Simply opening all correspondence, all financial records, and all activities to scrutiny does little good if this information is presented in unedited form. The deluge of information would simply overwhelm all but the most ardent investigator who has plenty of time and resources to sort through the information. For this reason, this study attempts to identify the information that organisations are releasing to the public, and in what form it becomes available. A number of questions can be asked about information releasing, specifically looking at four aspects:

- Dissemination type
- Medium used to disseminate information
- Location of those documents
- Limitations to information, such as fees or scope of exemption

Further Measures of Participation

A network analysis also plays a role, although more limited, in helping to evaluate participation. First, assuming that all the participants in a partnership or network have been identified properly, a network analysis can show who is closer to central organisations and who is on the periphery. This can be useful when attempting to evaluate the role of NGOs and CBOs within a particular network. In addition to these network measures, other questions can be asked to determine the role of participation.

In more general terms, the qualitative sections of the survey also offer a window into how participation functions within a given project. For example, in one question, participants were asked which organisations failed to offer information when requested.

The Role of Regimes

This study also takes an interest in partnerships in various countries. In addition to contrasting claims about partnership's influence on the social triumvirate, some make generalised claims about partnership without taking into account that relations between government and private organisations differ depending on the country. Not all researchers are guilty of this, as many studies out of Scandinavia specifically mention the role that state values play in forming and maintaining partnerships (Jørgensen & Bozeman, 2002; Malmborg, 2003; Savitch, 1997). Nonetheless, many studies either don't concern themselves with cultural differences because their analyses are interested only in specific cases within a particular country (such as many of the studies on the UK's public finance initiative) or, more worryingly, they attempt to argue that benefits from partnership can be defined in general terms.

For this reason, a cross-country comparison took a central role in this study, looking at Hungary and Canada. Using this kind of comparison could help show some of the differences in partnerships across countries, or it could vindicate those who see universal benefits or problems. To get the maximum potential for variation, I selected countries that would be sufficiently different in policy-making style and also in how they interact with private actors.

One useful approach to categorizing countries into policy-making styles lies in Esping-Andersen's (1990) idea of welfare regimes. Esping-Andersen groups welfare-state development into three regime types: liberal (market biased), corporatist-statist (family biased), and social democratic (state biased). The first, identified in Anglo-Saxon countries such as Britain, the United States, and Canada, derives from a liberal tradition of *laissez-faire*. One feature of these states is that they tend to emphasise labour as a commodity. In other words, a person's survival is contingent on the sale of their labour. These regimes also emphasise class differences, as these states tend to institute means-based social welfare schemes

that stigmatise those collecting social assistance. The second regime, as exemplified by Austria, France, Germany, and Italy, represents states that aim to maintain old class differences, and in which the development of the welfare state very much relied on the idea of *noblesse oblige*. These regimes, Esping-Andersen argues, were on the vanguard of creating the welfare state, as they were interested in using these schemes to maintain the traditional order of society. In fact, Otto von Bismarck—the first Chancellor of a newly unified Germany in 1871—was the first to implement a pension scheme for the working classes in the 1890s. The third regime, most often seen in the Scandinavian countries, represents those areas most heavily influenced by the urban labour movement and various other groups (as demonstrated in the “red-green coalitions” of Norway and Sweden, as labourers joined with small, capital-intensive family farmers to further their interests at the turn of the 20th century). These states, according to Esping-Andersen, are the most likely to have low levels of labour commodification as well as the least amount of social stratification. Benefits are high and social equality is considered an important political goal.

Importantly, this research is not interested in proving that three or four specific types of welfare regimes exist, but rather uses these theories to guide the selection of countries. Different institutional and cultural arrangements, as evidenced by these authors, lead to different types of policy goals and arguably different relationships—in both style and structure—between actors in various policy networks. The Netherlands, with its traditional use of the polder model, should show clear differences between how it interacts with actors outside of the government, as compared to a nation with more Anglo-Saxon values, such as Canada.

Canada, in some ways, is difficult to defend in regime-type terms. In many ways, it could be considered a hybrid of various regimes, determined to show itself different to the United States in its protection of welfare programmes and the idea of “peace, order, and good government,” while at the same time, it has a clear and long history in means-tested social welfare programmes and fails to show the types of interaction between private and public actors as evidenced in other countries. Also, given the power of provincial governments and the size of the country, political culture changes by region. This makes generalisation even more difficult (see Chapter 7 for more information). Yet Canadian political culture in its many forms still remains different from mainland Europe. True, the Dutch social model may be moving toward a more free-market system, but these changes have appeared only recently, and institutional arrangements should still be significantly different.

Hungary, of course, remains a special case. Arguably, it is in transition from a corporatist-type model to an Anglo-Saxon model, as evidenced by huge increases of wealth, a dwindling social safety net, and increased inequalities between citizens (see Figure 6). However, it remains unclear what final direction Hungary will take, or whether Central and Eastern European countries should be considered a unique regime type. In the context of this study, however, it is considered to be

in transition, because particular demands on the state clearly exist and also influence the relative strength of public and private partners.

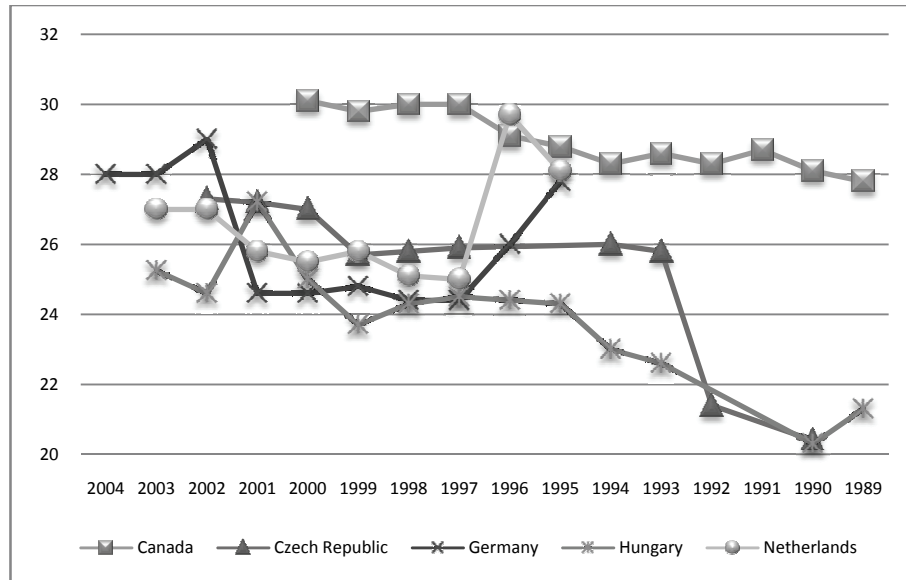


Figure 6. GINI coefficients as reported in the World Income Inequality Database (World Institute for Development Economics Research, 2007). Note that the figures have been collected and compiled from three separate data sources: the Czech Republic and Hungary from one, the Netherlands and Germany from a second, and Canada from a third. Because the GINI coefficient is built on different sampling techniques, the figures are not necessarily comparable. However, they do demonstrate the changes over time: Hungary and the Czech Republic show the most dramatic increases in inequality (with the Netherlands showing a decrease).

Theoretical Framework and Hypotheses Explored

Throughout these theoretical chapters, I have been building to the idea that accountability, transparency, and participation are essential components of sustainable development. When one folds this discussion into the debate on the effectiveness and legitimacy of new forms of governance, such as public-private partnerships, it becomes clear that partnerships must effect change in an effective and legitimate manner to help achieve sustainability. The questions that this study will discuss in part II, through a comparison of projects using various means of procurement, is whether partnership can help or hinder the sustainable-development project.

Placing all of the variables discussed above into a diagram, one can see that I am hypothesising that the procurement type will influence both the structure of a network in a partnership, and the balance between public and private organisations. Also influencing the equation is the regime type. The open question

that I will explore, then, is how these factors will influence accountability, transparency, and participation (see Figure 7).

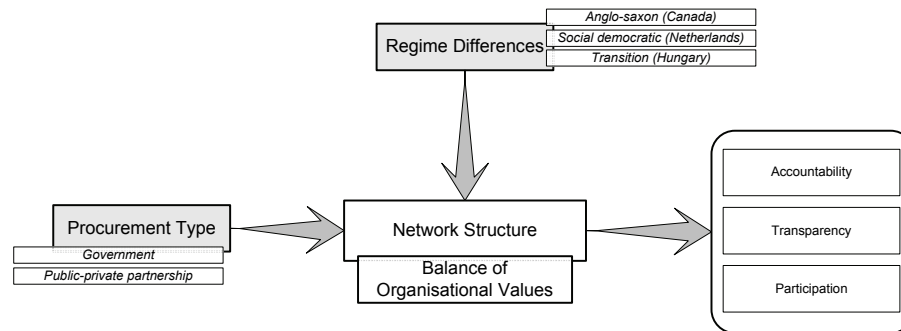


Figure 7. The theoretical framework for the project, highlighting where the comparative case study approach fits.

Given the discussion above, I have formulated a number of hypotheses (as addressed in the introduction to this study). These hypotheses address only market-based partnerships, which will be the baseline of comparison for the empirical study to follow.

- **Contractual obligations ensure that lines of responsibility are clear, causing public-private partnerships to be equally accountable.** While some degree of hierarchical accountability may be lost in the process of public-private partnerships, contractual obligations and, in particular, the increased number of actors calling for accountability, should ensure that accountability remains as effective in a PPP.
- **Differences in the organisational cultures of public and private organisations, as evidenced by contract negotiations and commercial sensitivity, cause public-private partnerships to be less transparent.** Most of the problems surrounding transparency should surround the timing of the release of particular documents.
- **Complexity of contracting causes levels of participation and access to be slightly negatively affected by partnership.** The complexity of contracting ensures that only a limited number of organisations will have the ability to sit at the centre of the partnership. It also assumes that governments should remain the key stakeholder as the creator of the contract.

As suggested earlier, regime types will also influence network structures, which in turn influence the variables of accountability, transparency, and participation.

- **Greater use of market mechanisms in Anglo-Saxon regimes causes private actors to play a larger role in these regimes.** Given the relative weakness of public-sector actors in transition nations, the centrality and importance of private-sector actors should be particularly important in these regimes. Given the above hypotheses on accountability, these

changes should have little effect on accountability, but will mean that transition regimes have the worst performance in terms of transparency.

Answering the question about the influence that partnership has on these three key variables will also help in exploring both the effectiveness and legitimacy of these forms of governance. In addition to the overall influence that partnership has on accountability, transparency, and participation, some further factors should come into play when looking at legitimacy. Specifically, I will explore the most central actors and the degree of publicness that they manage to achieve (as addressed in Chapter 3). Any procurement type which does not place some input-legitimate form of government in the centre of the decision-making process should lose legitimacy, no matter what output legitimacy a partnership may be able to achieve.

- **The role of contracting in market-forms of partnerships causes PPPs to be equally legitimate.**

Chapter 5

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Numbers and Words

Andrew Bak of the Tsawwassen First Nation, when faced with a number of probing questions, laughed heartily during at one point during our interview. On a scale of 1 to 5, I had asked, how much do you support the construction of a particular high-speed transit system? Academics love scales of 1 to 5, he had chuckled. The real answer to my question was, of course, complex, as we had just spent the previous ten minutes discussing various aspects of the construction of the new line, and how the Tsawwassen First Nation had been involved in the process. And here, I wanted to summarise this complex interaction of support and disapproval into a simple number. In this case, the answered turned into a qualified 3. Not that compressing complex results into simple numbers always proved problematic. During the same interview, when asked about his concern for public opinion—the answer of “-14” seemed rather unequivocal. The First Nation’s primary concern lay with their people rather than the wider public (Bak, 2006). For the sake of my results, however, I decided to interpret this answer as a round number 1.

Truly, no scientific survey of people’s opinions would be complete without a scale between 1 and 5. Or perhaps 1 in 4. Or, if a social scientist is looking for fine distinctions, that scale might reach between 1 and 10. Those who feel less enamoured with numbers, of course, can choose words over numbers, but one can hardly miss the fact that five boxes often lie between the words “not at all” and “very much”.

Despite the clear problems quantification causes in many research studies, social scientists continue to be drawn by the shiny lure of the number—and I remain no exception, I would point out. Words read like so many opinions, but a table filled with numbers backed up by a graph or two offers the impression of calculation and objectivity. Even those at the fringe of the social sciences—like the underappreciated historian—grasp at the security of a statistical analysis. Not only do numbers appear less subjective, but they also appear easily reproducible. One industrious researcher can take another’s raw data, reapply the formulas, and—as in science—the same results appear. The fact that this rarely occurs in the field of social science is largely irrelevant. After all, who would want to publish an article which patiently reproduces what someone else has already done?

Quantification does play an important role in social science, of course. An economic analysis would be difficult without Euros, dollars, formulas, and the occasional parabola. Move outside the field of economics and some fields of geography, however, and applying a quantifiable methodology must be done with much greater care. Numbers may make an analysis more replicable, and they also may make comparison between cases easier and more visual, but they also represent very blunt measuring instruments indeed. Numbers force all the colour of reality into five or so shades of grey. This can leave the inquisitive researcher wondering what is missing from these neat analyses.

The weakness of quantification also represents its strength, however. As countless textbooks which exhort the values of either qualitative or quantitative methods have pointed out, one of the goals of social science is to simplify reality into something manageable. The purpose of this simplification for decision-makers, for instance, can be to help make and justify decisions (Patton, 1980, p.273). Quantifiable data, when applied correctly and honestly, can more easily and objectively create this simplified reality that provides useful information to make decisions. Numbers can allow one to focus attention on very specific details of reality, and represent more than just a smattering of opinions gathered from interviews.

Of course, some people may balk at the word objectivity as written in the last paragraph. Some post-modernists believe that the concept has become extinct in a relativistic world in which we layer truths. Take the debate over the various forms of institutionalism and rational choice. Clearly, in a full view of reality, people's rational choices work in tandem with the rules of the institutions around them. Yet, each of these theories argues for the supremacy of people versus rules. Ultimately, researchers and policy-makers are choosing the one they consider to be most important when trying to effect a change. And here, the usefulness credo appears again. Looking at the example of accountability, an institutionalist's viewpoint may be more useful when looking at hierarchical accountability. In this situation, a researcher could analyse different structures of hierarchy and see their influence. A rational-choice perspective, on the other hand, could be more useful to understand professional accountability. While structures are still important in professional accountability—such as a central organisation able to dole out some form of punishment when some wrongdoing occurs—it may be more relevant to understand why people chose to follow rules in such a loosely structured form of accountability. I do not, however, want to be get drawn too deeply into the debate on rational choice and institutionalism at this stage. The only point I wish to make here is that both realities prove useful. The simple fact that both theories appear to possess some explanatory power and that both have survived for so long helps demonstrate this. This healthy debate also adequately demonstrates that social scientists are not searching for a single, objective reality.

Objectivity in the social-scientific context, then, represents a more limited idea, and I take it to be nearly synonymous with honesty. The quantitative researcher must be careful in forming their questions to ensure that they do not squeeze out

alternative explanations or realities. If they remain unable to do so, then their methods remain subjective. I remain keenly aware that no endeavour is without ideological bias; nonetheless, taking the relativist argument to its extreme and rejecting all claims to objectivity, I feel, does a disservice to the social sciences. Good social-scientific work does seek alternative explanations, testing various ideological assumptions against the data. That is not to say that any one explanation is the objective truth, but certainly, many explanations are false. The challenge for the qualitative researcher, then, must be to craft their questions carefully, and then battle with their own biases when selecting what highlights to pull out of their very rich data.

These brief introductory remarks naturally lead to the question of the research methods used during the course of this project—whether I rely on qualitative interviews and readings of policy documents or on some form of quantitative research. Of course, the easy answer to the qualitative vs. quantitative debate is to suggest that both methods should be used, and yet again, I am tempted by this attractive solution. The hope, of course, is that one can pull the best aspects of each methodological tradition into a coherent whole. The corresponding fear is that one is left with only the worst aspects of both—a muddled mess. But, I have chosen to err on the side of hope, building the analysis on a solid quantitative base with further testing of these findings at a qualitative level.

As mentioned in the introduction and in Chapter 4, the primary level of analysis is a social network analysis, a toolbox for describing and measuring relations between individuals or organisations (Kenis & Schneider, 1991). I have chosen this methodology because important differences between traditional procurement and public-private partnerships lie in changes to the relationships between public and private organisations. Public procurement, after all, does not exclude the use of private sector subcontractors. In some cases, the identical organisations would be involved, whether hierarchical or governance approaches were used to supply a particular piece of infrastructure or service. The change lies only in the relationships, so it makes sense to focus on this aspect for comparison.

Much of the data collection for a social network analysis involves coding relationships through numbers; however, all interviews were done either in person or over the phone, and interviewees would often offer a lot of information on the quality of their relationships that went beyond the statistical information being requested. This qualitative information helps to explain some of the relationships and refine the rough edges of the quantitative analysis. In addition, I also examined some of the reports generated by various members of the project so that I could better understand the quality of the data being discussed by various partners.

This chapter, then, will explain the methodological tools used to collect data for this project, the results of which are presented in the chapters of Part II. I will begin with an in-depth discussion of the mechanics of social network analysis, including the conceptual underpinnings of method and how the analysis is done.

This will include a discussion of various types of *centrality* (in other words, different ways to determine the most important person or organisation in a network). I will also address various means to find cliques in a network, which will be important to see how public and private partners interact. After this introduction to social network analysis, I will discuss the survey used to collect data for my analyses. Finally, in the course of this discussion, I will defend the use of a case-study approach as the best way to collect accurate information about the network and one that gives a good balance of quantitative and qualitative data.

Quantitative Toolbox: Social Network Analysis

Social network analysis (SNA) holds a long tradition in the social sciences, with its origins in the field of sociology, developed by Elton Mayo in the 1930s to examine how relationships influence social behaviour. Starting in the early 1970s, political scientists interested in innovation and policy diffusion began to take note of the theories and methods developed in sociology, and this dissemination of network ideas continued to spread to public administration in the mid-1980s (Berry et al., 2004). The public administrators' analyses differed slightly in character from those found in policy studies and sociology. Public administrators were interested in managing and manipulating networks rather than just measuring their existence and understanding their function.

But how does one define a network? The idea of networks is like an electrical grid, a transportation system, or a series of computers. The system relies on the connections between various nodes, and the efficient transmission of objects or information between those nodes. A node in a transportation system, for example, could represent a number of central transfer points. Analysing a network, then, requires looking at the location of various nodes and how objects flow between them. To continue with the transportation metaphor, one can ask about the number of transfer stations, and how many people use each. Are these transfer points optimally located, given the number of people using them?

Nodes are not fixed objects. A computer connected wirelessly to a network can physically move to any location, just as an individual in a social network can move anywhere in the world and still be a part of the social network, although physical location can still play a role. A computer connected wirelessly is limited to places where there is adequate signal strength. Move it too far away, and the connection speed may be reduced and eventually eliminated. The same holds true for people in a social network. Staying in contact with someone seated in the same office is much easier than with someone located halfway around the globe, even in today's hyper-connected world. No matter how many virtual connections a researcher in the Netherlands may have with an institution in Canada, it does not help if those people are fast asleep.

The type and number of connections or links—referred to as *edges* in the SNA literature—between nodes is also important. The Internet and other computer

networks rely on transmitting network data between a number of nodes. If too much information is transmitted through one particular point, this can cause network congestion and delay. For this reason, the number of links to a node is crucial to understanding and analysing network structure. The programmers at Google were quick to understand the significance of links, when they developed the PageRank index to sort through important pages on the Internet. This index is one of the central properties to determine the ranking of a web page based on particular search criteria. PageRank is completely independent of a web page's content, relying exclusively on the central location of a particular page (Koschützki et al., 2005). The strength of those connections is also important. Network congestion can be caused by one connection transmitting too much data, or millions of small connections transmitting only a small amount each.

The same properties also hold true in a social network. Information flowing between individuals in an organisation (a type of social network) can become just as congested as data flowing in a computer network. In an organisation where all information must be approved by one central manager before it can be passed along to anyone, information will be highly centralised and controlled, but also slow to move through the network.

Mapping these nodes and edges into a graph allows researchers to identify the most important *actors* in a network (Wasserman & Faust, 1994). These aren't actors acting on the stage, but rather, actors acting on tasks. Actors in a social network talk to others or send them some kind of resource. These resources can be tangible, such as information or money, or intangible, in the form of prestige.

The network-analysis term most commonly used in graphs is *centrality*—which is just another way of saying “being in the centre.” In some of the examples above, the most central actor could be the manager receiving the most information or the computer serving the most data to people on the Internet. These actors control information, and as such, one could say that they play a more important role than other actors within the network.

The concept of centrality is very much related to the idea of power. Social network analysts, often take very seriously the idea that information truly does represent power. But of course, managing a lot of information does not necessarily indicate that one is powerful or important. An assistant may ensure that information flows between the various actors in a network, but the manager is the one holding more of the actual power. This is not to disregard or diminish the importance of the one actually passing on the information. After all, this person could choose to pass information more effectively to favoured actors in the network. Nonetheless, the amount of

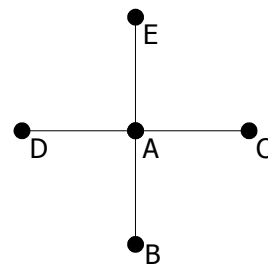


Figure 1. A network in the shape of a star containing five actors.

information flowing through an individual is not the only indicator of power or centrality.

The real importance of an actor's centrality derives from where they may be located in a network. Consider a network in the shape of a star, with four actors able to reach each other through a single actor (actor A in Figure 1). Intuitively, most people would recognise this actor as important and central. But the reason for this centrality can be described in a number of ways. As described above, *degree* is one way to consider this centrality. Four other actors are connected to A, while the others are all connected to only one. But, one can also consider that actor A falls *between* the largest number of actors. A is basically in between all of the actors in the network. Finally, one can also consider that the centre actor is also the *closest* to all the other actors in the network, relative to the others. Information only needs to travel along one edge to reach any actor in the network, while all the other actors need to use two edges to communicate with the others (Freeman, 1978).

Quite small changes to the structure of this network can produce different results for an actor's centrality, depending on which results are measured. For instance, in the network diagram illustrated in Figure 2, adding only two lines of communication has different influences on centrality. In terms of betweenness, for instance, the middle actor A is still the only one with any kind of betweenness centrality (for a precise definition, see the section "Centrality Measures"). This actor is the only one that could choose to prevent communication. However, the strength of that betweenness is cut in half, as A no longer controls communication between the two halves of the network (B & C; and D & E). Depending on how one scores the betweenness centrality, then, actor A still holds 100% betweenness centrality, but the strength of that betweenness is 3 instead of 6. Both facets of betweenness can be important. Actor A is clearly still the most important member of the network. Whether one chooses to interpret this actor as being as important as in Figure 1 depends on one's interpretation.

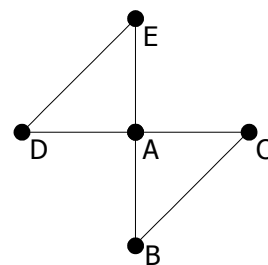


Figure 2. The star network, but with more communication.

Figure 2 shows another variation on the star network configuration; however, in this case, the same amount of communication is taking place as in Figure 1. This case also weakens the centrality of A, but for completely different reasons. Actor A still remains a critical node in terms of communication flow, but the importance of C and D increases, offsetting A's centrality scores in terms of betweenness. Closeness has a more compelling story, as A remains the closest to the extreme parts of the network, but the adjacent actors are closer to their end, while further from the other.

These are only some basic network structures, and clearly, reality is much more complicated than these stylised examples. Nonetheless, this kind of thinking is a starting point from which to understand the concepts with which social network analysis is contending. As well, these concepts of centrality are three of the most basic, and a number of different ways to measure of centrality have appeared, each taking into account different theoretical assumptions about network structure and each useful in particular situations. This project uses a number of centrality measures to examine accountability, transparency, and participation, but before presenting them, it will be useful to demonstrate a simple but viable social network analysis. In this case, I would like to consider the simplest centrality measure—degree centrality.

Degree Centrality Example

Any social network analysis relies on identifying the members of the network. With this established, one can then ask those network members about the exchange of resources. As mentioned earlier, these resources can be anything tangible or intangible, such as money or information. In this example, I shall take an example of researchers who exchange articles. The most central actor shall be measured based on who passes along useful articles to the most people in the network. Finding out who sends information to whom usually involves much cajoling and irritating of the individuals in the network, but the academics in this example are happy to share information with a fellow researcher. This data can then be placed into a simple binary matrix: 1 represents an individual who has sent an article, while 0 indicates a person who has not. Wanting to remain anonymous, these individuals are represented by phonetic alphabet.

	<i>Alpha</i>	<i>Bravo</i>	<i>Charlie</i>	<i>Delta</i>	<i>Echo</i>
<i>Alpha</i>	X	1	0	0	1
<i>Bravo</i>	1	X	0	0	0
<i>Charlie</i>	1	0	X	1	0
<i>Delta</i>	0	0	1	X	0
<i>Echo</i>	0	0	1	0	X

Table 1. Sample binary matrix with five actors in a social network.

The first column in this table represents a sender and the first row, the receiver.¹ So, in this example, Alpha has sent a paper to both Bravo and Charlie. In this example, I have also assumed that measuring whether actors have sent articles to themselves is irrelevant and nonsensical.

¹ The matrix, in SNA terms, is *one-mode data*, where the row and column titles are the same. Analyses can also be done on *two-mode data*, where the rows and columns are different. For example, the columns might represent members of a committee, while the rows may represent the names of those committees. This study, however, uses one-mode data only.

To calculate degree centrality, one divides the number of connections to an actor by the total number of connections in the network to calculate a percentage. In this case, I am interested in those actors that send out articles, so the analysis being done is one of *out-degree* centrality. The direction of a connection is important, and I count only outgoing edges as a connection. This simple calculation is shown in the table below. In this example, Alpha and Charlie are the most important actors, as they both account for 28.57% of the sent articles in the network.

<i>Node</i>	<i>Out-degree Centrality</i>
Alpha	28.57%
Bravo	14.29%
Charlie	28.57%
Delta	14.29%
Echo	14.29%

Table 2. Sample table showing out-degree centrality, in percentage terms, based on the matrix in Table 1.

Clearly, this example grossly oversimplifies centrality, for a number of reasons. First, the type of work being offered can be important, such as the difference in importance between published and draft articles. As well, the number of articles offered can also affect centrality, because a person sharing only one article should be weighted differently than someone sharing ten. In the majority of network analyses, connections are weighted, which allows for more nuanced scores. However, for the sake of this ongoing example, I will continue to use binary data. An actor either sends an article or does not.

This measure of centrality can be useful to determine who is the best in terms of sending out information, but it fails to offer much else. This is one of the reasons that a number of centrality measures, using various assumptions about network connectivity, have been developed by researchers. One such measure, which is used extensively in this research study, is called *eigenvector centrality*. In this measurement, people are considered to be in the centre if they are surrounded by others who have many people interacting with them. This measure concerns itself not so much with information control, but rather with the ease with which actors obtain access to information.

These formulas can be quite complex, and as the size of the network increases, it becomes impractical to make these calculations by hand. For this reason, a number of researchers have developed software packages to calculate these formulas and also produce graphs to visualise exactly what the centrality scores mean. This project uses primarily UCINET version 6.96 for most of the calculations, but also relies on Visone versions 1.1 for a few measures not presented by UCINET. The following example was calculated using Visone, which expresses centrality scores in percentage terms. The graph produces a visual representation of the

centrality scores as presented by the software. In large networks, a visual representation can help to bring out aspects of the network in a way that numbers cannot.

<i>Node</i>	<i>Eigenvector Centrality</i>
Alpha	26.95%
Bravo	18.08%
Charlie	22.07%
Delta	14.81%
Echo	18.08%

Table 3. Eigenvector centrality scores produced using Visone 1.1 for sample social network.

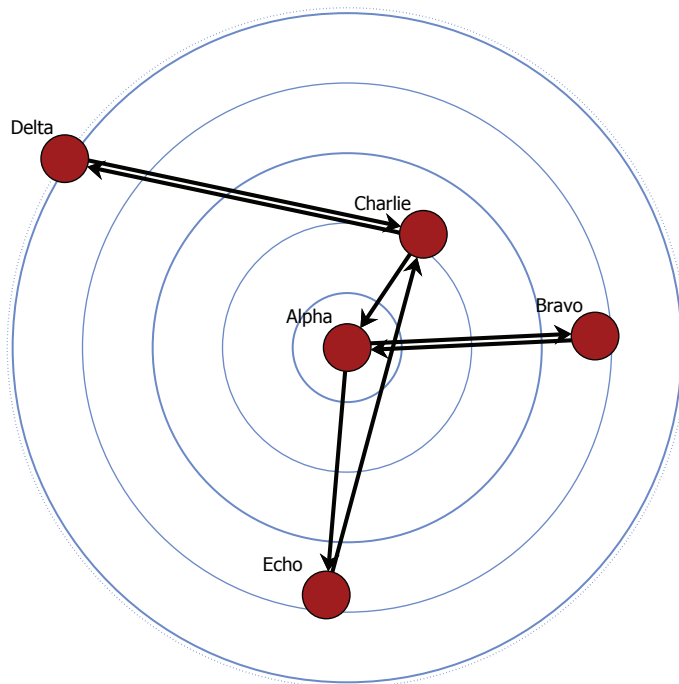


Figure 3. A visual representation of the eigenvector centrality scores in Table 3, using Visone version 1.1.

In this example, then, Alpha is the most central, because this actor is the closest to the greatest number of people receiving articles.

This methodology, then, will inform the quantitative analysis of the research project. As discussed in Chapter 4, I have used social network analysis to measure all three variables of this study—accountability, transparency, and participation.

Centrality Measures

In Chapter 4, I addressed the definitions of accountability, transparency, and participation. I also discussed how basic network characteristics can influence these variables. As mentioned in Chapter 4, one of the main concepts in network structure involves the idea of centrality. Centrality is measured by determining those actors who are at the centre of some kind of resource exchange. For this reason, many network analysts consider centrality to be synonymous with importance (or even power).

What follows is a description of the various centrality measures used in this project, which includes a brief description of their importance as well as how to calculate them.

Betweenness centrality. This type of analysis is useful because it can help to show which actors are able to mediate and even control the flow of information to various actors (Schneider, 2005). This is because actors who are between others can stop the flow of information. For example, consider Figure 4, where actor B is a conduit through which information passes from A to C. B may choose to filter information coming from A. B may be an auditor who receives a lot of information about company A, but chooses to report only select aspects. Or B may be an assistant, who dutifully passes along all information to other members of a team. B is important because of the ability to shape information rather than create it.

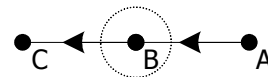


Figure 4. B is between A and C. The direction of the flow of information is important.

Betweenness is significant for both accountability and transparency. For both concepts, this measure is generally important to demonstrate who the important actors are in the network. In Chapter 4, I posited that a network with a few important actors would be one that was more effective and accountable, and this is just one demonstration of that important centralisation. In terms of transparency, however, this measure is critical. A high betweenness centrality for only a few actors indicates that the network can more easily keep information away from those outside of the network. Information flow is centralised and can be more easily controlled. However, even these highly centralised networks in terms of betweenness can be transparent, on the condition that those with control of the information are willing to share it. However, in networks with a highly decentralised structure, with low betweenness scores, it is be much more difficult to hide information.

Eigenvector centrality. This measure bases centrality not just on the actor's position in a network, but also on the actors with which they are connected. So, any one actor's centrality score is based on adding the number of connections to others, and then adjusting that score based on how many people are connected to those same other actors (Bonacich, 1987). In a sense, this is a nuanced version of degree centrality, without concern for the direction of the flow of information. The idea is that being surrounded by people who are important in the network can be just as important, if not more important, than sending and receiving resources oneself. I have used this indicator to show information centralisation and availability; however, this measure can also be used to demonstrate the influence of actors (Borgatti, 2005). Bonacich suggests three ways to measure eigenvector centrality, using either a factor approach, convergence of an infinite sequence, or solving a linear equation (Koschützki et al., 2005, p. 48). The formula used for the factor approach can be mathematically represented as follows:

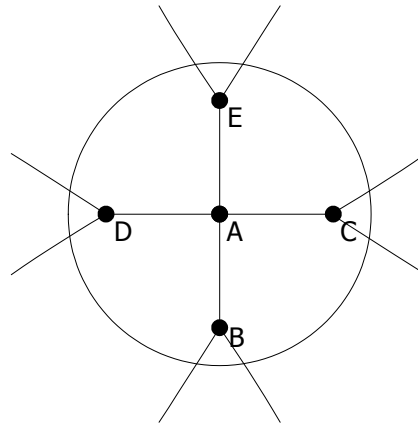


Figure 5. The centrality of A's neighbours determines the eigenvector score for actor A.

$$C(v) = \frac{1}{\lambda} \sum_{u \in E(v)} C(u)$$

Variable	Explanation
C	The value of centrality.
u, v	Two actors in the network.
E	The total connections (<i>edges</i>) in the network. $E(v)$ represents the total number of edges connected to actor v .
λ	The highest eigenvalue that one can achieve for a given matrix.

Table 4. Explanation of variables in formula for eigenvector centrality.

In brief, this mathematical statement reads that the centrality for actor v is equal to the sum of the degree centralities for all actors connected to that actor, multiplied by the inverse of the eigenvalue for the matrix multiplied by a vector. For a full explanation of the mathematics of this formula, please read Sidebar 1.

Sidebar 1. The mathematics behind eigenvectors

Most articles or books on the subject of eigenvector centrality offer too little mathematical explanation for the uninitiated, and too much for the

mathematically educated reader. As this is a book of public administration, a more thorough explanation of this formula seems appropriate, for those who want to understand and evaluate the logic behind the formulas. Understanding eigenvectors requires some background on multiplying matrices.

A matrix, as illustrated in Table 1 of this chapter, is a series of numbers arranged into a table with a particular number of rows and columns. With one-mode data, one will always have the same number of rows and columns. For example, the following is a matrix of 3x3:

$$\begin{bmatrix} 1 & 2 & 8 \\ 3 & 1 & 5 \\ 2 & 4 & 6 \end{bmatrix}$$

One common mathematical function is to multiply matrices, just as one would multiply numbers. Not all matrices can be multiplied, however. Multiplication can only be done when the number of columns in the first matrix is equal to the number of rows in the second. This is generally represented as follows:

$$A_{m \times n} \cdot B_{n \times p} = C_{m \times p}$$

Put another way, the first matrix A has m number of rows and n number of columns. Matrix B has n number of rows and p number of columns. The new matrix C will have m number of rows (as in matrix A) and p number of columns (as in matrix B).

$$A_{m \times n} \cdot B_{n \times p} = C_{m \times p}$$

Notice that these values must be equal

To multiply the matrices, one can start with the first row of the A matrix and multiply its values by the values in the column of the B matrix, and then add them together. Then, one continues to the next rows and columns, as in the following example:

$$\begin{bmatrix} 1 & 2 \\ 4 & 5 \end{bmatrix} \cdot \begin{bmatrix} 6 & 3 \\ 7 & 8 \end{bmatrix} = \begin{bmatrix} 1 \cdot 6 + 2 \cdot 7 & 1 \cdot 3 + 2 \cdot 8 \\ 4 \cdot 6 + 5 \cdot 7 & 4 \cdot 3 + 5 \cdot 8 \end{bmatrix} = \begin{bmatrix} 20 & 19 \\ 59 & 52 \end{bmatrix}$$

Eigenvalues and eigenvectors come into play when multiplying a matrix by a vector. A vector is a matrix with only one column or one row, as shown in the example below:

$$\begin{bmatrix} 10 \\ 20 \end{bmatrix}$$

Just as with any kind of matrix multiplication, multiplying a matrix with a vector requires that the number of columns in the matrix be equal to the number of rows in the vector (or vice versa). So, the above vector could be multiplied by one of the

two 2x2 matrices given in the example above. The process of multiplication is still the same, as shown here:

$$\begin{bmatrix} 1 & 2 \\ 4 & 5 \end{bmatrix} \cdot \begin{bmatrix} 10 \\ 20 \end{bmatrix} = \begin{bmatrix} 1 \cdot 10 + 2 \cdot 20 \\ 4 \cdot 10 + 5 \cdot 20 \end{bmatrix} = \begin{bmatrix} 50 \\ 140 \end{bmatrix}$$

One can break apart the resulting vector from the multiplication into two parts: a *scalar* and a vector with different values. The scalar is a number, which in this case, creates a new vector through division. For example, each part of the resulting vector above is divisible by 10.

$$\begin{bmatrix} 5 \\ 14 \end{bmatrix} \cdot 10 = \begin{bmatrix} 50 \\ 140 \end{bmatrix}$$

More than one scalar can be used for the above case. For example, a scalar of 5 or 2 would work just as well.

Before continuing to the definition of an eigenvector and an eigenvalue, one more point needs to be made. When one multiplies a matrix by a vector, one generally cannot find a scalar (identified as s) that will return the original vector. So,

$$\begin{bmatrix} 1 & 2 \\ 4 & 5 \end{bmatrix} \cdot \begin{bmatrix} 10 \\ 20 \end{bmatrix} = \begin{bmatrix} 50 \\ 140 \end{bmatrix}$$

$$\begin{bmatrix} 50 \\ 140 \end{bmatrix} \neq s \cdot \begin{bmatrix} 10 \\ 20 \end{bmatrix}$$

An eigenvalue, however, is a situation in which one *can* solve the second equation above to return to the original vector. This original vector is called an eigenvector.

$$\begin{bmatrix} 1 & 3 \\ 4 & 5 \end{bmatrix} \cdot \begin{bmatrix} 10 \\ 20 \end{bmatrix} = \begin{bmatrix} 70 \\ 140 \end{bmatrix}$$

$$\begin{bmatrix} 70 \\ 140 \end{bmatrix} = s \cdot \begin{bmatrix} 10 \\ 20 \end{bmatrix}$$

In the above example the scalar—or eigenvalue—is 7. In these equations, an eigenvalue is usually represented by the symbol λ .

Often, the definition for eigenvectors is represented mathematically as follows, where e is a vector, M is a matrix, and λ is an eigenvalue:

$$e \cdot \lambda = e \cdot M$$

Importantly (and confusingly to those less familiar with mathematics), this is a definition and not a formula for solving for an eigenvalue. An eigenvalue is any scalar which allows one to return to an original vector (or eigenvector).

This measure demonstrates how much information an organisation can access rather than how much information or other resources an organisation controls. A network in which eigenvector centrality scores are relatively even should result in

a more transparent network, at least in the sense that everyone has access to information in the network. Of course, the ability for information to leave the network depends on the characteristics of the organisations in the network. However, if the entire network has good access to data, it seems likely that hiding information will become more difficult. This transparency of information to the network has important implications for accountability, because with information, organisations can judge and punish others for non-performance.

Katz's Status. This analysis of status is another version of the eigenvector centrality measure, which weights centrality based on the centrality scores of others in an actor's neighbourhood. However, here, the flow of information is

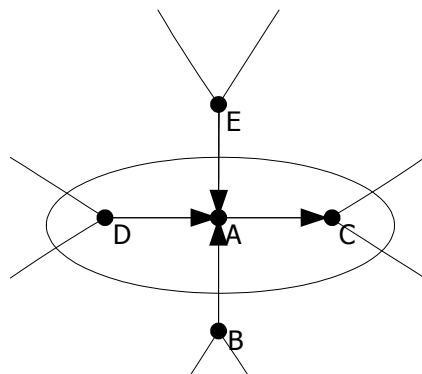


Figure 6. The status of A depends not only on how much information he receives, but also on the fact that he is the link in a chain from D to C.

important, because an actor's location in a chain is what increases their status. An actor is a part of a chain if it is required in an exchange of resources between two actors who are not adjacent to each other. In Katz's original description of the concept, he discusses status in terms of votes. Not only is it important that one receives votes, but actors become more important if they can pass those votes on to others. The longer that path of passing a vote from one actor to another, the more an actor's status diminishes (Katz, 1953). In Figure 6, for example, A is the key link in a chain from D to C, hence its status is greater than that of the others. If C then

continued to pass that vote along, the status score for A would diminish because C also has the capacity to break the chain.

The analysis, then, involves calculating the total number of weighted paths that reach a given actor, where the score decreases exponentially with its distance from that actor. This method also requires one to find the largest eigenvalue for the matrix.

$$S(u) = \sum_{k=1}^{\infty} \sum_{v=1}^n \alpha^k (M^k)_{vu}$$

Variable	Explanation
S	Katz's Status.
u, v	Two actors in the network.
M	The matrix which represents all the relationships in the network.

<i>Variable</i>	<i>Explanation</i>
k	If actors u and j are connected by a chain, then k represents the distance between them.
α	A constant, which reduces the status by the increasing distance of k . In Katz's original article, he assumed that this number could be discovered through investigation or "omniscience." In this case, an eigenvalue can be used.

Table 5. Explanation of variables in formula for Katz's status.

This type of analysis is important to show overall communication patterns and is more effective than looking at simply in-degree or out-degree, because it takes into account both the amount of communication and also an actor's position within a network.

Network Cohesiveness Measures

Centrality isn't the only concept that remains important for network structures. Social network analysis allows one to consider the cohesiveness of a network by considering how dense it may be or whether cliques develop, which separate networks into several cohesive subgroups. These measures are also important when judging the activity of public and private partners, as they can also be used to see how well each side is exchanging information (important for all three variables) and also to see how closely public and private actors work together in different types of procurement. For example, these kinds of measurements can show whether public and private actors are sharing information, or whether each side forms a clique. A clique of public and private actors could represent a dangerous situation, as it would indicate that true partnership is failing to form. It can also prove dangerous to both accountability and transparency, as public actors may be unable to get the information they need from the private sector to make proper evaluations.

Two types of network structure are analysed in this study, including the density of a network as well as the idea of cliques (and its many variants).

Network Density

Network density is a way to consider group cohesion, which looks at the average degree centrality of all the actors to determine how close they are based on their shared resources (Wasserman & Faust, 1994). Network density offers a percentage figure and is relatively simple to compute mathematically. As communication between actors is valued by frequency of communication, the formula needs to use the average value attached to edges in the network.

$$D = \frac{\sum_{u=1}^g \sum_{v=1}^g x_{uv}^M}{g(g-1)}$$

Variable	Explanation
D	Network density
u, v	Two actors in the network.
g	The total number of actors in the network.
M	The matrix representing the network.
x	The frequency of communication between the two actors.

Table 6. Explanation of variables in formula for network density.

As discussed in Chapter 4, a dense network can also be a more effective one. However, it will also be important to compare density, to explore how much public and private actors rely on each other for information when comparing traditional procurement to governance structures, like public-private partnerships.

Subgroups

Network density looks at the entire network as a whole, but another important aspect of structure involves the appearance of distinct subgroups within the network. A subgroup involves any series of actors who work more closely with each other than with others in the network. This could represent a clique or faction which work closely together. Looking at subgroups can help answer a number of questions. Are particular actors sharing information amongst themselves without involving others? How cohesively are public and private actors working? Looking at subgroups in their various incarnations can help to answer these kinds of questions.

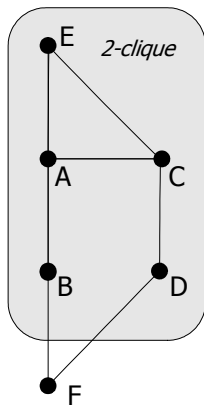


Figure 7. An example of a 2-clique where one actor outside the clique is necessary for its formation. For B to reach D in 2 steps, actor F is necessary.

Conceptually, the starting point to understand the subgroup lies in the idea of a *clique*. A clique, in network terms, is much the same as the definition of the word to a lay person: a number of actors in a network who communicate amongst themselves. For this tight interaction to occur, one assumes that actors must have similar goals or ideas. A clique must contain a minimum of three actors, and each actor must be connected to every other through some kind of resource exchange (Wasserman & Faust, 1994). This definition of clique is obviously very strict, because excluding even one line of communication can mean that the analysis misses what otherwise might be a cohesive subgroup.

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Other less strict measures for cliques have been derived, such as the concept of the *n-clique*. In this case, the clique is defined by how easy it can be for one actor to reach another within a clique. The *n* defines the maximum distance one actor must be from all others within the clique. For example, a 2-clique requires that every actor be within 2 edges of every other actor. In other words, either two actors must be directly connected or one intervening actor can complete a connection. The *n-clique* presents problems of its own: first, members outside of the clique may be the connecting actors within the clique, which is counterintuitive to the concept of cliques. In network terms, the diameter of the subgraph is larger than the *n*. In Figure 7, for example, it becomes unclear whether F should be a part of the clique. Another problem for the *n-clique* is that actors may remain disconnected.

For this reason, the idea of an *n-clan* is used, which limits the definition of a clique to one in which *n* must be equal to or less than the diameter of the subgraph. Looking again at Figure 7, A, B, C, D, and F would represent a 2-clan, but A, B, C, D, and E would not.

As mentioned in Chapter 4, subgroups can be important to analyse, because the functioning of a network may rely on the activities of only one portion as opposed to the entire network (Provan & Sebastian, 1998). For this reason, it becomes important to identify whether tight communication is occurring within particular segments of the network. As well, the *n-clan* analysis can show in other terms how closely public and private actors are working together. Do public and private actors remain in separate clans or do they mix together?

Seeing clans can also help determine the potential for transparency. If private sector actors, for example, remain relatively separated in a particular clan, one would suspect that accountability and transparency would suffer. Tight interaction between public and private actors can help to ensure that problems are caught early, as opposed to a situation in which only the occasional report is exchanged. Also, if information fails to flow freely between public and private actors, one would expect certain information might be withheld from public actors. Therefore, one would also want to see whether the accountability structure remains embedded within a single clan or across multiple clans (assuming cohesive subgroups exist in the network).

A Case Study Approach to Networks

Social network analyses take place on a small-*n* and large-*n* basis. In other words, some researchers choose a large number of networks (or one particularly large network) in hopes of drawing conclusions that can be generalised into theory. Data collection for this type of analysis generally involves mailing out surveys on a mass scale. Researchers would probably recontact individuals or organisations to minimise missing data; however, researchers' contact with these individuals would be limited. For this reason, large-*n* surveys rely exclusively on quantitative

data and can miss some of the nuances within the network. Others focus more on smaller networks. Collecting data on the smaller networks is less resource-intensive, and they also allow a researcher to collect quantitative and qualitative data at the same time.

Given that I wanted to collect qualitative data as well as quantitative data, a small-n approach to networks made the most sense. This small-n approach also meant that the case study was the most logical research design for this project. A case-study approach calls for intensive studies of single units to understand a larger class of similar units (Gerring, 2004). This intensive study allows a researcher to examine the context of a particular phenomenon (Yin, 2003). In other words, a case-study approach allows me to examine the context that helps to form these networks, while a different form of study would allow me to examine only the networks themselves. In addition to the context, the case-study approach offers a degree of triangulation, as ideas discussed during the interview can help to confirm what the network structure suggests about accountability, transparency, and participation.

To give the design some robustness, I chose a comparative approach with multiple case studies. Given the use of quantitative and qualitative data, the approach can also be described as embedded, as the cases contained multiple units of analysis. At one level, the network structures were examined, but at the same time, interview data helped determine specific difficulties that organisations had in extracting data from the network.

Comparison takes place on two levels: between procurement types and between nations (or regime types). The use of two comparisons emphasises the research design's objectives to test the theories as presented in Chapter 4.

Comparing Procurement Types

Comparing across procurement types is perhaps the most important comparison in this research design, since it offers *theoretical replication* of the results across cases. The data from cases based on governance structures should show evidence that supports the hypotheses, while data based on other procurement types should show the opposite. It's not enough to determine whether the data match the hypotheses for governance; one must also see how actors interact in traditional procurement.

As discussed in Chapter 3, governance can be divided into two types—market- and network-based. This project was intended to compare the following types:

- **Government procurement or provision.**
- **Market-based governance**, referred to hereafter as public-private partnerships (PPP).

Public-private partnerships were chosen in preference to network-based partnerships for a number of reasons. First and foremost, PPPs are more easily defined and comparable. There's enough leeway in implementation that interesting national differences may result, particularly in the organisations that sign contracts and in the way public and private organisations interact. However, at the same time, the concepts used by actors in the public and private realms are mediated by the concept of a public-private partnership. All PPP cases will refer to risk transfer, all will have particular reports that are prepared, and all will work under the auspices of a long-term contract, ranging from 20-30 years. Given this common base for all partnerships, one can be more confident that a comparison of PPPs is a valid endeavour. A network-based partnership, on the other hand, wherein methods of interaction can vary quite markedly, makes case selection much more difficult and uncertain. Most importantly, I also remain unconvinced that true network-based governance exists, particularly in the countries under examination for this study.

This is not to say that comparing the three procurement types would be ineffective. This type of comparison would make excellent material for further study. However, this project focuses on a two-way comparison between PPP and traditional procurement.

Comparing Nations and Regimes

The second basis for comparison is national differences. The reason for this comparison is two-fold. First, I theorise that the hypotheses hold true across nations. The nature of accountability, transparency, and participation may be radically different, but public-private partnerships should have the same kind of influence in each of the three nations. The question that this type of comparison can answer is the quality of that change.

As discussed in Chapter 4, I have used regime theory as a guide to select the countries of study. It was important that the styles of policy-making, and the political structures that support it, be markedly different. For this reason, the following countries were chosen for this study:

- **Canada.** Chosen as the representative of Anglo-Saxon regimes. While it may not represent as extreme a case as the United Kingdom or United States, relations between the public and private sectors remain similar between Canada and other nations categorised under the Anglo-Saxon regime type.
- **Hungary.** Given that Esping-Andersen's theory was derived at only the beginning of Central and Eastern Europe's transition to welfare capitalism, he had not discussed this region of Europe. However, Central and Eastern Europe remain undoubtedly some of the most interesting cases for testing network structures in governance. Unlike other, more stable regimes in the West, the line between public and private sector has

been blurred for some time. I believe that Eastern Europe could be classified into its own regime type, which I would label as Transition.

- **Netherlands.** A representative of the social democratic transition. While it was not directly analysed in this study, I have examined secondary materials to see the functioning of their public-private partnerships and discussed the implications of this study for the Netherlands in the conclusion of the book. Again, some debate about the degree to which the Netherlands belongs in this category has taken place (Goodin et al., 1999). Nevertheless, the Netherlands shows clear signs of generous welfare provision, and a high reliance on the government for provision of the social safety net.

One may quibble about the classification of regime types—or even the use of regime types altogether; however, what remains most important for this comparison is that the three countries chosen have significant differences over which one can make a comparison.² The following table, for instance, shows a number of key areas of comparison and contrast.

	<i>Hungary</i>	<i>Canada</i>	<i>Netherlands</i>
Political System	Parliamentary republic	Parliamentary monarchy	Parliamentary monarchy
System of Elections	Mixed-member proportional representation	First past the post	List proportional representation
Chambers	Unicameral: National Assembly (<i>Országgyűlés</i>)	Bicameral: House of Commons and Senate	Bicameral: First Chamber (<i>Eerste Kamer</i>) and Second Chamber (<i>Tweede Kamer</i>)
Last Major Reform to Political System	1989	1867 ³	1848
Taxation	Centralised	Tri-level, though primarily federal or provincial	Central and local

² While some academics may deny the importance of practical considerations, these also remain important for any case selection. One further consideration for selecting these countries was the ability to find and read documents in the native language of the country under study.

³ This could arguably be 1982, when then Prime Minister Pierre Trudeau signed the Constitution Act, “bringing home” the constitution from the United Kingdom. However, this new constitution did not fundamentally alter the powers between federal and provincial governments as outlined in sections 91 and 92 of the original British North America Act, and as such, is not considered a major reform.

	<i>Hungary</i>	<i>Canada</i>	<i>Netherlands</i>
Private-sector relations	Mixed together, with loose boundaries between the public and private sector	Adversarial, though with recent emphasis on partnership	Polder model, in government, industry, and unions discuss policy decisions.
NGO relations	Very weak sector with weak relationships with other sectors	Adversarial with indirect influence	Strong NGO representation with some influence

Table 7. Comparison of the three countries discussed in this book across a number of variables.

Theoretical Framework Revisited

At this stage, a quick revisit to the theoretical framework is in order to show where the two comparative elements fit. As can be seen in Figure 8, the use of comparison along these two axes remains critical to demonstrating the validity of the theoretical framework. The 2x2 structure of case selection ensures some degree of robustness and validity across these two variables.

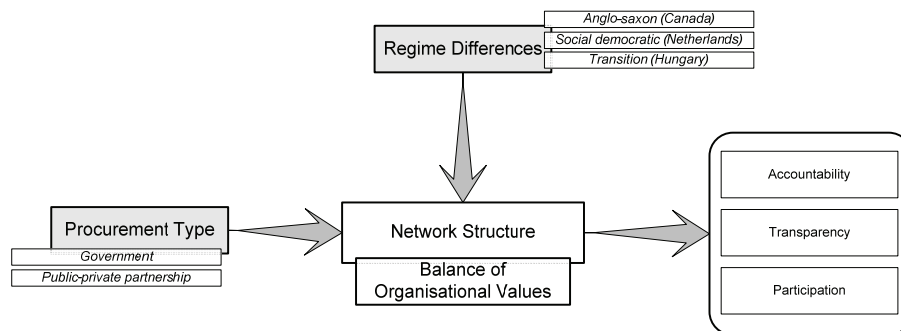


Figure 8. The theoretical framework for the project.

Case Selection

One of the most important elements of case-study comparisons lies in properly selecting cases. Given that a closed experiment involving different types of procurement was impossible to achieve, I would need to select cases with the least degree of variation, other than the dependent variables that I have chosen as relevant—specifically, procurement and regime type.

The first, and most obvious, criterion was that governments had used both types of procurement to provide a particular type of public good or service. Given that the vast majority of public-private partnerships involve infrastructure construction, I used this criterion to narrow the number of cases to select. The

second criterion was to find projects involving similar actors—particularly on the public side of the equation. This meant that cases picked within a country would need to share characteristics beyond simply infrastructure, but should be more specific, preferably a number of smaller projects that were part of a larger goal. The third criterion used was that the project should involve multiple jurisdictions. This meant looking for projects which involved funding from at least two levels of government. Finally, to emphasise the sustainable-development aspects of these projects, I chose projects which would have clear impacts on all three pillars of sustainable development.

These criteria all involve structural aspects of the project, but case selection was also further narrowed by temporal concerns. I selected projects that were all in the same stage of development to ensure greater comparability. One immediate problem was how to delineate policy into a logical and linear process so that I could pick a particular point.

Breaking public-private partnerships into particular phases proved relatively easy, as these types of procurement unfold in roughly linear fashion. Long-term contracting requirements ensure that changes to scope remain minimal. The need to use a regular schedule for tendering also ensures stability and forward momentum for a project. This doesn't mean that changes in scope do not occur, but at least one can clearly identify particular phases of the projects. As illustrated in Chapter 3, one can divide PPPs into three phases: exploration, execution, and maintenance. Talking about stages, and whether they actually exist, in more traditional procurement has been cause for vigorous debate (deLeon, 1999; Sabatier, 1999). However, in the case of an infrastructure project, one can certainly find some overlap on a number of important stages (or hurdles) that project managers need to pass through.

The simplest and most obvious choice is the construction (or execution) phase. Working with a project in progress also helped to ensure better recall of the participants in the network, as they would not need to remember actions from too far in the past.

Because the social network analysis being done here does not show changes in the network over time, but rather offers a snapshot, choosing a comparable time frame was even more important. While a network analysis can be done at several stages to show change over time, practical considerations prevented this scale of analysis.

This lack of time data in the network analysis, however, should be not seen as a shortcoming. In fact, I would argue that it brings a more accurate picture of the average look of the network, as Freeman, Romney, and Freeman's (1987) study of informant accuracy clearly shows that participants can more accurately recall long-term patterns rather than information for a specific period. In this study, they asked participants at a conference to recall other attendees who had attended the same sessions. Participants were offered a list of attendees from which to

choose. Perhaps unsurprisingly, participants were unable to identify attendees 52% of the time. More surprising was that people both missed individuals who attended and also identified participants who had not actually been in the room. So, the results for individual cases showed some serious inaccuracies. However, when the researchers asked about long-term attendance rates, the answers better reflected the reality.

Given these criteria, the following cases were selected for this project. For each country, I chose a very specific theme that would ensure my criteria were met:

	<i>Theme</i>	<i>PPP Case</i>	<i>Traditional Procurement Case</i>
British Columbia, Canada	2010 Olympic projects	Canada Line extension to metro system	Olympic village in South-East False Creek
Hungary	Motorway construction	M6 motorway (phase II)	M0 motorway (east sector)

Table 8. Case selection.

Survey Questions

The survey—listed in full in Appendix A—was divided into 16 questions designed to not only to bring out aspects of accountability, transparency, and participation, but also to gather general opinions about the cases at hand and determine

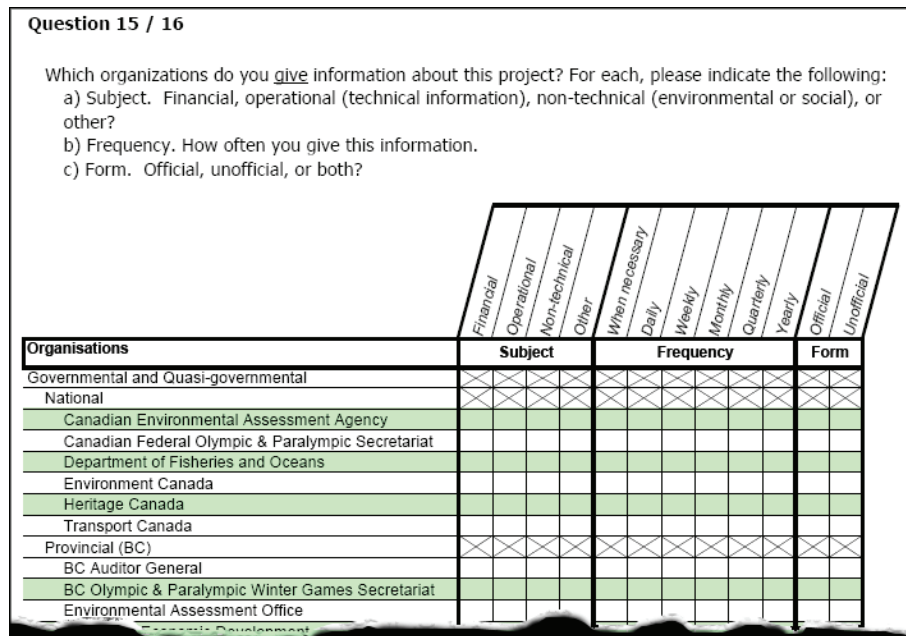


Figure 9. Survey question formatted using social network analysis methods.

organisations' impressions of the most important actors in the project. In Canada, the survey was completed in English, while in Hungary, a Hungarian version was offered to participants. The survey was designed to take approximately 30 to 60 minutes, with private-sector organisations generally falling into the low end of that range and public-sector organisations in the high end (however, given the quantitative nature of some of the questions—and the friendly nature of some participants—interviews could last for a longer period).

The majority of questions were presented using a standard network-analysis approach. This meant that most questions were formulated in a way that would indicate a relationship, asking which organisations a participant interacted with in a particular way. In social network analysis, not only is the formulation of the question important, but so is the format. For each network analysis question, respondents would be presented with a list of participants for the project, organised by type first and then alphabetically (see Figure 9). Participants could then select the organisation with which they had a relationship. Room was added to the end of every question to add organisations that they considered to be important, but were not on the list.

One could argue, of course, that offering participants a prepared list can create bias in the survey, as it presupposes who the important actors are in the network. This may not be as much of a problem for obvious participants, such as construction companies or relevant ministries, but can be a concern when considering NGO groups or organisations behind the scenes that are not transparently involved. However, the drawbacks are much more acute if a researcher fails to supply a list. In these cases, interviewees are more likely to forget those with which they have infrequent contact. My personal experience collecting this data confirmed this fact.

While not explicitly stated in the questions, I also made clear to the interviewees that I was asking about relationships averaged over the last two years. For the most part, this approach worked well, as organisations were generally involved in a project from the start to its finish. This stipulation did prove problematic for a few organisations who were involved heavily for a short period of time—such as agencies involved in environmental impact assessments. Scores for these cases were adjusted accordingly to reflect an average over the period of two years.

Breakdown of the Questions

The first five questions were designed to elicit general information about the project, with the first question being open-ended, asking simply about the role that the interviewee's organisation played. Questions were also asked about funding and finally about which organisations the interviewee felt were the most important to the project. These last questions were of particular interest, as they could be used to contextualise the social network analysis. When possible, interviewees were encouraged to explain why they felt particular actors were important.

The next three questions were meant to analyse both the evaluation and punishment aspects of accountability. Respondents were asked about which organisations had the ability to penalise them for a failure on the project, with which organisations they had a legal contract, and who would evaluate their performance.

The next questions were meant to evaluate both transparency and participation (as well as outside pressures). Questions were asked about what kind of information the organisation published about the project, where this information was published, and the guidelines they had about the kind of information they would simply refuse to release. Organisations were also asked about public opinion and the influence of stockholders (if a company's shares were being traded on the stock market).

The final two questions represented the most traditional social network analysis aspect of the project, gathering data about who people exchanged information with. The first question asked who they gave information to, while the second asked who they received information from. Interviewees were asked to indicate how often they received this information, on what general subject matter, and whether they received the information formally, informally, or both.

For all of these questions, interviewees were offered further examples if they did not understand a particular question. Consistent examples were prepared to ensure that answers remained consistent across surveys.

Data Collection and Coding

Gathering data for a network analysis, then, requires two critical tasks: gathering a credible list of important actors for the project and coding the answers into a matrix. Each task requires a bit of explanation.

Gathering the Actors in the Network

Network analysts face two major problems in data collection—gathering a full list of participants in a network and getting responses from each of these participants to ensure a full picture of the network. The list of participants in the network is particularly important in this case, as I am interested not only in those participants at the centre of an accountability or participation network, but also those at its periphery and even some that are left out of the process.

To gather a list of network participants, I used many of the techniques employed by John Heinz and his fellow researchers for their analysis of private-sector interest groups in American public policy (Heinz et al., 1993). Heinz and his fellow researchers electronically searched newspapers and read through appropriate policy documents to gather a complete list of stakeholders in a particular project.

To fill out the list, the researchers also visited expert researchers who specialised in a particular field to ensure that no important group was left off the list.

In the course of the research, I found that on occasion, I would be left with too many organisations using the above method. For example, in one of the Canadian cases, it turned out that the City of Vancouver phoned over 400 stakeholder groups interested in the work on a particular mass-transit line. Technically, these organisations and individuals held a stake in the building of the line; at the same time, however, some of them were undoubtedly receiving information passively, so would have been unimportant in terms of accountability and transparency, and only remotely interesting in terms of participation. This might include businesses or residences along the line who simply wanted updates on the schedule and any possible disruptions. Finding an adequate balance of actors would be critical to conducting a valid analysis but not overwhelming interviewees with hundreds of names.

A criterion was used that would capture the actors at the centre of the network and also those at the periphery that were the most active. Essentially, I was looking for only those actors that I deemed significant. By this, I mean actors able to influence the direction of the project in some way, whether directly through their activities in the project or indirectly by bringing attention to deficiencies in the project. To this end, the following criteria were used:

- **All governmental subunits involved in the decision-making process.** At the regional level, it was often enough to speak to one individual representing the city or area. In some cases, however, several units within a regional government held clearly different goals and opinions as to the direction of a particular project. In these cases, I attempted to contact each unit.
- **All private organisations involved in building the project.** This included organisations involved in construction, financing, and legal issues. Partnerships often involve organisations that form holding companies or other umbrella organisations for financing reasons or to make communication between closely allied organisations easier. I attempted to contact each of these parent organisations as well as the contributing members.
- **All NGOs and lobby groups who received at least one mention by name in the newspapers' and government documents searched.** Generally, this would bias the selections in favour of larger, better-organised groups who had regular contact with the media. Concerned individuals giving presentations at particular meetings were ignored, because the way individuals communicate with the government was outside the scope of this study.
- **Auditing organisations that authenticate controversial documents.** Generally, the documents being authenticated are ones that are available to the public and also important to the decision-making process. The

public-sector comparator is a prime example, as people debate how one measures best value or the discount rate used in the comparison.

The above selection criteria still leave one problem, as they don't capture the names of those organisations left out of the process completely. For this reason, particularly when interviewing NGO groups that were a part of the network, interviewees were also specifically questioned about missing actors from these criteria.

In the search for actors, the following newspapers were examined electronically.

<i>Country</i>	<i>Newspaper</i>
Hungary	<i>Magyar Hírlap</i>
	<i>Magyar Nemzet</i>
	<i>Metró</i>
	<i>Napi Gazdaság</i>
	<i>Népszabadság</i>
	<i>Népszava</i>
	<i>Reggel</i>
	<i>Világgazdagás</i>
	Canada (British Columbia)
<i>The Georgia Straight</i>	
<i>The Globe & Mail</i>	
<i>The National Post</i>	
<i>The Vancouver Courier</i>	
<i>The Vancouver Sun</i>	
<i>The Province</i>	
<i>The Westender</i>	

Table 9. Newspapers search electronically for actors.

Coding the Answers

For the most part, coding was done in simple binary form. In other words, either an actor had a relationship with another organisation or they did not. The existence of a link would be coded as a one, while the absence would be a zero. The final two questions on the flow of information were, however, more nuanced. As such, I formed particular rules for how to code the answers to this question.

First, the answers to these two questions—listed in Appendix A—were separated into four categories: financial, operational or technical, non-technical (generally interpreted as environmental or social to interviewees), and other (for those who

felt the first three categories did not apply). Separating information into these four categories helped accomplish a number of tasks. First of all, it helped to distinguish the level of network density across a number of subjects. Just because an actor was involved in the construction of a project, it didn't mean that they would be privy to financial details or concern themselves with social aspects of the project. At the same time, NGOs may have been sending and receiving a lot of information about environmental and social concerns, but could have been receiving very few technical or financial details. Separating out this information would help determine the density of the network across each subject. I could also analyse how much centrality figures changed across each type of information. At the same time, these matrices could be added together to see overall scores for the network.

As mentioned earlier, in information exchange, interviewees were asked how often they sent or received information from organisations. Rather than select a scale from 1 to 5, I chose to offer interviewees a sliding scale of choices based on actual time. These times were then coded on a scale of 1 to 6 as follows:

<i>Time</i>	<i>Coding</i>
Yearly / Once or Twice	1
When Necessary	2
Quarterly	3
Monthly	4
Weekly	5
Daily	6

Table 10. Coding used for information-exchange matrices.

The usefulness of the “when necessary” category became evident early in the survey process, when interviewees pointed out that communication was spotty and could not be categorised so easily. The survey codes this communication as 2, on the assumption that regular communication is more important than communication required only when necessary. This assumption is borne out by the qualitative evidence collected during the interviews. Important organisations nearly always had regular contact on all subjects. On a number of occasions, when referring to one central government agency, interviewees would check all four boxes saying things like, “we talk to them about everything.”

While a specific question about evaluation was asked, which was placed into a network analysis, the general flow of information can also work as an indicator of transparency. The increased length of paths between actors can indicate that less information is getting to particular actors. Each actor through which information is filtered can cause information to be leaked out.

Limitations of Social Network Analysis

Network analysis can prove to be a blunt instrument at times, and the results drawn from an analysis shouldn't be used alone to draw conclusions about a particular network of individuals. One particular problem when interviewing people within large organisations is that different individuals within an organisation will speak to different people in other organisations. One could somewhat circumvent this problem by interviewing different sections of the organisations, but this would lead to such a confusing survey—with a huge variety of organisations and subunits—that the questionnaire becomes unwieldy.

Also, depending on the survey design used, it can be difficult to ascertain what information is viewed to be the most important. Some network analysts use frequency of communication as an indicator of importance. This assumption is based on a rather simple premise—that if a person is constantly seeking guidance and information from another organisation, they must clearly hold some importance in the network. In this way, network analysis can measure direct forms of influence and or power. However, network analysis fails to capture more indirect types of influence.

In terms of accountability and transparency, some could argue that if one cannot truly see who is wielding power and control within a particular network, the true source of accountability remains obscured. However, because some forms of accountability call for transparency, indirect power is less of a problem for the analysis. By definition, the exertion of control over an agent must be done in a direct fashion. As well, because this analysis is concerned with transparency and participation, indirect forms of influence and information flow are even less important. Finally, any indirect aspects of information and influence should be revealed somewhat in the qualitative analysis as well as in questions on the perceived influence of the most important actors in the network.

An Empirical Examination

Part 2

Chapter 6

Hungarian Motorways

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The Hungarian Context

Recent expansion of the European Union in 2004 brought 10 new nations into the fold (with Romania and Bulgaria joining later in 2007). This expansion has been unique in the short history of the European Union because of the number of countries joining the union and also the economic circumstances under which they joined. It had been only 15 years since these countries had cast aside their command-control economies to embrace a western-style economic, political, and legal system. Preparation for some form of co-operation and union began very early after the collapse of the Soviet Union and the revolutions taking place in most Central and Eastern European countries. As early as 1989, the European Union had set up a support program for Poland and Hungary called PHARE: Poland and Hungary Aid for Economic Restructuring. This program was set up with the knowledge that Central and Eastern European countries would begin the process of ascension in relatively short order, and that modern bureaucracies would need to be erected to properly handle any structural aid flowing into the country. One instrument set up under the program was twinning, whereby civil servants from member states would pair with counterparts in Central and Eastern European countries to help build competencies (Bailey & Propriis, 2004).

Years of neglect during the Soviet era negatively influenced both the economy and the robustness of civil society. Hungary, generally considered to be one of the better-off of the former Soviet satellite states, enjoyed relative economic health during the 1960s and 70s. However, this growth occurred at a cost of high debt and a weak economic base. By the early 1980s, the Hungarian government had to abandon its stated goal of full employment and cut many price subsidies (Pittaway, 2003). By 1989, Hungary was approaching financial catastrophe with the highest per capita debt in the world. In that year, net external debt stood at approximately U\$16 billion, or about 50 percent of GDP. In addition, most of this debt was owed to private banks, meaning the chances of debt forgiveness would be relatively low, and defaulting would cut off the flow of money. At the time, the Hungarian government decided to forgo renegotiation of those debts for fear that it would lower their credit rating, making future borrowing more difficult (Hanley, King, & János, 2002).

The economic situation remained dire and declining into the mid-1990s, with GDP dropping by almost 20 percent of 1989 levels. Income levels and real wages also declined during this period, and Hungary found itself with the task of undertaking massive reforms of its political, legal, and economic systems while dealing with increasing social problems caused by lower wages, rising unemployment, and massive price increases (see Figure 1). Political and economic reforms were all

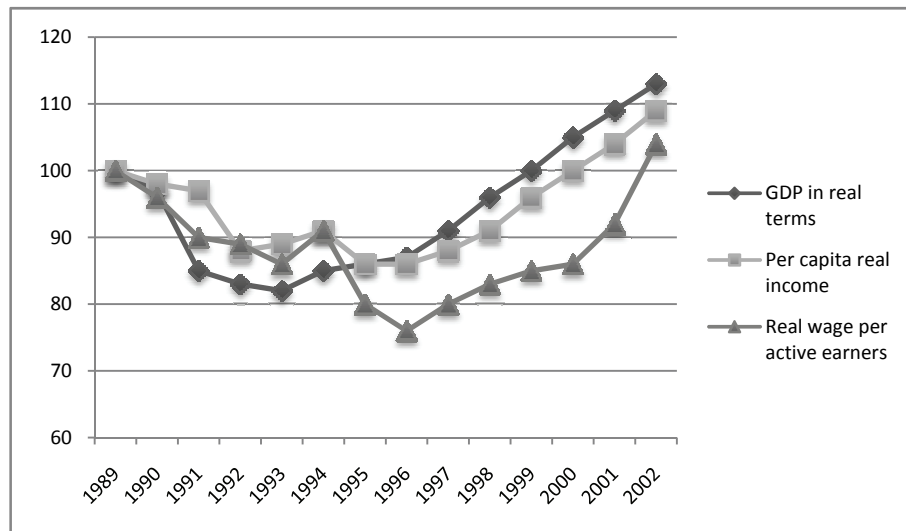


Figure 1. Various indexes, with 100 set in 1989 as the base year, illustrating Hungarian economic and social situation since 1989.

driven by institutions outside of Hungary. The political system was reformed according to rules created under the 1993 Copenhagen Criteria and later solidified in the European Council of Madrid in 1995. The criteria set out were broad, covering the following three conditions:

- that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union (European Commission, 1997).

A critical component of the transition to the European Union involved economic reforms, which were guided by both the European Bank for Reconstruction and Development (EBRD) and the International Monetary Fund (IMF). The stated goal of both of these institutions is to foster market economies in developing countries. The EBRD, founded in 1991, was actually established in response to the problems of Central and Eastern Europe as well as Russia. Assistance would come in the form of

loans, equity investments, and guarantees (Murray, 1995). The IMF has a much older history, dating back to 1944 with the Bretton Woods Agreements. These agreements were originally signed as a strategy to build solidarity through economic openness and joint political governance (Ikenberry, 1996, p. 84). As a part of this, the IMF was set up to promote international monetary cooperation, help expand international trade through balanced growth and exchange stability. A further goal of the IMF was to provide financial assistance for countries to ease deficits. Article 1 in the founding charter states that the organisation was meant:

To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity (United Nations, 1944).

In Central and Eastern Europe, the IMF has provided not only funds to the Hungarian government, but also technical expertise to set up the financial and economic structures necessary for a functioning market economy, including the central bank, a new tax code, tariff regimes, and currency convertibility. Much of this technical advice, however, is necessary because of the conditions placed on loans offered to the country. The changes requested by the IMF included calls for reduced public debt, reduced inflation, increased privatisation, and a number of other reforms. This help had further implications for the speed and type of change, as Hungary adopted neo-liberal policies.

The EBRD also played an important role in driving reforms in Hungary, though from a different perspective given the relatively new development banks founding principles. First and foremost, the EBRD presumed a special role for small and medium-sized businesses (SMEs), and much of the funding that it provided is for particular projects as opposed to the more general loans and guarantees of the IMF. In particular, the EBRD decided to focus on infrastructure projects in central and eastern Europe, in areas like communications, transportation, energy, and finance (Weber, 1994). The EBRD has come to use a number of instruments to channel funds to SMEs:

1. loans to governments, channelled through commercial banks;
2. loans to local banks used for local sub-lending under guidelines established by the EBRD;
3. cofinancing with local investment or commercial banks or local offices of foreign banks, with project preparation, evaluation, monitoring, and supervision assigned to the co-financing bank;
4. equity participation in local (or regional) investment or commercial banks;
5. standby credit facilities;
6. trade guarantee facilities;

7. co-financing with foreign banks, with project preparation, evaluation, monitoring, and supervision assigned to the co-financing bank;
8. equity participation in investment and venture capital funds that are either regional or country/sector-specific (Pissarides, 1999).

Given that the EBRD favours local financial or private institutions as intermediaries for funds, which can indirectly help a country through infrastructure building and other projects, influence on policy-making in Hungary is less direct than is found with the IMF. In terms of pushing the pursuit of vehicles such as public-private partnerships, however, the role of the EBRD may be even more important than the IMF's. Certainly, the EBRD favoured privatisation as much as the IMF did in the early transition of Hungary's economy. The EBRD has constantly favoured moving some capacity from the public to private sectors, arguing in their inaugural 1991 report that the "transfer from the state sector to the private sector not only increases the size of the private sector but is often the only way to salvage state enterprises. Privatisation of state enterprises is essential both for the improvement of enterprise efficiency and for decoupling business and political decision-making" (European Bank for Reconstruction and Development, 1991, p. 41).¹ Yet, for all of the expertise and advice the organisation would have provided to the Hungarian government, it never possessed the direct power to force through the kinds of changes that the IMF could.

Despite the lack of direct power, the amounts of money offered by the bank, which would have fed the Hungarian economy, must have had a compounding effect on the drive for change in Hungary's economic and legal system. As of January 2007, the EBRD had signed 97 projects totalling €1.85 billion. True, more than 90 percent of those resources were fed to the private sector (European Bank for Reconstruction and Development, 2007), but these monies went towards projects that would have supported much-needed upgrades to the country's infrastructure and also to help build a business class for future employment and a broadened tax base. Some of the earliest loans included 63.91 million ECU for an automotive plant for Raba/General Motors and another 8.25 million ECU for Westel Radiotelefon KFT to expand the national mobile telecommunications system (European Bank for Reconstruction and Development, 1993).² As well, unlike other development banks, the EBRD had the mandate to deal with both public and private actors, depending on the project (Vuylsteke, 1995). The EBRD, then, could apply some pressure on public-sector actors to ensure that the necessary conditions for a fully functioning market economy, to use their terms, could prevail.

¹ While the EBRD supports strengthening the private sector, partly through privatisation, they did not support a wholesale sale of government assets: "Despite these arguments, a proportion of state enterprises will, and should, be retained by the state." (p.41)

² The European Currency Unit (ECU) was an artificial currency used by the European Union for accounting purposes before the introduction of the Euro in 1999. Its value was based on a basket of currencies, each weighted according to a set formula. With the introduction of the Euro, one ECU had the equivalent value of €1. For more information, see Appendix B.

Year	Consumer price index
1989	100
1990	129
1991	174
1992	214
1993	262
1994	311
1995	399
1996	493
1997	584
1998	667
1999	733
2000	805
2001	881
2002	928

Table 1. CPI in Hungary, with 1989 as the base year.

By the mid-1990s, the country began to rebound somewhat economically speaking to return to its original 1989 levels. However, a large social cost had already been exacted. While wages were only beginning to stabilise, prices had already increased nearly four-fold from their 1989 levels (see Table 1). Comparing the economic situation of the average Hungarian to that in other Western European countries at this time, the average GDP per head—taking into account the cost of living—was less than half of the average in the remaining original 15 countries of pre-2004 expansion (see Figure 2). In the new millennium, while Hungary is often touted as one of the few economic successes in the 10 accession countries, it still faces grave social and economic circumstances. Into the 21st century, Hungary's real term spending on social programs as a percentage of GDP declined (Ferge & Juhász, 2004). As recently as 2006, the Hungarian government admitted to some dodgy accounting, revising previously published estimates, showing that the country was running a budget deficit at 10 percent of GDP, a figure which *The Economist* describes as at "levels usually associated with countries in complete meltdown" ("Hungarian dances," 2006).

Not only do these figures show the difficulties that the country faces economically, but they also help demonstrate the political and social rifts facing the country. These newly reported figures came shortly after a closely fought election, in which the governing Socialist party (Magyar Szocialista Párt – MSZP) won re-election, as deficit figures published soon after an April 2006 national election fell well short of estimates. Government estimates had placed the deficit at 6.1 percent of GDP, while authorities announced those figures would reach as high as 11.6 percent without immediate action (European Commission, 2006). This about-face cultivated the idea within the opposition-led Fidesz party that the election had been stolen from them based on false economic figures. This undoubtedly fed into the riots in September of the same year, when a speech given by prime minister Ferenc Gyurcsány to his party was leaked to the press (and later published in full on his weblog). In this speech, he admonished his party:

Everything that could have been done in the last month, we did. We did what we could in secret in the past months, so that no position papers would leak out in the last weeks of the election campaign. We kept the secret, while we knew and you knew as well, that if an election victory comes, afterwards, we must seriously get to work, because we have never had such problems.³

This speech foreshadows what some see as significant problems for transparency in the Hungarian context, particularly with public-private partnerships sitting dead centre in the controversy. Part of the budgetary miscalculations occurred because some planned motorway projects were originally scheduled to be constructed under public-private partnerships, but instead ended up being undertaken by more traditional methods of procurement. As already mentioned, public-private partnerships allow governments to keep some of their future fiscal obligations off the balance sheet. The amounts in question here are significant, as the change in status from PPP to traditional procurement added around 1.1 percent to the total budget deficit.⁴ Parts of the budget deficit, then, have been added not because of additional spending, but rather through the method of procurement. Pressures to meet the stringent fiscal requirements to join the Euro as set out by the Maastricht Treaty, to continue to match the expectations of foreign funding agencies, while at the same time maintaining some kind of social order encourages the government to use whatever fiscal “creativity” is at hand. In a way, outside pressures both encourage and discourage openness and transparency. On the one hand, European Union laws oblige the Hungarian government to pass laws which open the policy-making process to citizens, whether through access-to-information laws or other regulations on public participation. At the same time, the heavy commitment to outside forces creates an atmosphere in which the government seeks to maximise the amount it can acquire from outside agencies by controlling and massaging information released to the public, and by extension, the agencies offering resources.

³ Own translation. Original: “Amit meg lehetett csinálni az elmúlt egy hónapban, azt megtettük. Amit az azt megelőző hónapokban titokban meg lehetett csinálni úgy, hogy nehogy a választási kampány utolsó heteiben előkerüljenek olyan papírok, hogy mire készülünk, azt megtettük. Úgy őriztük a titkot, hogy miközben tudtuk és ti is tudtátok, hogyha el fog jönni a választási győzelem, utána nagyon neki kell állni, hogy soha ilyen problémánk nem volt.”

⁴ The total budget deficit in Hungary in 2006, by preliminary estimates from the Hungarian Central Statistical Office (*Központi Statisztikai Hivatal*), stands at 1,959,195,000,000 Ft or approximately €7.5 billion.

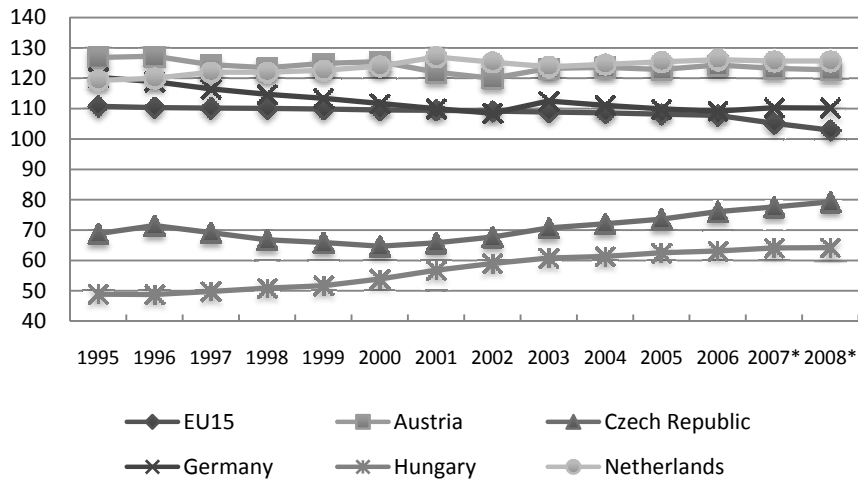


Figure 2. GDP per capita in Purchasing Power Standards (PPS), expressed as an index, where the European Union minus Romania and Bulgaria (EU25) is the baseline of 100. EU15 is a combined figure for all countries of the European Union before expansion into Central and Eastern Europe. PPS factors out price differences between countries to allow for meaningful comparison of standards of living. Statistics provided by Eurostat.

This high-profile example represents only the most prevalent instance of the frustrations facing the Hungarian government both economically and socially. Bringing this struggle back into the sustainable development discussion of Chapter 2, a few issues remain clear. First and foremost, the Hungarian government is struggling to maintain the Bismarckian balance between social and economic stability (never mind bringing environmental issues into the governing mix). While the international community tends to focus on the economic situation of the country, one needs to understand the social landscape, which brings a unique set of difficulties for those seeking to reform the political and economic system. True, the legal and economic foundations of the country have been changing rapidly. By many accounts, those changes have been effectively creating the framework necessary for a functioning free-market economy. Yet, while laws and institutions may change rapidly, a new social and democratic order lags behind. This remains important from an accountability and transparency perspective because, in any socio-democratic society, citizen participation remains a critical component of the order that keeps economic and political power in check. While elections represent an important symbol of those checks, other checks remain—arguably—more important. Citizen involvement in the political process, an investigative media willing to reveal unlawful activities, and an effective political opposition all work to release information to a wider audience, where it can then be used to create accountability through a variety of channels (the final of which is the election).

Yet, these same social channels of transparency remain in doubt in Hungary. Not that they do not exist, nor that they are not being built. But the social changes in Hungary needed to support a socio-democratic society remain uncertain and

uneven. The idea of civil society, for example, marks one of the large differences between regimes in Western Europe and those in Central and Eastern Europe. This is particularly true in terms of social capital or trust between citizens and their institutions. Much academic material has been written about declining trust in political institutions; however, when looking at survey data, the problem of distrust appears to be relatively isolated to these institutions. NGOs, for example, still retain trust of the majority of populations, as do other important institutions, such as the legal system. In Hungary (and much of Central and Eastern Europe), however, this distrust is more widespread, fostered by years of domination by the government, and perhaps further reinforced by the top-down measures of privatisation, which created additional economic hardship. A recent Eurobarometer survey shows that for all major societal institutions, the vast majority show vastly lower levels of trust. Picking out a few comparisons of the Netherlands and Hungary, for instance, 73 percent of Dutch say they trust the police, while only 55 percent of Hungarians do. Even charitable and voluntary organisations fare relatively poorly in Hungary, with only 55 percent trusting these institutions, with a full 77 percent of Dutch proclaiming their trust. Only religious institutions and the national parliament manage to reach the average of other Western European countries; however, these institutions are some of the less trusted across the continent. (For a full breakdown of figures for a select number of European countries, see Figure 3).

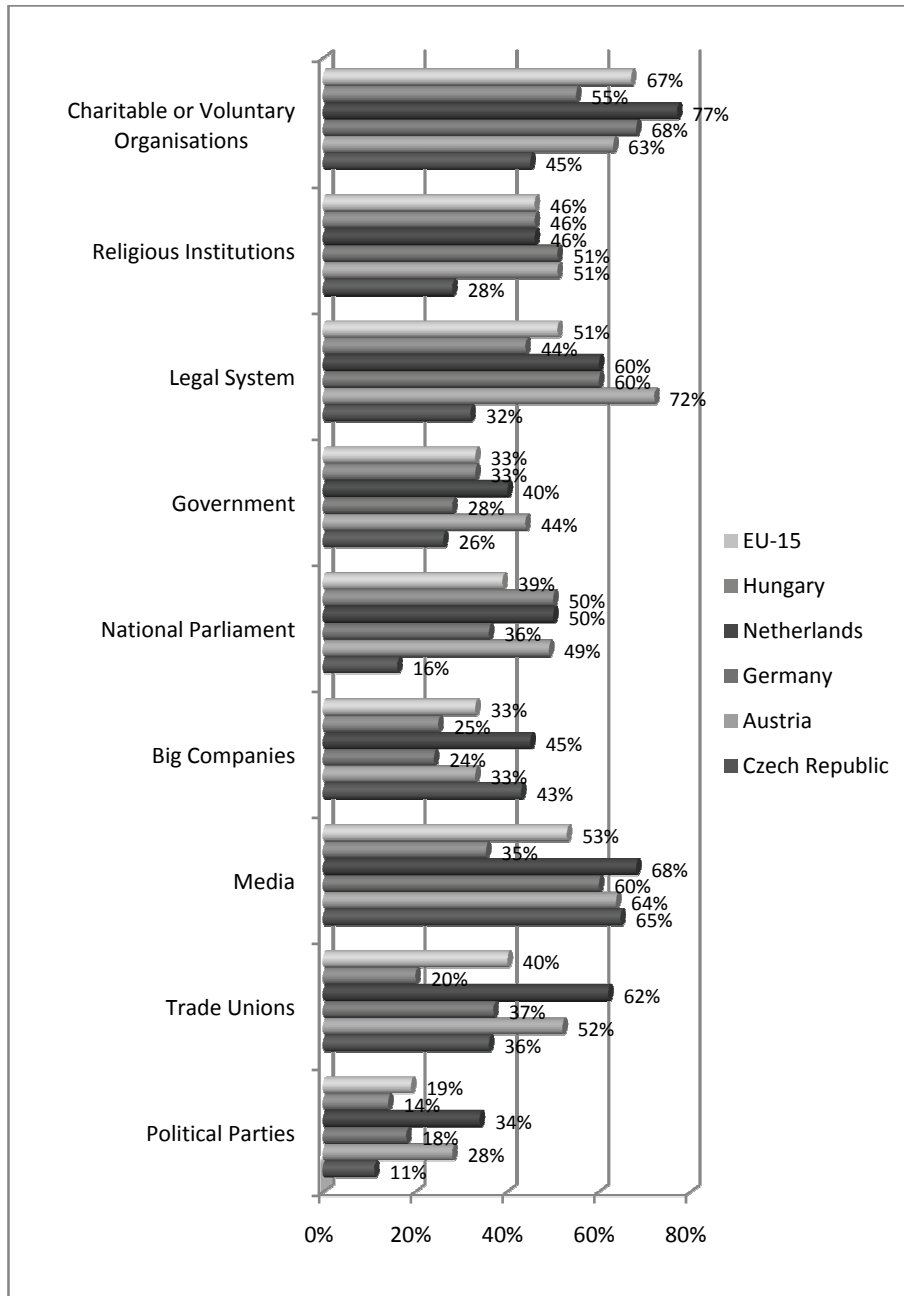


Figure 3. Levels of trust for various public institutions as reported in national reports on the Eurobarometer 64, published in December 2005. The organisations are ordered from most to least trusted in Hungary. The figure for the Czech Republic on charitable or voluntary organisations is reported for 2004. The individual figure was missing from the 2005 report. The figure for “media” is an average of results for television, radio, and the press (referring to newspapers).

The twin problems of a weak civil society and economic hardship for a government attempting to revamp the way it functions are significant, and most thinkers chose to focus their analytical lenses on these issues. However, the changes that the private sector has also faced represent an equally important component in the partnership equation. Given the influx of foreign corporations and companies into the country, analysts often assume that the private sector has been better able to adjust to the new realities of a market economy than the public sector. However, while analysts tend to talk about a nebulous and globalised “market,” in terms of interaction between public and private actors, differences still exist between regions. As mentioned earlier, in some jurisdictions, public-sector actors have increased capacity and leverage over which they can bargain with the private sector. In addition, the makeup of those private actors also differs. Foreign ownership and direction, for example, are much higher in Central and Eastern Europe than found in Western Europe. This tendency toward foreign ownership has been strong from the beginning of transition until the mid-2000s (see Figure 4).

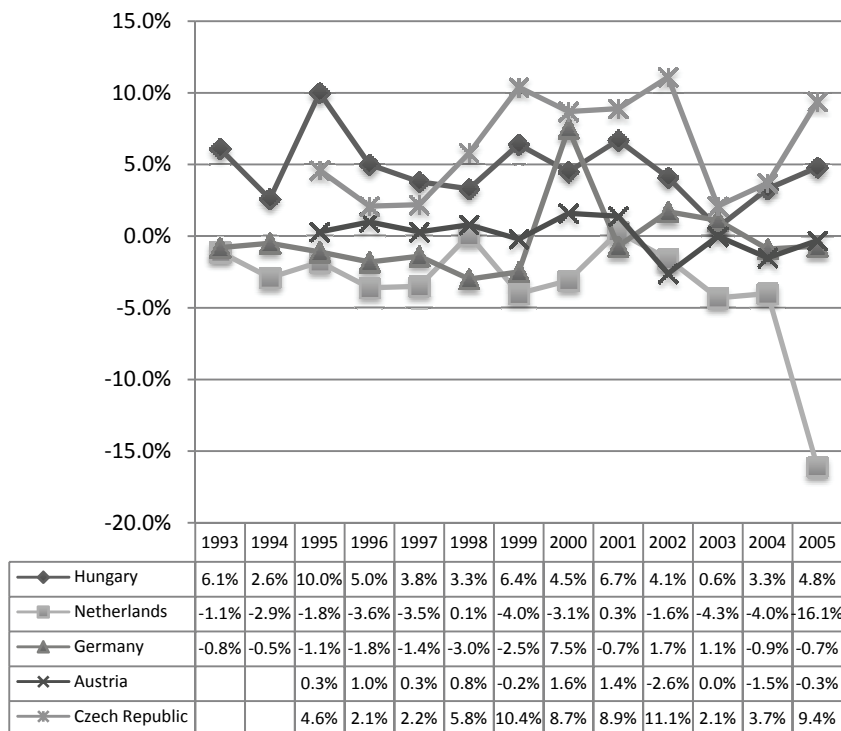


Figure 4. Annual net Foreign Direct Investment flows as a percentage of GDP, with data taken from Eurostat’s *EU economic data pocketbook* (2007). Figures for Austria and the Czech Republic unavailable for 1993 and 1994.

Levels of Foreign Direct Investment are but one indicator of the loosening internal sovereignty caused by globalisation, as addressed in Chapter 4. What becomes apparent here is that this weakened sovereignty is much more problematic in Central and Eastern Europe. Increased foreign ownership means that the government has even less control over the economic centres of power than in other, stronger regions. Combine with this the weak capacity of the central bureaucracy in terms of finances and talent, and the Hungarian government is presented with a significant problem in terms of legitimacy.

Of course, as already discussed, blurring boundaries between public and private has become a feature of many countries. Yet, in Central and Eastern European regimes such as Hungary, the actors have been pulled closer together than in the West. While the closeness of this relationship may currently be driven by transition policies initiated in the early 1990s, its roots reach back to 1968. In that year, a limited private sector began to develop when the New Economic Mechanism was introduced. This plan abolished compulsory targets for managers of enterprises and gave managers permission to find business partners. While some reversals occurred in the 1970s, a return to more market-inspired and even socio-democratic reforms returned in the 1980s. In 1984, for example, the Law on Enterprise Councils established committees, composed half of management and half from the work force, for making firm-level decisions.

Further evidence of this tie between public and private sectors can be seen in and around transition, as government and newly developing private financiers both acquired a stake in new enterprises. In the early years of transition, David Stark (1996) has argued that the development of property rights has led to “mixed property forms”. In 71 percent of the top 200 organisations in the country, Stark found some form of state or local government ownership. These figures must be considered extraordinarily high.

This economic deprivation, social flux, and uncertain private sector are critical to understanding the context in which public-private partnerships are viewed and used in Hungary. On many levels, partnerships in all of their forms are pushed as a way to accelerate economic and social development in Central and Eastern Europe. As described above, development banks and economists argued from the very beginning in favour of the positive influence that the private sector could play in a fully functioning market economy, and also for a satisfactory democracy. In many ways, these thinkers assume that economic and political liberalism develop best together, an argument supported by empirical investigations that find a strong correlation between industrial and economic development with stable democracies (Diamond, 1992; Fukuyama, 1995; Lipset, 1959). Seymour Lipset’s classic article develops a number of arguments in support of why this correlation exists, many of which relate to creating a more common value system amongst various classes of society, since everyone would possess a significant stake in society. Also important, Lipset argued, was that general wealth meant that those who were about to lose positions of power would grip the reins of power a little

less tightly if their loss of power would not represent a large blow to economic security.

Yet, perhaps the most important argument and the one best applied to the Hungarian case is that a healthy economic system helps create strong countervailing forces to political power. A strong market creates a strong counterbalance to political elites. Healthy competition reigns in both the economic and political spheres. Importantly, political competition comes not only from various parties vying for control over the legislative and executive branches of government. It also derives from business leaders, community leaders, and other organised groups who challenge the government's right to make particular decisions. A free market represents one—though certainly not the only—component of this competition.

Further components of this competition in the political arena lead naturally to the second form of partnership, namely those based on networks. While network thinkers may emphasise the use of words like trust and co-operation, successful networks also involve a degree of competition. Without the balance between competition and trust, a network will stagnate. And a stagnant network is nothing more than a cabal, controlling resources and ensuring that those outside the walls of the network remain where they are. In a healthy network, however, where failing organisations can drop out and new ones take their place, governments also face competition and are forced into better practices.

Comparing market-based and network-based forms of partnerships, it becomes clear why market-based ones would be favoured by the Hungarian government. First and foremost, the advice they would have received from various development institutions would have emphasised the importance of markets. More importantly, when development banks like the EBRD offer resources primarily through private-sector involvement, the government would be motivated to create projects which have access to these resources. In Hungary, PPPs fit this perfectly, as they represent a vehicle which brings in these valuable resources while allowing the government to take on national projects (in this case, primarily for infrastructure).

Network-based partnerships also appeal to those interested in reform in Central and Eastern Europe: these kinds of partnerships, in theory, apply changes from both above and below. On one level, partnership through networks can be viewed as a way to bring civil society and non-government organisations into the policy-making process. This creates competition in governance and greater responsiveness to the demands of ordinary citizens. From a different perspective, however, some also argue (as addressed in Chapter 3) that network governance and partnership represents a shortcut to creating capacity. In Central and Eastern countries, this can be seen as particularly important with bureaucracies that are relatively young and lacking resources. Network-based partnership, again in theory, should be seen not as a means to create additional capacity, but as a means of generating minimum capacity.

Certainly, from a legislative perspective, the Hungarian government has been obliged to pass a number of laws with regard to citizen participation, including some which could build networks. European Union policy calls for greater involvement of citizens and citizen groups in policy-making in general, and several pieces of legislation push governments to create some form of participation. As briefly mentioned in Chapter 2, the Aarhus Convention calls for particular rights in terms of access to information and public participation. The original convention was adopted in 1998, and entered into force in 2001, with Hungary ratifying the convention on 03 July 2001. Since this time, a number of regulations have been passed, reinforcing the three pillars of public involvement in environmental decision-making:

- **Access to environmental information**, including information on the environment, policies surrounding it, or human health issues. Applicants should receive requested information within one month of applying.
- **Public participation in environmental decision-making**, whereby projects, plans, and proposals should be discussed with both citizens and citizen groups. Any comments received should be incorporated into those plans.
- **Access to justice**, meaning the right to challenge any decisions in court. (European Commission)

But while legislation like this obliges the government to take into account (or pretend to) advice from various CBOs and NGOs, it remains doubtful whether these groups are included in group decision-making in any network sense of the word. With lower levels of trust in Hungary than in Western jurisdictions and a lack of participation in the socialist regimes before transition, participation remains very low, as do the power and resources of NGOs and CBOs. Susan Rose-Ackerman (2007) finds the same weakness in community-based groups in Hungary. In the area of environmental advocacy, one of the most developed areas in Hungary, progress relies on a few committed people working with few resources and short-term grants.

In fact, Hungarian NGOs and CBOs are quite reliant on funding from outside of the country, from Western Europe and the United States in particular. Most NGOs that I spoke with in reference to opposition to the motorways relied on funding from outside agencies in some form or another. The Pilisborosjenő Environmental Protection Association (*Pilisborosjenőiek Környezetvédő Egyesülete*), based out of Esztergom in the north of the country, relies primarily on applications for grants, such as those granted through competitions by the European Union and other funding agencies. Often, these smaller outfits rely on competition portals to help find where these outside funds might be available (Ocskay, 2006).⁵ Some local supporting and funding agencies are also developing, though even these report at least some financial support from outside their borders. For instance, the SZIKE

⁵ In 2007, three such web sites included Pályázat Figyelő (Competition Monitor; <http://www.pafi.hu/>), Infinity (<http://www.infinity.hu>), and Pénzforrás (Money Resources; <http://www.penzforras.hu>).

Environmental and Conservation Association (*SZIKE Környezet és Egészségvédelmi Egyesület*), a small NGO that opposes the construction of the eastern sections of the M0 motorway intended to circle the city of Budapest, receives support from EMLA, the Environmental Management and Legal Assistance (*Környezeti Management és Jog Egyesület*). In 2004, around 20 percent of EMLA's external funding came from a single source outside the country, with a 10,309,000 Ft (€39,800) donation from the American-based Rockefeller Brothers Fund (*Környezeti Management és Jog Egyesület* (EMLA), 2005).⁶

Some community organisations can also rely on small membership fees, and some meagre donations offered by supporters. However, this money often fails to pay for photocopies of government documents, let alone for the campaigns necessary to challenge powerful stakeholders with access to media. For this reason, outside funding and support of NGOs remains a critical element of support for community-based groups. However, at the same time, it may also help to explain why these organisations lack the kind of trust they enjoy in other Western countries. In addition to the lack of tradition in community-based groups, some may believe that they represent the outside interests of groups no better than foreign investors in business.

Be that as it may, partnership is dropped into a highly unstable environment. Many researchers look to partnerships and other forms of governance as an alternative to hierarchical forms of government, which could be especially helpful in a regime where the public sector is weak. These arguments are based on the idea that the government can adopt resources—whether that be money or information—from other sources. Yet, these arguments fail to properly define which deficiencies a government may have. If the sole problem is financial, partnership has greater chance to flourish than in a situation where both financial resources as well as technical know-how are missing. The role that partnership can play, as discussed in Chapter 3, will depend on the capacities and the organisational culture of the public service. In Hungary, economic weakness is clearly a problem to the national government, as it faces the legacy of a stagnant economy in the 1980s combined with the disruption of revolution in 1989. But the problems facing the Hungarian government are more than financial; within a very short time, government bureaucrats have been asked to adopt a new legal and political system. Even stable Western governments, arguably, lack the skills to handle partnerships efficiently.

Even including more powerful business groups in more network-styled partnerships is doubtful, as shown in recent studies of Central and Eastern Europe through governance reform. Tanja Börzel (2007) and her research team found a

⁶ Other major outside sources of funding included the Charles Stewart MOTT Foundation (US; 5,011,000 Ft; €19,350), PHARE (EU; 3,594,000 Ft; €13,900), the European Union (987,000 Ft; €3,800), and the British embassy (3,474,000 Ft; €13,400). Total monies coming from external sources totaled 49,207,000 Ft (€191,000), while total revenues for the organization totaled 64,681,000 Ft (€250,000).

number of reasons why network-based partnerships failed to form in Hungary (and other similar jurisdictions):

- 1) The accession process required a top-down approach, which runs counter to the non-hierarchical structure of a network;
- 2) Countries in transition also required a strong hand to introduce and implement political and economic reforms;
- 3) A historical legacy of an authoritarian state that heavily interfered with society and economy;
- 4) The relative weakness of non-state actors, who often lack the societal support and economic resources to properly engage in governance;
- 5) State actors fear being captured by powerful economic interests, who often have superior expertise and resources.

The final point is worth pursuing. Network-based partnership, in this case, represents a dilemma. Some analysts view network governance as a means to supplement weak governments; however, only governments with a particular capacity are willing to enter into these looser forms of partnership. Governments need the capacity to steer before they are willing to turn over the oars.

All of these factors demonstrate why the partnership principle, as the European Union likes to call it, extends only as far as working closely with business to try to achieve upgrades in infrastructure. Partnership, in the Hungarian context, is not quite the symbiotic relationship that those in the West may hope to see realised. Knowledge from the private sector is viewed as much as a threat as a benefit, whereas the benefits to be realised come from financial realities as opposed to a genuine desire to bring other stakeholders into the policy-making process.

The question yet to answer in the remaining sections of this chapter is how the partnerships that do exist influence the three variables of accountability, transparency, and participation. To measure these variables in partnership and non-partnership scenarios, I have examined ongoing motorway construction. Motorway construction is a good starting point for analysis, because while the government is pushing hard for these high-profile, high-cost infrastructure projects to take the form of PPPs, not all are able to do so. This offers an excellent comparison of cases with similar characteristics in terms.

Motorway Networks in Hungary

Motorway construction has been a major priority for the Hungarian government since the shift from Soviet-inspired socialist rule to a free-market, democratic society in 1989. In 1990,

Hungary possessed 234 km. of single-lane highways (*autóutak*), and 0 km of multi-lane motorways (*autópályák*). By 1998, the number of motorways had grown to 126km, and by the end of 2005 had reached a total of 492km (Állami Autópálya Kezelő Zrt. [State Motorway Management Co. Ltd.], 2006; Buckwalter, 2001). This construction has taken place not only for development purposes, but also because of European Union decisions regarding rail and road transportation for Central and Eastern Europe. Construction of the vast majority of motorways has followed European Commission Decision No 1692/96/EC on a trans-European transport network (TEN), which requires the country to build motorways that will connect to three corridors that crisscross Europe—specifically corridors IV, V, and X.⁷

- Corridor IV: Dresden – Praha – Bratislava/Wien – Budapest – Arad
- Corridor V: Venezia – Trieste/Koper – Ljubljana – Budapest – Uzgorod – Lviv
- Corridor X: Salzburg – Ljubljana – Zagreb – Beograd – Nis – Skopje – Veles – Thessaloniki (TINA VIENNA – Transport Strategies, 2002)

The Hungarian government has pushed the use of public-private partnerships whenever feasible. Several motorways have been constructed and continue to be constructed under various PPP models. Motorway construction represents not



Figure 5: Map of Hungarian Motorways and Corridors (map courtesy of National Highways Zrt. [Nemzeti Autópálya Zrt.]

⁷ In 2007, only two sections of motorways were arguably not part of these corridors. The first is the connection of the major city of Miskolc to the M3 with a short motorway labelled the M30. The second is a 20-km section of motorway labelled the M9 which runs east-west from Szekszárd to the Danube river. This section of motorway will, at some point, connect to the M6 running north-south and also a further sections of the M9 running east-west. Why this motorway would be constructed ahead of others still remains somewhat of a mystery, though political motivation is strongly suspected.

only the most expensive, but also the most visible example of public-private partnerships in the country.

The first public-private partnership for motorways involved the construction of the M1 and M15. The Hungarian government gave the right to a private consortium to build, maintain, and toll two sets of motorways: the first 45 km of the M1 (from Hegyeshalom to Győr), a motorway which stretches from the western Hungarian border to Budapest, and the M15, linking the M1 to the Slovakian border. This project was set up using a concession structure, allowing a local consortium to build and make use of the motorway. The private sector was expected to recover the costs for road construction directly from the fees that would be collected for its use. No public money was involved in the project, and the government's primary role was to manage the political concerns, such as determining the direction of the road and appropriating the necessary land.

However, both political and economic problems developed soon after the completion of the project. First and foremost, the traffic forecasts for the M1 and M15 were wildly optimistic. Alongside the M1—considered by some to have been the most expensive stretch of toll road on a per-kilometre basis in all of Europe—ran another stretch of single-lane road, Highway 10. Many drivers chose to ignore the M1 in favour of this free stretch of road, which followed nearly the same path, and added only about 15 minutes to the trip. A parallel road along the M15, Highway 15, was not considered as useful; however, given the high cost of the M15, drivers simply couldn't afford to use it, and also preferred to spend extra time on the parallel road. In the end, ridership figures matched only 46 percent of projections (Directorate-General Regional Policy, 2004).

Also, because the motorway was privately owned and tolled, drivers living in the area complained they were being unduly penalised. Those driving the other major motorways in the country only had to pay a fee (called a *vignette*) associated with all major Hungarian motorways. Residents living along parallel—and free—routes also complained about increased traffic, as drivers took side routes to avoid the tolls. The government attempted to limit trucks along these parallel routes, but a lack of enforcement meant the problem went unresolved. Within a few years, the consortium that owned these two roads collapsed, and the government was forced to assume their ownership (Hodina, 2004).

A third motorway—the M5 running from Budapest in a southeasterly direction towards Serbia via the border town of Szeged, also ran into similar difficulties. The Hungarian government offered the consortium a “considerable governmental contribution” including building permits, environmental clearance, land acquisition, existing assets (motorway sections and maintenance centre), new feeder roads, a standby-type operational subsidy, and traffic-calming measures on parallel roads, which made the government's contribution to the project around one-third of its total value (Timár, 1999). But, while the financial situation with the M5 was not as dire as with the M1/M15 project, the government still experienced complaints regarding overuse of the parallel Highway 50, and the *Alföld Koncessziós*

Autópálya Rt. consortium was also taken to court by drivers with claims that the company was not providing proper value for the toll charged. In the end, on 12 March 2004, political and economic pressures forced the government to incorporate the M5 into the vignette system along with the M1 and M15. The government ended up agreeing to pay the French-Austrian-Hungarian consortium for the project 5 Ft/km (€0.02/km) in 1993 terms and approximately four times more for heavy-goods vehicles (Directorate-General Regional Policy, 2004).

These failures have led the government to pursue a different form of PPP in terms of motorway construction. Consortiums will continue to bid on contracts to build and maintain motorways in the country; however, part of the financing for operations will be provided through the vignette system and topped up by the national government. Private banks will provide initial financing to the consortiums.

Case Study: M6 Motorway (Section 2)

Basic Facts

Infrastructure Type	Motorway
Name	M6
Location	Budapest – Szentlőrinc (running primarily north-south)
Total length	252 km; built in six sections
Section under study	Section 2; Érd – Dunaújváros 52 km

Summary Information

The M6 motorway—the PPP project under investigation in this chapter—has been under consideration for over a decade, as environmental and road-safety concerns led the government of Hungary to investigate how best to upgrade the transportation system in the area. Construction of the M6 has followed a similar model to the M5, with fees for the amount of traffic on the road paid by the government from funds collected from the centralised *matricia* system (a national motorway toll). The M6 motorway is currently being built from Budapest to the southern city of Bóly and beyond to the border with Slovenia. However, the construction will be conducted in six phases. The section under investigation is phase 2, running between Érd and Dunaújváros. Phase 2 of the M6 went to tender at the end of January 2004, and in July of the same year, M6 Danube Motorway Concession Company was announced as the winner.

of Transinvest, Főber, and the Jaakko Pöyry Group—complete monthly confidential reports on the state of the road’s construction. These reports are in turn scrutinised by another set of engineering firms, and are then reinterpreted for the various audiences. EUROUT is the main engineering firm working with the public actors; it communicates with the National Motorways Zrt (a quasi-governmental organisation responsible for construction and maintenance of the motorway system). Mott MacDonald provides reports to the various banks who are partially financing the project.

For people unfamiliar with the relationships between the various actors, this picture can indeed be intimidating. The combination of various ministries with an array of private-sector actors might easily lead one to conclude that accountability and information can get lost within this web. However, as the data analysis will show, a few actors are relatively key in this process.

Data Analysis of Information Flow

The first phase of the data analysis involved looking only at the flow of information between actors to determine the network’s overall structure. This analysis was meant to determine the centrality of actors to see whether a few central players existed and also to identify the integration of actors.

The questionnaire contained questions on both sending and receiving information, which led to eight matrices: four for each subject field for giving information, and four for each subject field on receiving information. First, I completed data analysis on each individual matrix with regard to information exchange. Next, I added together these four matrices (with the ADD command in UCINET) and completed an analysis on this combined matrix, so that I could make comments on the general flow of information through the partnership.

The first question to answer relates to influence. Respondents were asked to rank the five most influential members of the network before and after the contract was signed for the PPP (see questions 3 and 4 in Appendix A). These results were recoded, so that a value of 5 indicated the most influential and a value of 1 was the fifth-most influential. The scores received from each organisation in questions 3 and 4 ($n=44$) were then added together, and then divided by the highest possible influence level ($n \cdot 5 = 44 \cdot 5 = 220$). This offers a score from 0 to 1, with 1 being the highest level of influence in the network.

<i>Organisation Name</i>	<i>Assigned Code</i>	<i>Role in the Partnership</i>	<i>Influence Score</i>
Ministry of Economy and Transport (<i>Gazdasági és Közlekedési Minisztérium</i>)	GKM	Co-ordinating ministry for the project and one of the signatories of the concession agreement.	0.405

<i>Organisation Name</i>	<i>Assigned Code</i>	<i>Role in the Partnership</i>	<i>Influence Score</i>
National Motorways Zrt (<i>Nemzeti Autópálya Zrt</i>) ⁸	NA	Quasi-governmental organisation charged with construction of the national motorway system.	0.200
Central Road Maintenance Agency (<i>Központi Közlekedési Felügyelet</i>)	KKF	The central co-ordinating government agency, which deals with minor motorways running between regions.	0.195
M6 Danube Motorway Concession Company (<i>M6 Duna Autópálya Koncessziós Zrt</i>)	M6DA	Consortium charged with building the motorway and one of the signatories of the concession agreement.	0.164
Pest County Road Maintenance Agency (<i>Pest Megyei Közlekedési Felügyelet</i>)	PMKF	One of the 19 regional governmental organisations responsible for the local roads as well as the licensing of drivers and vehicles in the region.	0.114

Table 2. Top-five influence scores for organisations in the M6 PPP.

These influence figures can then be compared with certain centrality scores to see whether those that are perceived to be influential are also well connected. This part of the analysis also addresses whether the structure of the partnership is centralised on a few actors, giving control to relatively few, or whether control is diffused throughout the network. In other words, does the network structure possess the centralised actors or agencies required for an effective—and therefore also accountable—network.

For this task, I took the complete information-flow network of sent and received information, and conducted a status analysis. A status analysis involves calculating the total number of weighted paths that reach a given vertex, where the contribution decreases exponentially with its distance from the vertex (Katz, 1953). The general idea here is that more important actors will tend to receive and send more information. Of course, this isn't always necessarily the case, because influential actors might communicate infrequently, but have their voice carry a lot of weight. However, in many cases, frequency of communication can be a good indicator. More than once, when speaking about organisations that were important to them, interviewees spoke of constant communication. This initial

⁸ At the time that the data was collected for these cases, this was the agency responsible for highway construction and maintenance. On 19 February 2007, new legal guidelines brought about a name change to the National Infrastructural Development Zrt (*Nemzeti Infrastruktúra Fejlesztő Zrt*). For consistency's sake, the original name of the organisation will be used throughout this book.

analysis was conducted with combined sent and received data without concern for direction of information flow.

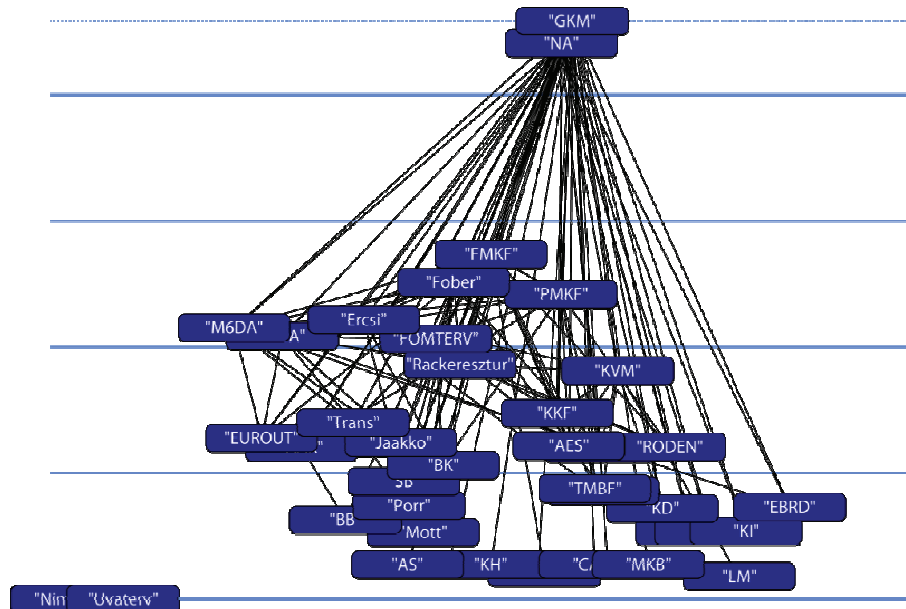


Figure 7. Status analysis of full information network using Visone.

As Figure 7 shows, a few organisations clearly stand above the others in terms of status, with two organisations taking the lead: the Ministry of Economy and Transport (GKM) and the National Motorways Zrt (NA). This correlates nicely with the influence measures. Organisations at the next level of status include the concessionaire (M6DA) and the Ministry of Environment and Water (KVM). KVM's position in the information hierarchy appears somewhat surprising at first glance. Few interviewees indicated that the Ministry held much influence or importance in deciding whether the project could proceed. In fact, according to interviews I conducted within the ministry, the department saw its role as supporting the building of the motorway. However, the legal requirements for an environmental impact assessment and also for continued environmental monitoring justify its high status in the project. The ministry has the legal power to prevent the project from going ahead. One can see these contrasting scores as the difference between potential influence and actual influence. The influence scores indicate the organisations that have actual power, while the status scores show the organisations that have the legal force to step act, but that don't necessarily do so.

To confirm the results from the status analysis, I also conducted a betweenness centrality analysis. This type of analysis is useful because it can help to show which actors are able to mediate and even control the flow of information to various actors (Schneider, 2005). This can also be an indicator of hierarchy if a few actors have the ability to control information flow. Figure 8 shows a betweenness analysis with the public or quasi-public organisations represented by circles, and

the private organisations represented by triangles. Here, the results still clearly show the importance of both the Ministry of Economy and Transport (GKM) and the National Motorways Zrt (NA).

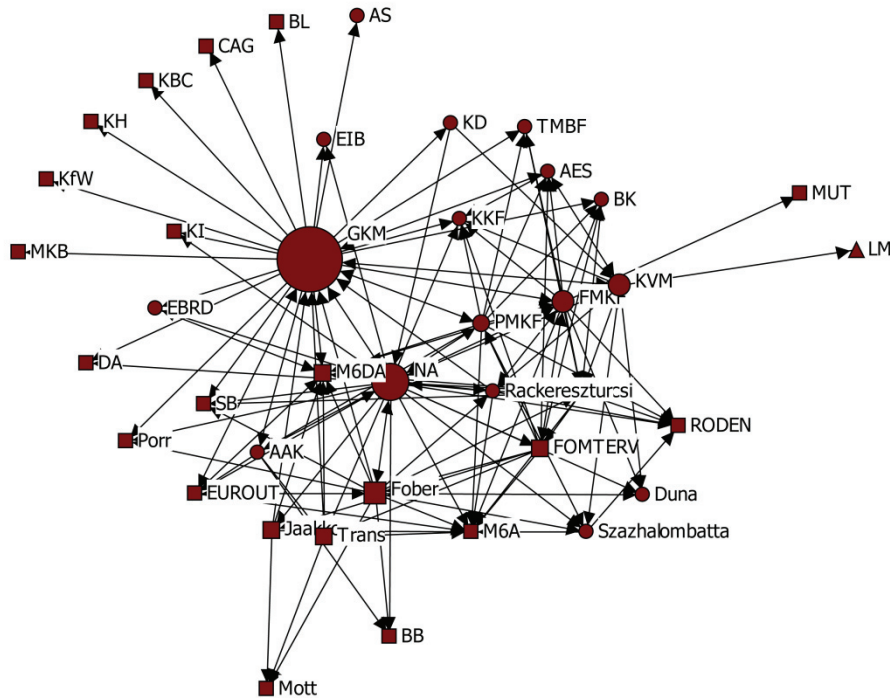


Figure 8. Communication flow, drawn using UCINET's Netdraw. Size of nodes shows betweenness centrality. Public and quasi-public actors are circles; private actors are squares.

As further confirmation of the status analysis and also to address the issue of information centralisation, I also conducted an eigenvector centrality analysis. The concern here is not so much about information control, but rather about who can obtain access to information as easily as possible. Eigenvector centrality is a good measurement in this case, because it shows actors who are close to other central actors. Figure 9 shows an eigenvector analysis with the public or quasi-public organisations represented by circles, and the private organisations represented by triangles. A number of features stand out.

First, the Ministry of Economy and Transport (GKM) and the National Motorways Zrt (NART) remain at the centre of the network. Second, while two government agencies stand in the centre, the concessionaire (M6DA) also remains somewhat central to communication. Another interesting result is that the flow of information seems flatter and more egalitarian. In the previous two analyses, only a few organisations appeared very central, with most of the other organisations languishing at the bottom. Here, it appears that information is available to a number of organisations within the network, but that the information is also

relatively well centralised, with an overall centralisation index of 65.01 percent. This result requires some qualification, however. At the time that this analysis was conducted, the concessionaire had refused to meet to answer these questions. Undoubtedly, if the concessionaire had decided to respond, they would have appeared even more centrally in the network. The banks, shown at the very periphery of this diagram, also refused to answer the questionnaire, thus affecting their position.

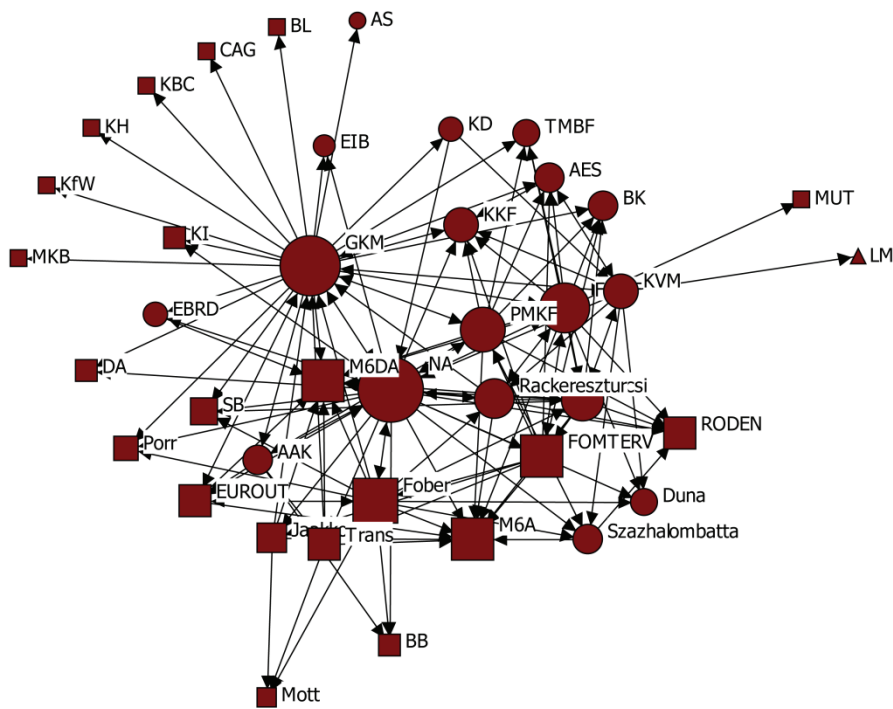


Figure 9. Communication flow, drawn using UCINET's Netdraw. Size of the nodes shows eigenvector centrality. Public and quasi-public actors represented by circles, private actors represented by squares.

In addition to looking at general information flow, I also conducted eigenvector centrality analyses on each type of information: financial, technical/operational, and environmental/social. Financial and non-technical data were very much centralised in a few actors. Financial data, for instance, flowed almost exclusively from the Ministry of Economy and Transport (GKM) and to the various banks and other ministries. Environmental and social data, on the other hand, flowed between the various ministries, the concessionaire, and some engineering firms. The only generally diffused amount of information involved operational and technical data regarding the construction of the road itself, as shown in the following centrality analysis (with eigenvector centrality shown by the size of each node).

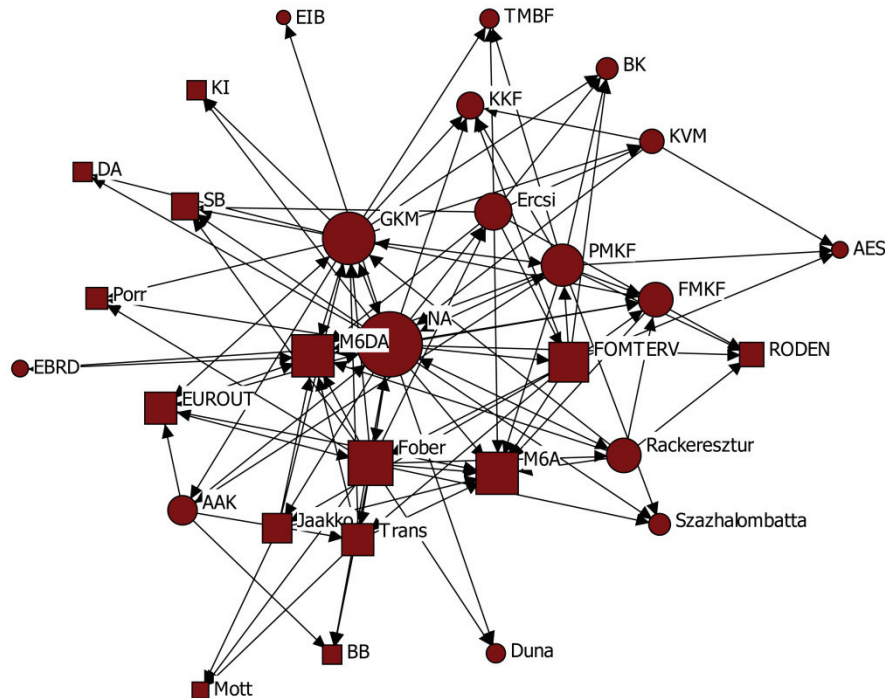


Figure 10. Communication flow of technical or operational data alone, drawn using UCINET's Netdraw. Nodes show eigenvector centrality.

The final aspect of the network is the density, which shows how closely members of the partnership communicate. The analysis of this single case shows an average density of 0.4141, indicating that approximately 41 percent of all possible ties between organisations exist. While it would be useful to compare this figure with other types of projects to come up with more definitive conclusions, one can say that this network has at least some cohesiveness.

The conclusion from the first phase of the data analysis, then, is that this PPP does achieve both integration and a small number of centrally located actors. From a theoretical perspective, it should be both effective and accountable.

Group Cohesion

One final analysis of how information flows through the network can be done by determining the number of subgroups that exist. In this case, I have looked for 2-clans, which are a specific type of subgroup in which all actors are connected to one another within a distance of two organisations. These types of subgroups show the organisations that are communicating with each other. The reason to conduct this analysis was to determine whether organisations would tend to group together in terms of public (or quasi-public) and private status.

The n-clan analysis, in fact, showed nothing conclusive in terms of cliques of public or private actors. An analysis of the full information exchange dataset showed six 2-clans, the smallest of which contained a set of 11 organisations, both public, quasi-public and private organisations. Looking at specific types of information exchange, such as financial, also showed a number of 2-clans, though with slightly less variety (see below). Nonetheless, this evidence failed to show any systematic cliques of private actors.

- 1: EIB EBRD AS GKM PMKF BL CAG KBC KH KfW MKB M6DA
- 2: EBRD FMKF GKM M6DA
- 3: FMKF Rackeresztur M6A M6DA
- 4: FMKF NA Rackeresztur
- 5: FMKF FOMTERV M6A

Data Analysis of Accountability

The next phase of the data analysis examined accountability more directly, with a network analysis completed on two questions. Interviewees were asked to identify the organisations that could evaluate or certify their performance. When asked about examples, interviewees were informed that this evaluation could come in many forms, such as examining the quality of the road or looking at expenditures. Interviewees were also asked to identify the organisations that had the power to penalize them.

The first network diagram, then, is the evaluation portion of accountability. From this analysis, it's clear that the accountability structure in this PPP is relatively simple, with the engineering firms examining the technical aspects of the project, as constructed by the M6 Danube Motorway Concession Company (M6DA). Some degree of less-official evaluation or certification is going on between the cities (Szazhalomhatta) and the main construction consortium (M6A). But for the most part, the accountability network remains unsurprising (and also relatively clear, it should be noted).

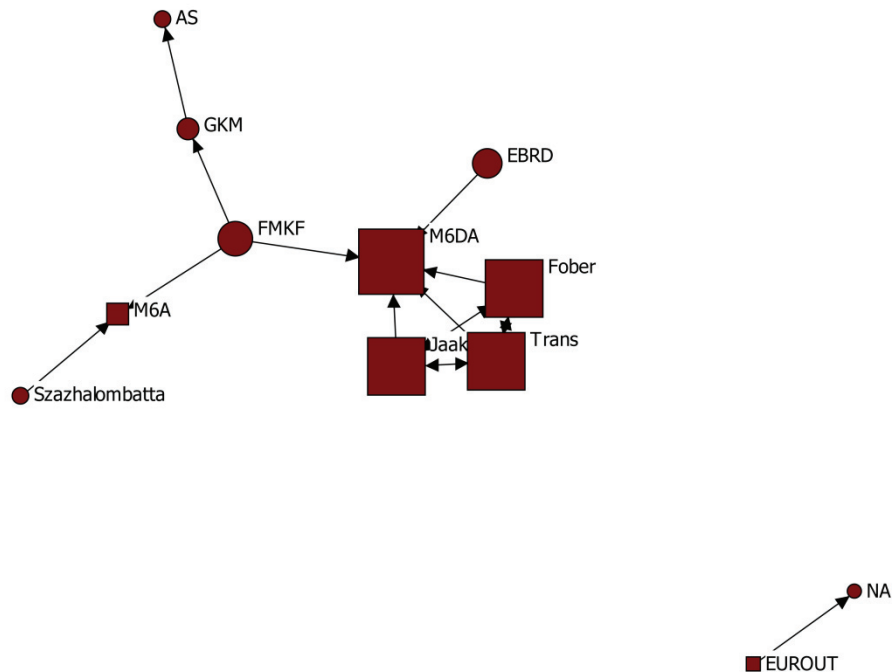


Figure 11. Evaluation network showing organisations that attempt to evaluate others. Public and quasi-public organisations are squares, private ones are squares. Drawn using UCINET's Netdraw.

One particularly interesting aspect of the accountability structure is that the engineering firm specifically hired by the government—EUROUT—does not send its engineers out to the site to evaluate the work done by the various companies, but rather relies on the reports created by engineering firms hired by the consortium of bankers.

This accountability structure is all the simpler due to the relative weakness of NGOs in Hungary, and also their general lack of interest in the M6. With limited resources and the quick pace of construction of motorways in the country, they have focused their energy on other areas of the country. According to Ákos Monokoi of Nimfea—a Hungarian NGO dedicated to the protection of birds—their organisation was resigned to the construction of motorways in the country and rather focused their attention on mitigation of motorways passing through more sensitive regions of the country, particularly in the east (Monoki, 2005 December 05). One of the largest environmental NGOs in Hungary—the Clean Air Action Group—also focuses much of its energies on the M0, a ring road around Budapest, which has both environmental and social implications. In addition to the lack of resources, Hungary has little tradition of public participation in government processes, and therefore, grassroots organisation has been slow to develop. Perhaps more importantly, however, little trust exists for NGOs from any group,

including the public at large. Other than the Ministry of Environment and Water, interviewees failed to mention the participation of any NGO in this project. This lack of NGO involvement has meant that accountability has been left primarily to private and for-profit actors.

When it comes to sanctions, the picture is somewhat muddier. From the concessionaire's perspective, sanction is relatively clear, with the Ministry of Economy and Transport being responsible for giving sanctions for failure to fulfil the contract, and various units of the government issuing permits that could then be revoked if the construction company was not producing according to promised specifications. However, individual contracts between contractors and subcontractors also factor into the sanctioning picture, as companies hold each other responsible.

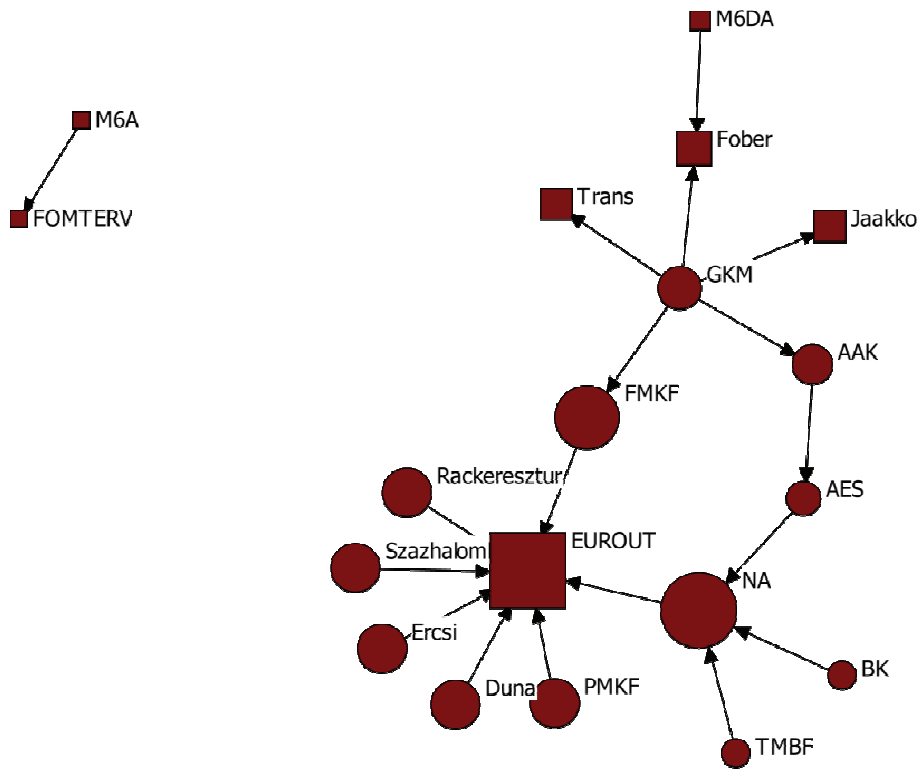


Figure 12. Sanction network showing organisations who sanction others. The size of the node shows eigenvector centrality. Public organisations are circles, private ones are triangles. Drawn using UCINET's Netdraw.

One question that arises from this analysis is: why does the sanction picture appear more complex than the evaluation one? There are three possible answers to this question. First and foremost, organisations that have the power to punish are not the same organisations that carry out actual evaluations. This is certainly occurring in this case, as government organisations are relying on engineering

reports provided by private contractors. Second, other organisations may have the power to sanction based on contractual agreements, but don't execute their legal powers because they trust the other organisations involved. There is little evidence to suggest that organisations are failing to use their legal powers in this case. Finally, individuals may have misunderstood the question regarding evaluation, which is always a possibility, but one that I believe did not happen in this case.

Case Study: M0 Motorway (East Sector)

Basic Facts

Infrastructure Type	Motorway
Name	M0
Location	Ring road for Budapest; this section joins the M5 and M3 motorways in the southeast section of the city
Total length	91.7 km; divided into four sectors
Section under study	Both sections of East Sector; 39km <ul style="list-style-type: none"> • M3 motorway to Highway 3: 26.5 km • Highway 3 to Highway 31: 12.5 km

Summary Information

Of all the new motorways being built in Hungary, the M0 remains the oldest and, in its later phases, perhaps the most controversial. Upon completion, the M0 will be a two-lane motorway that will ring the city of Budapest. Given current traffic levels, any attempt to reduce unnecessary traffic commuting through the city would be a welcome change. Although no direct measurement for traffic congestion exists, over 4,800 automatic traffic counting posts measure the type of traffic passing various points of the country, which is published annually by Magyar Közút Kht (Doll et al., 2006). Even a cursory look at these figures shows drastic increases in traffic along the motorways in and around Budapest. Figure 13, for example, shows that traffic along the M1 motorway running from the Austrian border near Vienna to Budapest has seen a 115 percent increase from 1995 to 2006. Truck traffic have also increased substantially (though inconsistently), with a 181-percent increase over this same time period. While overall traffic has more than doubled during this period, the population of Budapest has only climbed from 814,596 in 1995 to 856,181 in 2005, a mere 5.1 percent increase (City of Budapest,

2007).⁹ Indeed, given that Budapest remains the centre of all three corridors in the European Union's TEN plan, one would expect these numbers, especially truck traffic, to only increase as economic growth in Eastern Europe causes a continued increased traffic in transport used to move goods. Indeed, the current road network sees Budapest sitting at the centre of all major motorways within the country running east and west, and north and south. Future motorway construction will help alleviate this issue, as new sections of the M4 and M8 will offer paths from Romania to Austria passing well south of Budapest. However, this motorway is tentatively scheduled for completion only around 2015.

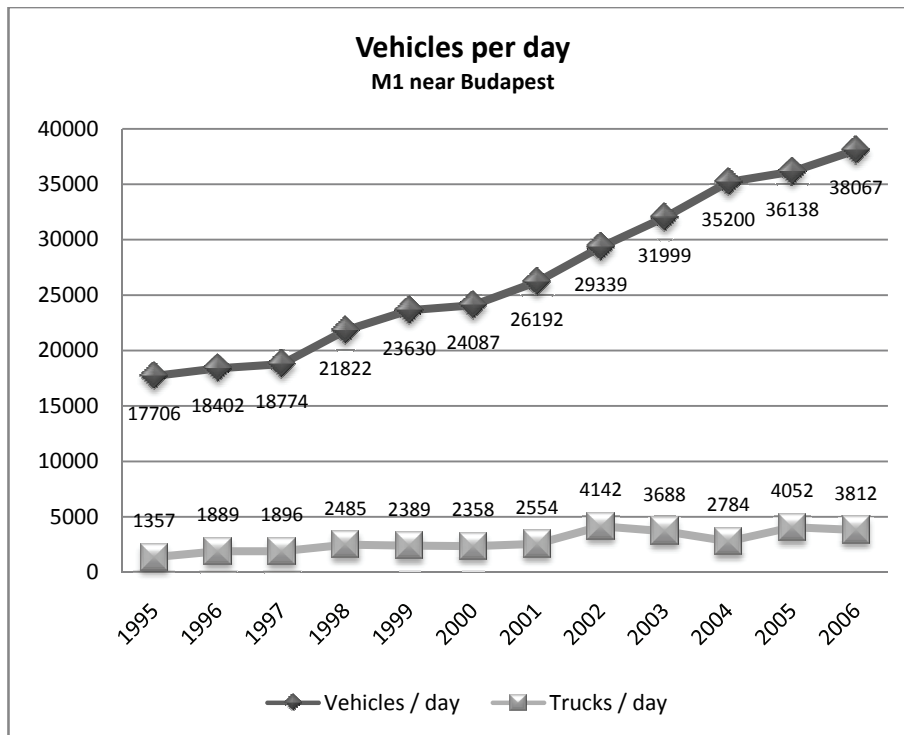


Figure 13. Number of vehicles, on average, travelling in and around Budapest along the M1 motorway. Compiled from annual reports of the Magyar Közút Kht.

The idea for a ring road around the country's capital started as far back as 1942, when Dr. Boldizsár Vásárhelyi, a former professor at Budapest University of Technology, published a paper on the subject. Visions for this ring road changed several times over the ensuing decades, and only in the second half of the 1980s was construction begun on the southern section of the motorway, completed in three phases in 1988, 1990, and 1994 (Jancsó, 2002). Construction stopped, however, when plans for the eastern sections of the M0 met opposition from both local politicians and local groups of citizens upset about the location of the

⁹ Statistics unavailable for the year 2006; however, there remains little reason to suspect a sudden surge in population to justify the huge increases in traffic.

motorway. Despite having common cause against the motorway, little coordination between local governments and NGOs occurred. This lack of communication undoubtedly existed because each side had different reasons for their opposition. Local governments were concerned about getting enough benefit from the road, while NGO groups generally wanted to see its construction stopped completely.

NGO opposition has taken a number of tacks, making arguments from both a social and environmental perspective. The leading organisation to oppose the M0 from an environmental perspective is the Clean Air Action Group (*Levegő Munkacsoport*). Formed in 1998 from three student groups, this organisation represents one of the first environmental NGOs in Hungary. Currently, the Clean Air Action Group is one of the organisations in the lead to oppose construction of segments of the road, organising information campaigns through press releases and also protests. More recently, the organisation has been involved in a series of court cases to attempt to halt construction of the project. The first such case took place in 1997, when the Clean Air Action Group argued that the government had failed to complete an effective and accurate environmental-impact assessment. An injunction was issued in 1999, though overturned on appeal (Egyetemes Létezés Természetvédelmi Egyesület).

Court actions continued, however, after this decision. In a more recent case started in April 2006 the SZIKE Environmental and Conservation Association—with the support of other NGOs, including the Clean Air Action Group—began another court case to seek an injunction against the construction of the eastern sections of the motorway, specifically the segment between Highway 31 and Motorway M3. The action was begun because the NGOs argued that the original permits had been offered based on a construction done in four segments, while the building permits stated that the construction would be done in three. The concern from the environmental NGOs was that the lack of exits from the motorway would increase environmental damage ("Új eljárás az M0-ás engedélyezési perében," 2006).

By September of 2006, SZIKE had achieved its objective, as the courts ruled that the original environmental permits issued for the motorway were invalid, and that all work needed to stop. However, within months, Central Road Maintenance Agency had assured that the motorway received new building permits, and by November, work could again begin on the motorway (Nemzeti Autópálya Zrt., 2006).

Despite local opposition to the motorway, the national government—with support from some local governments—has pressed very hard to complete the ring around the city. As already discussed, given the assumptions about traffic patterns and the determination of both European Union and national officials to recognise vehicle traffic as an important component of transit and trade, some form of ring road remains essential. NGO groups, however, argue that the route for the M0 remains suboptimal. On the recently built-up sections of the M0, for example, the Clean Air Action Group argues that big-box stores, which rely on large amounts of cheap

space and plenty of access for cars, have trumped citizens' rights when it comes to the direction of the road. This group and others argue that if a city bypass is the primary reason for building the M0, then the motorway need not ring the entire city (Lukács, 2004). This is particularly important for the northern sections of the road, which, as presently designed, would cross through some sensitive environmental areas as well as residential areas.

Comparing Structures and Contexts

The M0 and M6 were selected for comparison because they offer compelling similarities, most notably that the construction type for this case comparison is the same. This means that most of the public partners will be the same across the two cases. This will better allow me to focus on how the configuration of actors has shifted. However, the M0 differs significantly from the M6 in two important ways, which need to be addressed to understand some of the boundaries of the comparison.

First and foremost, the M0—as the above summary shows—is a much more controversial project than the M6. NGOs may have still focused their energies on the M6 had they had the resources; however, the lack of resources means that Hungarian NGOs choose very carefully the projects they will oppose. Given that the M0 is sensitive from both an environmental and a social perspective, it is easier to rally people opposed to the construction. For the comparison, this means that this case will show at least some degree of centrality for NGOs that would not have existed for the other project. This is not a feature of PPP versus traditional procurement, but rather a part of the broader context.

Second, the Hungarian government had been changing at an unprecedented rate. Data collection for this project has taken place over a period of two years, and in that time, agencies have changed names and functions. This poses some potential, though not insurmountable, problems for comparison. It does, however, also offer interesting material for the case of accountability and transparency. With the constantly shifting loci of responsibility, one wonders whether certain facts can get lost in transition.

Despite these two difficulties, these two motorways still make very good cases for comparison. The M0, unlike the M6, is financed by more traditional procurement. Consortia have been subcontracted for the construction of the road, and finances have been provided mainly by the national government, but also with a subsidy from the European Union. 85 percent of the total funds provided for the motorway will come from Hungarian government coffers, while the remaining 15 percent will be provided by the European Union via a loan of €50 million from the European Investment Bank and the cohesion fund.

In traditional procurement, the number of stakeholders involved in a project decreases, as an entire level is removed from the process. The series of banks required for funding is removed, as are the layer of engineers required to meet

their requirements for accountability. In this case, for example, the number of stakeholders identified in this project was 32, versus the 44 identified for the PPP case.

Although this project involves more traditional procurement, private-sector stakeholders are still involved as the main builders and designers of the motorway. Private-sector consortiums are still formed to handle the construction phases of the projects, and contracts are still signed between various government bodies and the private sector. In this case, the contract is signed between the National Motorways Zrt and two separate consortiums building different sections of the motorway:

- Motorway M3 to Highway 3: The “ED”-M0 2005 Joint Venture
- Highway 3 to Highway 31: The PVT-M0 Consortium

This shows that despite their differences, public-private partnerships and more traditional forms of procurement share many common characteristics. The main differences between the two forms of procurement lie primarily in financing: how the money is borrowed and how the contracts are paid out.

Figure 14 more clearly shows the relative imbalance between public and private-sector actors in this case. In the M0, private-sector stakeholders are involved in design (Unitef '83), construction (the two consortiums), and monitoring (UTIBER). However, two factors remove the importance of the private sector in the process. First, no private-sector institution has any involvement in financing, which would give them greater sway in the process. Second, and perhaps more importantly, the scale of the contracts being signed covers a period of a couple of years as opposed to the long-term commitment entailed in a PPP. With risks spread over decades in a PPP, the private sector would need a greater stake in the project to ensure that the project itself remains viable as a source of revenue. With this traditional procurement, the private sector is assured payment from the government for services rendered. The eventual success or failure of the project is of no concern.

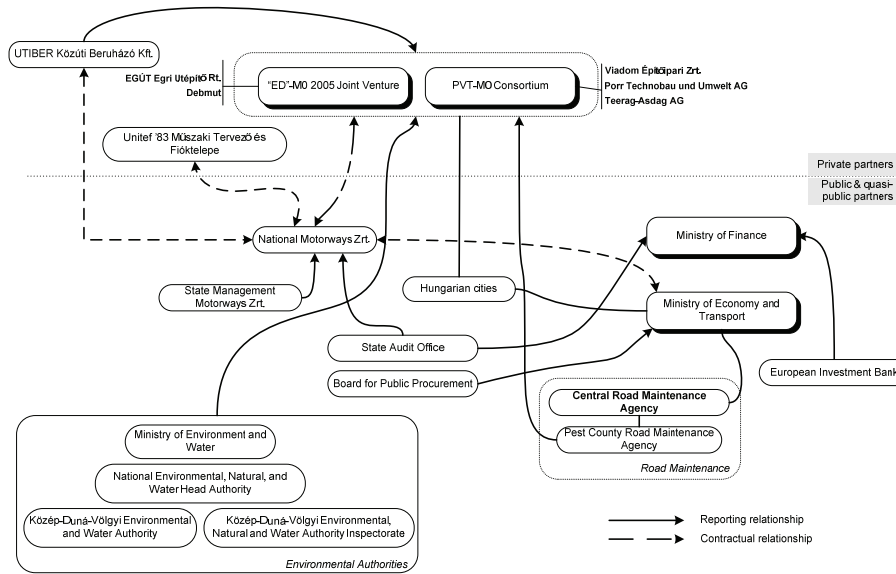


Figure 14. Partial diagram showing major reporting and contractual relationships in the east-sector Mo project.

Data Analysis of Information Flow

Returning to the question of influence as addressed in the first case, respondents were asked the same questions about ranking the five most influential members of the network before and after the project was begun. In this case, the number of stakeholders in the network was 32. The analysis pointed out striking differences between the two cases. First and foremost, as expected, the Ministry of Economy and Transport along with the National Motorways Zrt (NART) scored much higher than any other organisation, but interestingly, NART scored much higher in influence relative to the previous case. This higher score can partly be explained by the relatively fewer actors in this case, but also by the changing role that NART has been playing. When the M6 motorway was begun, financing operations were handled by the Ministry. However, now, financing of motorway construction has been completely spun off to the NART.

Also interesting is the complete lack of private-sector actors in the top five. In fact, NGO groups ranked higher on the influence score than any of the private-sector actors. For example, SZIKE—one of the most important organisations in terms of the most recent set of lawsuits—achieve a score of 0.057 (the 10th highest score), while the two consortiums that are building the site achieved scores of only .013. The highest-ranked, private-sector organisation was the engineering firm producing evaluations of the site, and even this organisation achieved only a score of 0.025.

Clearly, for those who focus on input legitimacy and believe that public-sector organisations must be at the centre of decision-making to achieve legitimacy, the lack of private-sector influence in the project would be a clear argument in favour of more traditional procurement.

Organisation Name	Assigned Code	Role in the Partnership	Influence Score
Ministry of Economy and Transport (<i>Gazdasági és Közlekedési Minisztérium</i>)	GKM	Co-ordinating ministry for the project. Unlike the M6 contract, the ministry was not the primary signatory of the concession agreement.	0.419
National Motorways Zrt (<i>Nemzeti Autópálya Zrt</i>)	NA	Quasi-governmental organisation charged with construction of the national motorway system. For this agreement, NA was the main signatory of the concession agreement. This may partly explain their higher influence score.	0.394
Cities		The various local governments in and around Budapest ensure that local concerns are addressed in the construction of the road.	0.163
European Union	EUCF	The European Union (specifically in their role as a provider of funds through the cohesion fund).	0.106
State Motorway Management Zrt (<i>Állami Autópálya Kezelő Zrt</i>)	AAK	Quasi-governmental organisation charged with the maintenance of the national motorway system.	0.106

Table 3. Top-five organisations ranked by influence.

Conducting the status analysis shows some particularly important contrasts between the M0 and M6 (see Figure 15). First, as expected, the National Motorways Zrt (NA) remains on top of the status analysis. However, in terms of important information being exchanged, the many private-sector organisations involved in the construction rank higher than both the ministries of economy and transport as well as the environment. Unlike the previous case, the status analysis would seem to run counter to the results of the influence score. This seeming contradiction will be explored a little later.

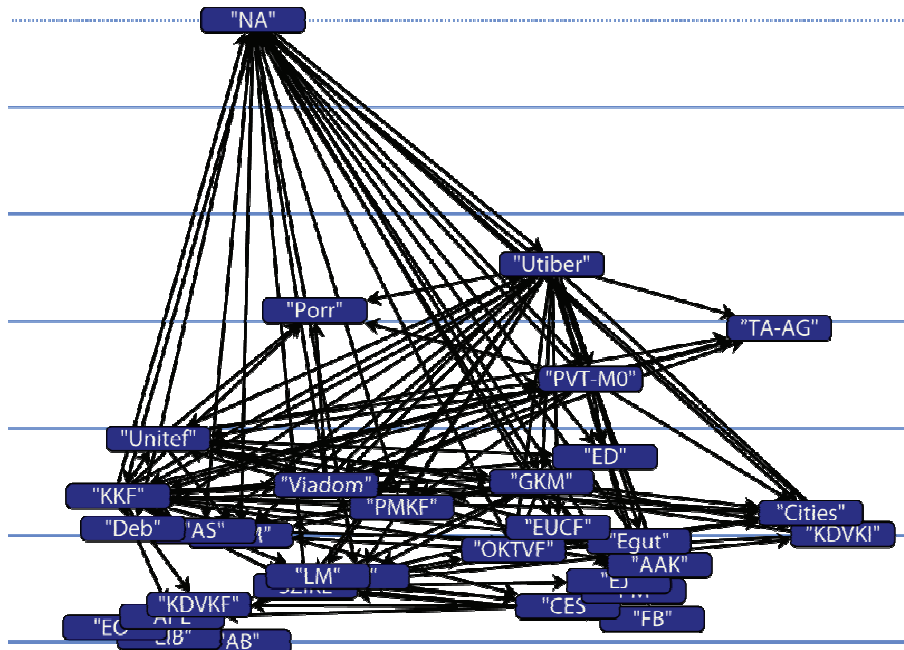


Figure 15. Status analysis of full information network using Visone.

Again, to see how easily information can be obtained within the network, an eigenvector centrality analysis was conducted. Like the PPP case, no single actor stands at the centre of the network (for a complete rundown of centrality scores, see Table 3; for the diagram, see Figure 16). Some slight differences emerge, as private-sector actors appear a bit more evenly spread amongst the most central members of the network. The one significant difference between the two analyses of this network is the role of the ministries, which appear reduced in this network versus the other. This changed role of the ministries, however, must be taken as a sign of the increased role of quasi-governmental organisations in motorway constructions in general as opposed to a

EJ	0.018	PM	0.022
EIB	0.000	PMKF	0.074
EO	0.001	Cities	0.068
EUCF	0.051	ED	0.111
AB	0.000	PVT-M0	0.505
AAK	0.049	Deb	0.062
AS	0.053	Egut	0.087
FB	0.006	Porr	0.256
GKM	0.187	TA-AG	0.242
KVM	0.042	Unitef	0.160
KT	0.030	Utiber	0.405
KDVKF	0.021	Viadom	0.343
KDVKI	0.041	APE	0.007
KKF	0.275	CES	0.011
NA	0.391	LM	0.020
OKTVF	0.038	SZIKE	0.032

Table 4. Eigenvector centrality scores for Mo project.

particular feature of traditional procurement. Even overall centralisation indices are similar in this case to the M6, with the centralisation percentage reaching only a few points higher, at 69.78 percent.

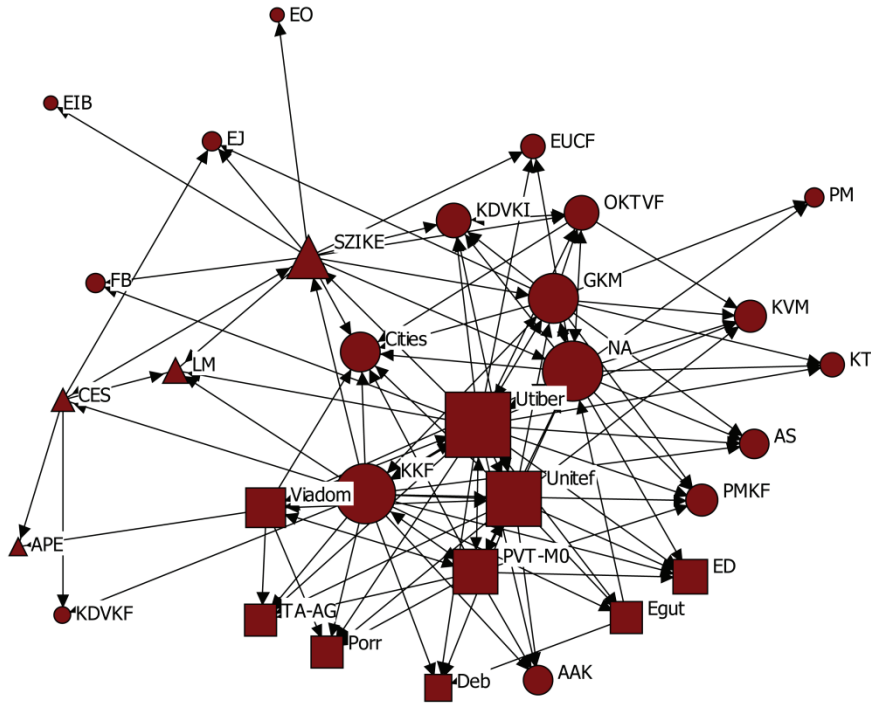


Figure 16. Communication flow, drawn using UCINET's Netdraw. Size of the nodes show eigenvector centrality. Public and quasi-public actors represented by circles, private actors represented by squares, and NGOs by triangles.

One difference between the M0 and M6 projects does come out when analysing how different types of information are diffused in the network. Recall that on the M6, only technical information was generally diffused within the network. However, in this case, information of all four types was generally diffused amongst a number of actors. The only amount of information that showed a high degree of centrality for only a few of the actors in the network was, perhaps unsurprisingly, financial data, with NART and Utiber remaining firmly in the centre of the network. This information network was also the one in which NGOs were completely disconnected.

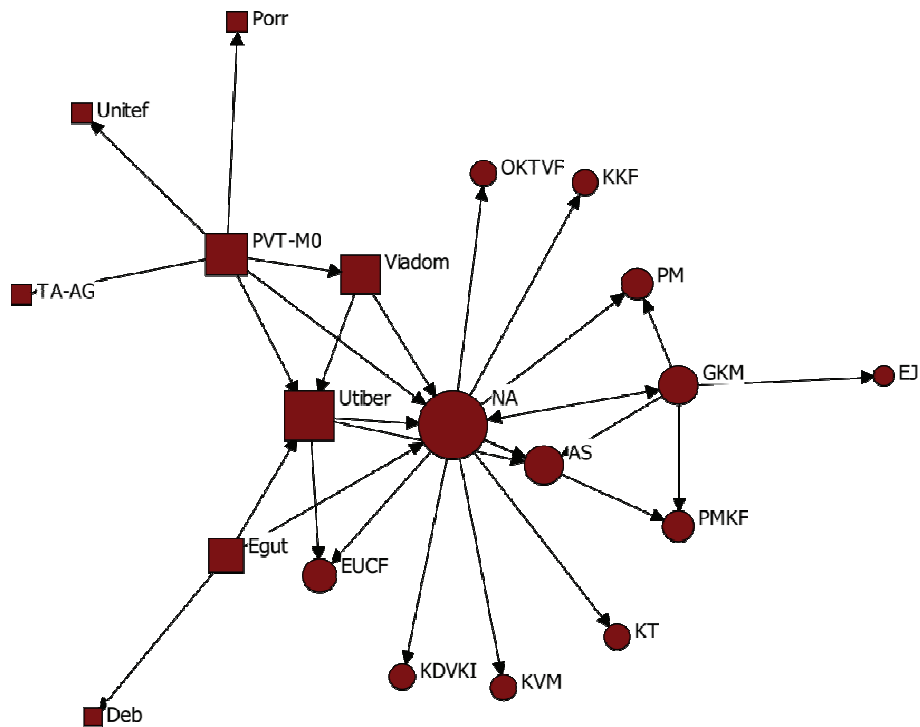


Figure 17. Communication flow of financial data only, drawn using UCINET's Netdraw. Size of the nodes shows eigenvector centrality. Public and quasi-public actors represented by circles, and private actors represented by squares.

Group Cohesion

As with the M6 motorway example, I examined the data for 2-clans and found greater variety than in that case. In the M0 motorway, a full 9 2-clans existed with the smallest clan containing 14 organisations (see below).

- 1: EUCF AAK AS FB GKM KVM KT KDVKI KKF NA OKTVF PMKF Cities ED PVT-M0 Deb Egut Porr TA-AG Unitef Utiber Viadom LM SZIKE
- 2: EUCF AAK AS FB GKM KDVKI KKF NA OKTVF PMKF Cities ED PVT-M0 Deb Egut Porr TA-AG Unitef Utiber Viadom CES LM SZIKE
- 3: EJ EUCF AS FB GKM KVM KT KDVKI KKF NA OKTVF PMKF Cities Unitef Utiber LM SZIKE
- 4: EJ EUCF AS FB GKM KDVKI KKF NA OKTVF PMKF Cities Unitef Utiber CES LM SZIKE
- 5: EJ EIB EO EUCF FB GKM KDVKI KKF NA OKTVF Cities Utiber CES LM SZIKE
- 6: AAK AS GKM KDVKF KKF NA PMKF Cities ED PVT-M0 Deb Egut Porr TA-AG Unitef Utiber Viadom APE CES LM SZIKE
- 7: EJ AS GKM KDVKF KKF NA PMKF Cities Unitef Utiber APE CES LM SZIKE

8: EUCF AS GKM KVM KT KDVKI KKF NA OKTVF PM PMKF Cities ED PVT-M0 Egut Unitef Utiber Viadom SZIKE

9: EJ EUCF AS GKM KVM KT KDVKI KKF NA OKTVF PM PMKF Cities Unitef Utiber SZIKE

Given that the non-PPP case holds fewer actors, this certainly shows a greater mix of groups and information than in the PPP case. This shows that cliques tend to form less in this case, though importantly, the clans themselves show the same kind of variety as found in the PPP cases, with public, quasi-public, and private organisations mixing together.

Data Analysis of Accountability

Turning again to the accountability structure, specifically the evaluation and sanction networks, a similar picture of private-sector evaluation when compared to the PPP emerges. Private-sector engineering firms and the consortiums remain nearly equally at the centre in terms of evaluation. Because of the smaller number of private-sector actors found in this case, the number of engineering firms conducting analyses is reduced. What remains different in this case is the role of the private sector. Again, the role of the Ministry of Economy and Transport is different, with NART taking the lead in public-sector evaluation (See Figure 18).

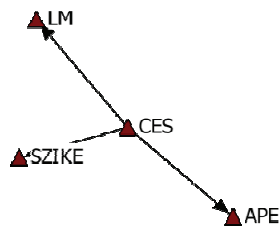
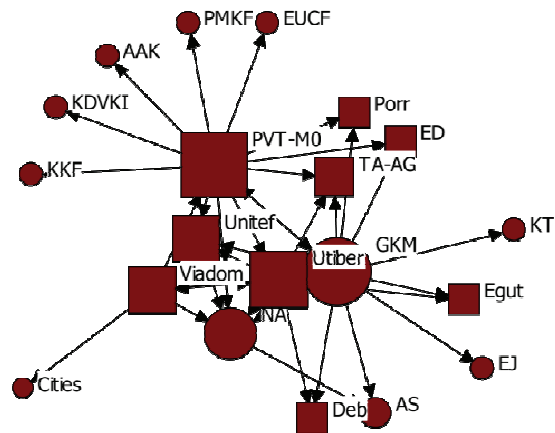


Figure 18. Evaluation network showing organisations that attempt to evaluate others. Public and quasi-public organisations are circles, private ones are squares, and NGOs are triangles. Drawn using UCINET’s Netdraw.

Interestingly, no NGO claimed to be involved in evaluating the work of the construction site. While one might blame the phrasing of the questions, the Canadian cases (described in the Chapter 7) showed NGOs consciously aware of their role in evaluating private companies to ensure that they were following their obligations. Sometimes, those NGOs were fiercer in their evaluation than the government agencies who were assigned the task of ensuring accountability. However, in Hungary, we can see that NGOs saw their role more as opposition to activities as opposed to remaining part of an accountability network. This limited role for NGOs could have poor consequences for accountability.

Turning to the sanction network, it looks very similar to the PPP case. Environmental agencies still have the power to revoke permits, and NART remains responsible for handing out penalties for lateness or other problems associated directly with how the road needs to be constructed. The cities also play a role in ensuring that their own needs are met, and they can directly penalise the consortiums for problems in the construction.

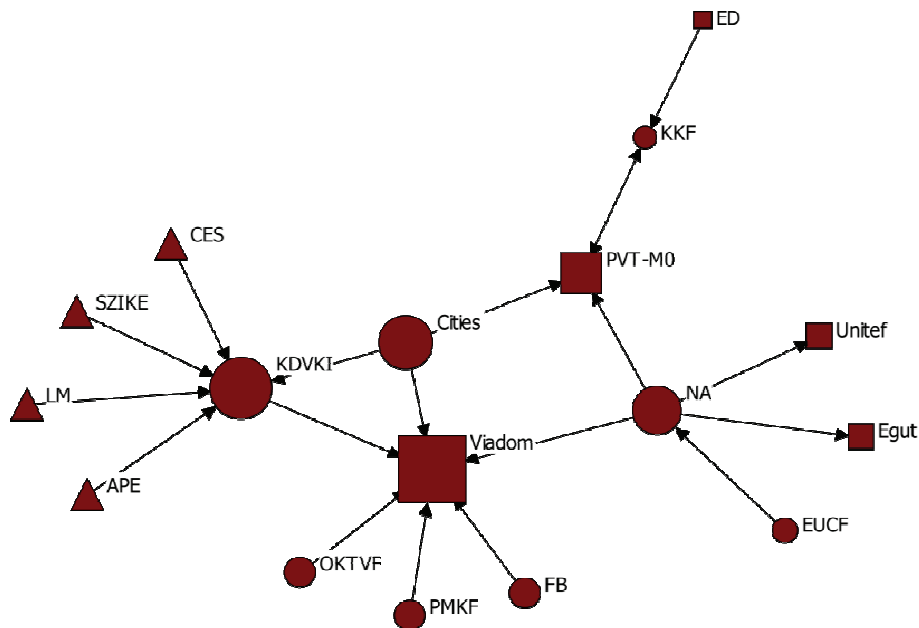


Figure 19. Sanction network showing organisations who sanction others. The size of the nodes shows eigenvector centrality. Public and quasi-public organisations are circles, private ones are squares, NGOs are triangles. Drawn using UCInet's Netdraw.

General Remarks and Comparison

One of the difficulties in any discussion of accountability in a complex environment is to identify the ultimate holder of accountability. Certainly, in the case of motorway construction, the consortiums are ultimately responsible and accountable to the government agency that contracts out for their services, whether that be the National Motorway Zrt (as mentioned earlier, now National Infrastructural Development Zrt) or the Ministry of Transport and Economy. One level of accountability, then, is to ensure that all of the objectives in the contract are met. However, when it comes to the government's greater responsibility to the public, the idea of accountability becomes more blurred.

The example of the M0 in this case is instructive. Looking at the court cases surrounding environmental permits, one could argue that accountability either succeeds or fails, depending on one's perspective. In terms of courts ensuring that governments follow their rules and regulations, and the ability of NGOs to use that instrument to hold the government to account, one could argue that the system has shown success. Yet, from another perspective, the speed at which those permits were reissued could lead those opposed to the building of the motorway to think that the accountability achieved was a hollow success, because ultimately, the courts merely forced the government to find other means to achieve the same ends. These court cases, after all, led to few changes in the course of construction.

Yet, ultimately, from both a participation and accountability perspective (the two ideas are closely tied together here), public pressure has succeeded in delaying and changing the course of construction on the road. I am not arguing that the system of accountability, transparency, and participation in these motorway projects—whether PPP or not—are perfect. Nonetheless, I am suggesting that governments have shown some responsiveness.

Looking more directly at the network analysis and a comparison of the PPP and non-PPP case, one sees remarkable similarities. Centralisation measures remain highly comparable. Any differences in central actors can be explained more by changes in Hungarian institutions rather than by any fundamental difference between PPP and traditional procurement.

The only issue for PPP, then, remains the issue of input legitimacy. As seen in the above analysis, public sector organisations dominate traditional procurement, taking a more central role in terms of influence and decision-making. Quite simply, the peculiarities of a PPP contract mean that the private sector must be further involved in the final decision process. This only makes sense: they have a long-term stake in the operation of the project. One further concern for these projects—though importantly, this is an issue for both cases—is the fact that a quasi-public body sits at the centre of both projects. The NART is, in the gradations of publicness outlined in Chapter 3, a government corporation as opposed to a fully public body. In some interpretations, this could imply that the project is less legitimate than others in which a government department would sit at the centre of the network.

Perhaps the most surprising element in the social network analysis is the fact that public-private partnerships seem to lead to greater compartmentalisation of information. In the PPP, different types of information tended to be centralised around a few actors, whereas in more traditional procurement, this information was more widely dispersed. The PPP case also showed fewer numbers of intersecting organisations—or clans—than in the non-PPP case, another indication that information may not be spreading as much. This can be interpreted to have negative consequences for transparency in PPP.

Further evidence for this lack of transparency can also be found in other analyses from other organisations. In a recent report from the International Monetary Fund, they argued that the lack of a clear accounting and institutional framework for PPPs meant that important fiscal risks were not transparently disclosed (2007a). The one anomaly between the accountability network and reporting is that the justification for the use of PPP is handled by the Ministry of Economy and Transport, while NART is the one primarily responsible for ensuring the fiscal operation of the road. Also disconcerting for supporters of PPP is that the national audit office plays no role to ensure that public-sector finances are spent properly.

Perhaps more disturbing, while the idea of due diligence exists through the preparation of the public sector comparator, some evidence suggests that political

pressures mean that those reports are completed in a haphazard manner. One former member of the Ministry of Economy and Transport pointed out that the report for the M6 was begun in October 2004 and completed only two months later. When questioned further about the amount of time that this report should have taken to properly complete, given the resources available to the department, the response was “closer to six months”.

Why use a public-private partnership model for building these roads? Restructuring government does not appear to occur with public-private partnerships, because decision-making structures have altered little beyond consulting with industry to see the viability of certain projects. In fact, in all national-government-sanctioned public-private partnerships, NGOs—groups that the government distrusts—are generally kept from decision-making, along with industrial groups. Certainly, some discussions occur between government and industry to see which projects industry may be willing to assume. The Ministry of Economy and Transport sets up regular conferences to have these discussions. However, all of the political decisions are made before industry is presented with a proposal. The idea of economic efficiency is discussed in the literature published by the department, and certainly there is some belief that private industry may be able to produce more economically efficient results than the government. However, the most significant reason for adopting public-private partnerships is the ability of the government to take on new projects “off the balance sheet.” Essentially, because private groups and the banks are asked to assume the financial responsibility for projects, the government can start new projects without affecting the budget. This is particularly important to the Hungarian government, as it wants to join the European Union’s common currency and must meet its 3 percent of GDP budget deficit figures.

Chapter 7

British Columbia's Olympic Projects

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The Canadian Context

Choosing Canada as a single country, culture, or case is more problematic than some studies would indicate. Although Canada is a single country, Canadian scholars disagree on how many nations it represents. Those who subscribe to the two-nations theory of the country—often scholars practicing in the two most politically powerful provinces in the country, Ontario and Québec—see two distinct political cultures (Kymlicka, 1998; Latouche, 1991; Taylor, 1993). Especially since the quiet revolution of the 1960s, the province of Québec and its “national” legislature in Québec City have pushed through legal reforms which have demonstrated the province’s relative independence from the rest of the country. Section 92 of the original British North America Act of 1867 grants the province control over education and health (though the federal government provides a large portion of that funding). In addition to these basic provincial rights, Québec has also asserted its control in areas that one would not assume to be within a region’s control, such as immigration policy, trying to attract immigrants from French-speaking regions of the world. Even the legal system in Québec is based on a different tradition than in other parts of the country. Most regions in Canada use the Anglo-Saxon tradition of common law while Québec inherited the French tradition of civil law (*le droit civil*).

While some argue for the two-nations theory, even a cursory look at the Canadian political landscape makes it clear that different regions of the country hold different political traditions and values, which have led other Canadian scholars to argue that Canada is composed of more than two national identities. First and foremost, the two-nations theory of the country ignores the role of the aboriginal people—often referred to as the First Nations peoples—in forming the country. Additionally, it ignores the vast regional differences across a country which spans 9,984,670km² (Natural Resources Canada, 2006). Scholars like David Elkins, Richard Simeon, and Ailsa Henderson have demonstrated how various regions and provinces represent independent political cultures (Henderson, 2004; Simeon & Elkins, 1974). These scholars have chosen to look at efficacy, trust, and political involvement as their main variables of analysis. These factors, Simeon and Elkins argue, are important variables of political culture because they influence the extent to which and the way in which citizens participate in political life (p. 399).

These differences can be explained using any number of variables, whether historical or economic.

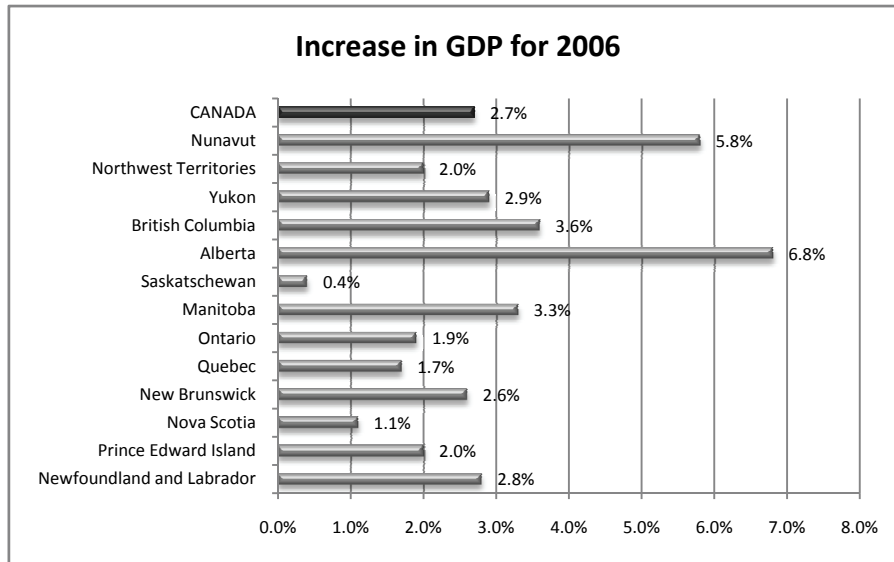


Figure 1. Percentage increase in GDP from 2005 to 2006 in Canada, with a further breakdown of increases across provinces and territories. Figures adopted from Statistics Canada report (2007). The first three regions are the territories of the north; the remaining provinces are listed from east to west.

More significant in terms of creating partnerships are the various economic bases in the region. Economic growth and the engines that drive it vary depending on the region of the country in which one resides. More recent trends in growth in Canada show that Western Canada—led by the province of Alberta—has been the engine for jobs in the mid-2000s. This growth has been led by a

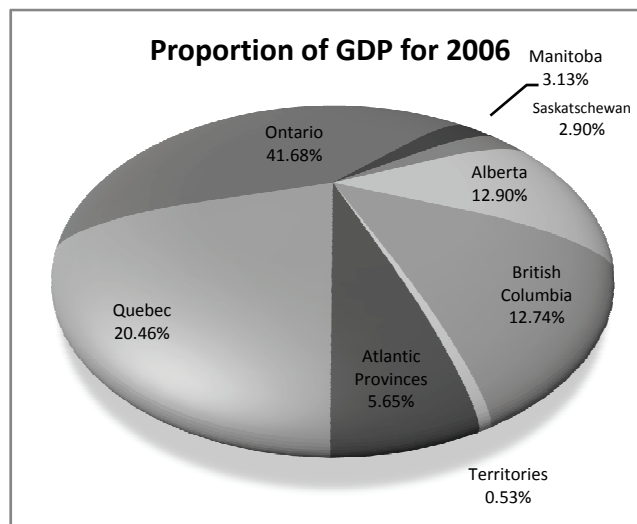


Figure 2. Percentage of the GDP, as accounted for by each province. Figures adopted from Statistics Canada report (2007).

large increase in commodity prices, in areas including both energy and other commodities. In fact, the shift in economic growth is more than a matter of

western growth outpacing that in the east, but really a shift from east to west (Statistics Canada, 2006). Even the term “West”—generally taken to mean the four western provinces of British Columbia, Alberta, Saskatchewan, and Manitoba—is deceptive. While all four provinces have benefited from increased commodity prices, a look at Figure 1 shows that Saskatchewan has not shared in the huge increases in GDP. Also, examining Figure 2, one can see that the Saskatchewan and Manitoba possess relatively small percentages of the total national GDP, while British Columbia and Alberta are much stronger.

Different growth rates in the country can be attributed mainly to the different sectors which undergird the economies of various regions. In Statistics Canada's many analyses of the Canadian economy and landscape, it tends to divide the country into three distinct groups: The West (British Columbia east to Manitoba), Central Canada (Ontario and Quebec), and the Atlantic Provinces (the Maritime provinces with Newfoundland and Labrador). Looking specifically again at Alberta, one can see how the prices of oil and precious minerals have helped sustain the economy, with approximately 15 percent of GDP directly attributable to these activities. Table 1 gives some further details of the differences between various regions with a selection of provinces from the regions of Canada. One can see, for example, that Ontario and Quebec remain more important manufacturing bases than in the west.

<i>Region</i>	<i>Area</i>	<i>Top-Three Industries per Area</i>	<i>% of Total</i>	<i>% Increase since 1997</i>
Canada	Employment	1) Trade	15.98	32.87
		2) Manufacturing	12.85	3.76
		3) Retail trade	12.28	29.34
	GDP	1) Finance, insurance, real estate, leasing	20.49	38.33
		2) Manufacturing	15.89	21.01
		3) Wholesale trade	6.77	60.59
British Columbia	Employment	1) Trade	16.11	16.11
		2) Retail trade	12.34	19.49
		3) Health care and social assistance	10.58	21.38
	GDP	1) Finance, insurance, real estate, leasing	22.79	31.35
		2) Manufacturing	11.05	30.94
		3) Transportation and warehousing	6.57	35.72
Alberta	Employment	1) Trade	15.10	33.14

<i>Region</i>	<i>Area</i>	<i>Top-Three Industries per Area</i>	<i>% of Total</i>	<i>% Increase since 1997</i>	
		2) Retail trade	11.33	31.21	
		3) Health care and social assistance	9.60	28.40	
		GDP	1) Finance, insurance, real estate, leasing	17.49	57.83
			2) Mining and oil and gas extraction	14.92	5.38
			3) Construction	10.81	122.65
			Ontario	Employment	1) Trade
		2) Manufacturing	15.51	7.68	
		3) Retail trade	11.88	24.00	
		GDP	1) Finance, insurance, real estate, leasing	22.63	41.99
			2) Manufacturing	18.83	18.30
			3) Wholesale trade	7.68	73.55
			Quebec	Employment	1) Trade
		2) Manufacturing	15.44	0.71	
		3) Retail trade	12.90	23.67	
		GDP	1) Manufacturing	20.13	20.28
			2) Finance, insurance, real estate, leasing	17.53	30.14
			3) Retail trade	6.40	46.38
			Nova Scotia	Employment	1) Trade
		2) Retail trade	14.64	14.51	
		3) Manufacturing	8.85	4.27	
		GDP	1) Finance, insurance, real estate, leasing	22.07	30.51
			2) Manufacturing	8.86	10.18
			3) Health care and social assistance	8.51	36.29

Table 1. Top three industries in Canada and select provinces in terms of GDP and number of people employed. Data compiled from Statistics Canada CANSIM data tables 282-0008 and 379-0025.

The fact that growth varies across regions and that different regions within a country specialise in different industries is nothing new. In European countries

such as the Netherlands and Hungary, financial wealth is concentrated in particular regions of the country (in both cases, the west enjoys more industry and prosperity). However, what makes regional disparities and differences more important in the Canadian case is the political power that provincial governments wield and their leading roles in public-private partnerships. In Canada, the provincial governments generally drive the move towards public-private partnerships. Certainly, the federal government plays a role as a primary funder and provides an extra layer of accountability and complexity. However, the main signatories of PPPs, at this point at least, remain the provinces.¹

Historically and culturally speaking, one must recall that the newest province, Newfoundland and Labrador, joined Canada only in 1949—and this based on a second-try referendum. The two-nations theory of the country involves an overly simplistic view of the cultural make-up of various regions and provinces. Simeon and Elkin point out that even in the early days of the country, English Loyalists tended to settle in the Maritime provinces while more radical American miners and Labourite Englishmen settled in the west. Immigration post-Confederation also differs radically across the country; this can even be seen in the current cultural make-up of the various regions. The “ethnocultural portrait” of Ontario and British Columbia, for example, shows much higher levels of Asian (particularly Chinese) immigration in British Columbia, with approximately 9 percent versus 4 percent. This can partly be explained by the relatively close proximity of the Asia-Pacific region to places like Vancouver, but also by historical reasoning. In the mid-nineteenth century, large numbers of Chinese immigrants were brought to Canada to build the railway tying the country together. Once that railway was complete, many of the labourers settled on the west coast.

	<i>Ont.</i>	<i>% of total</i>	<i>B.C.</i>	<i>% of total</i>	<i>Canada</i>	<i>% of total</i>
Total - Population groups	11285545		3868875		29639035	
Single responses	10947765	97.01%	3642645	94.15%	28358030	95.68%
White	8912260	78.97%	2859400	73.91%	24618250	83.06%
Chinese	466720	4.14%	351680	9.09%	990385	3.34%
South Asian	544420	4.82%	205465	5.31%	896225	3.02%
Black	376370	3.33%	18645	0.48%	593335	2.00%
Filipino	150235	1.33%	60095	1.55%	293940	0.99%
Latin American	106835	0.95%	23885	0.62%	216980	0.73%
Southeast Asian	84130	0.75%	33205	0.86%	191820	0.65%

¹ Industry Canada, a federal department, offered documentation and technical help to the provinces for setting up public-private partnerships. In the 2007 budget, however, a national fund for public-private partnerships—and a new federal office—have been allocated. (Canada, 2007b, p. 165)

	<i>Ont.</i>	<i>% of total</i>	<i>B.C.</i>	<i>% of total</i>	<i>Canada</i>	<i>% of total</i>
Arab	88540	0.78%	6610	0.17%	194680	0.66%
West Asian	67100	0.59%	22380	0.58%	109285	0.37%
Korean	52850	0.47%	31365	0.81%	98325	0.33%
Japanese	19380	0.17%	25725	0.66%	55880	0.19%
Visible minority, n.i.e.	78920	0.70%	4195	0.11%	98915	0.33%
Multiple responses	154815	1.37%	61695	1.59%	328115	1.11%
White and Chinese	14790	0.13%	13810	0.36%	39010	0.13%
White and South Asian	10445	0.09%	4825	0.12%	20845	0.07%
White and Black	34720	0.31%	6815	0.18%	68880	0.23%
White and Filipino	6280	0.06%	3910	0.10%	14635	0.05%
White and Latin American	16825	0.15%	5460	0.14%	35795	0.12%
White and Southeast Asian	2280	0.02%	1770	0.05%	7060	0.02%
White and Arab	15415	0.14%	1445	0.04%	39555	0.13%
White and West Asian	5035	0.04%	1590	0.04%	8695	0.03%
White and Korean	1105	0.01%	600	0.02%	2335	0.01%
White and Japanese	5545	0.05%	7005	0.18%	17430	0.06%
White and multiple visible minorities	7665	0.07%	2410	0.06%	13120	0.04%
Multiple visible minorities	34705	0.31%	12050	0.31%	60750	0.20%
Aboriginal self-reporting	182970	1.62%	164535	4.25%	952890	3.21%

Table 2. Figures on ethno-cultural make-up of Canadian populations. Data gathered from the 2001 Census of Canada, table 97F0010XCB2001004.

Of course, what this table further fails to capture is the cultural makeup of so-called “white” citizens of the country, who would have arrived from a variety of European countries over various parts of Canada’s history.

Economically and culturally speaking, then, various regions of the country are unique and merit study separate from the national institutional setting. Canada already represents the multilevel-governance patterns many European scholars are still grasping to contend with in the European Union. While many scholars focus on the two-founding-nations ideal of the country, it may be more useful to focus the historical lens a little closer, looking to Pierre Elliott Trudeau’s official recognition of the multicultural foundations of the country in October 1971, later

enshrined in the Constitution in 1982 (Canadian Heritage, 1998). Trudeau's intention with multiculturalism was to find a way to unite Canadians coming from diverse backgrounds; however, in some ways, the statement of multiculturalism reinforces the notion of Canada as a "failed" nation-state. It remains a country divided by region and sometimes preoccupied with constitutional and even existential debate (which ebbs and flows; once again, one can hear echoes of problems faced by the European Union). Yet, for all the debate, Canada remains a very successful country even without a strong, unifying national identity. To quote philosopher John Ralston Saul, Canada is the "only major country in which the two leading western cultures have managed to live peacefully together for several centuries, causing Canadians to insist that they cannot live together" (1994, p. 53). In this sense, Canada and the European Union are similar in that they are both communities within communities, contending with the existence of multinational identities within their borders (Fossum, 2006).

Institutionally speaking, the European Union and Canada remain distinct. Canada's legislative and executive systems are contained by a bicameral system, in which the lower house is elected directly through a first-past-the-post system, and those sitting in the upper house are appointed by the government as seats become available.² The European Union, by contrast, possesses three main institutions: an elected European Parliament; a Council of the European Union, made up of ministers from each member country; and an appointed European Commission. In the European Union, subunits (the countries) remain more in control of the makeup of appointed members of the legislative system, whereas in Canada, the regions have no control over who sits in the Houses.

The strength of the federal government remains stronger in Canada as well, as the European Union holds control in a limited number of areas, as follows:

- Freedom of movement for people, goods, capital and services
- Common policies for agriculture, competition, trade, as well as visa and asylum policies
- Common security and foreign policy
- Police and judicial cooperation (Alesina & Perotti, 2004)

By contrast, the Canadian government holds jurisdiction over a total of 30 areas, as outlined in section 91 of the Constitution Act of 1867. The interpretation of these powers is, however, constantly under scrutiny and debate. The environment, for example, is one area in which both federal and provincial governments hold some power, and each have separate departments.

Yet, the relationship between the central government and the various subunits remains similar. At first glance, one would assume that the power of the federal government in Canada is stronger than one finds in the European Union, with

² Technically, the appointment is made by the Governor General on the advice of the government.

greater leeway for forming a united policy. For example, the European Union remains divided on controversial foreign-policy issues, as evidenced by its lack of a unified response to the crisis over the status Kosovo. Most notably, the European Union still has no common defence department. Yet, while Canadian foreign policy appears to have a united front, it too deals with regional debates, though these tend to take place away from international attention, because the provinces hold little voice in international organisations. As David Cameron and Richard Simeon (2002) have pointed out, with the cultural revolution in Quebec in the 1960s and increased discontent in the West—culminating in the National Energy Program in the 1980s—the federal government has increasingly needed to consult with the provinces to conduct international policy.³ Former Prime Minister Brian Mulroney, when negotiating a major and controversial free-trade agreement with the United States, consulted the provinces closely. Indeed, the province of Quebec has increasingly sought representation on the international stage, and in 2006, the federal government allowed the province greater representation at UNESCO. Of the agreement, Prime Minister Stephen Harper announced that “Quebec can now participate fully in all of UNESCO’s activities, *together with* and through Canada’s Permanent Delegation” (Office of the Prime Minister, 2006, emphasis added). The province continues to argue for separate representation on various committees, with their government having outlined nine areas in which they seek representation, including economic bodies such as the OECD and World Bank (Relations internationales Québec, 2005).

The point I want to make here is twofold. First, comparing Canada and countries of the European Union is useful because of the similarities between the two jurisdictions. Perhaps more importantly, for these comparisons to be valid, comparisons need to focus on the appropriate level of governance. When using the country of Canada in a comparison, it would be appropriate to focus on the European Union as a whole. However, when comparing Canada to individual countries in the European Union, it makes more sense to focus on a specific province or region of each.

For this reason, I have chosen to focus exclusively on partnerships in the province of British Columbia. British Columbia is a good choice for a number of reasons. First and foremost, it possesses one of the only independent agencies to support

³ The Quiet Revolution in Quebec represented a break in provincial politics starting in the 1960s, with the election of Jean Lesage as premier of the province. In less than a decade, he challenged the traditional power of the Catholic Church in cultural affairs and the English-speaking elite for economic control of the province. The Quiet Revolution, according to François Rocher (2002), touched five major areas: democratising of society, seeking greater access to education and health, controlling major economic structures, modernising the public service, and developing a sovereigntist movement. The National Energy Program (NEP) was instituted by then Prime Minister Pierre Trudeau in October 1980, following the oil crisis of the 1970s, as part of a three-pronged approach to energy policy: energy security, fair pricing and revenue sharing, and increased Canadian participation in oil production (Jenkins, 1986). Alberta’s Minister of Energy Mervin Leitch described the programme as “a massive and discriminatory attack on Alberta,” and then Premier Peter Lougheed called it “an outright attempt to take over the resources of this province” (James, 1993, p. 36).

public-private partnerships in the country (the other agency being *L'Agence des partenariats public-privé du Québec*, in the province of Quebec). The mandate of some of the other offices can also be rather narrow, as seen in Ontario, where the office is placed under the Ministry of Public Infrastructure Renewal.

Specifically British Columbia

Canada possess an equalisation program in which payments are made to provinces that have lower tax revenues per capita than the average of the ten provinces, with some exceptions for natural resources, as demanded by some of the provinces.⁴ In the forecast for the 2007/08 fiscal year, British Columbia will be one of the three provinces (with Ontario and Alberta) to receive no payments from the federal government. Economically speaking, British Columbia ranks lower than the average for the rest of the country in terms of GDP per capita (see Table 3). However, the difference remains relatively small, and the average wealth in British Columbia matches what one would find in Western Europe, such as the Netherlands.

<i>Country / Region</i>	<i>GDP per capita in PPP\$ (2006)</i>
Canada	\$35,494.47
British Columbia	\$33,497.70
Hungary	\$19,559.43
Netherlands	\$35,077.76

Table 3. Figures reported in purchasing-power parity dollars as reported by the International Monetary Fund (2007b). GDP figures for British Columbia acquired from BC Stats (2007), and then adjusted to PPP\$ based on the conversion rate for Canada.

Despite a brief downturn in the early years of the 21st century, British Columbia's overall financial situation remains healthy, with the province running a fiscal surplus for the last few years. Debt-to-GDP levels compare very favourably to European jurisdictions, where those who adopted the Euro are expected to meet a debt-to-GDP ratio of 60 percent. To take only a few examples, in 2006, the Netherlands ran a debt which totalled 48.7 percent of GDP while Hungary was at 66 percent. Total government revenues in British Columbia per person are lower than found in Western European countries; however, this accomplishment needs to be tempered given that a province holds fewer overall responsibilities than a country. Nonetheless, the figures are worth noting, with British Columbia totalling a healthy C\$11,240 per person, compared to €8,400 per person in the Netherlands

⁴ A new method of equalization was devised in the 2007 budget. Nova Scotia as well as Newfoundland and Labrador have been allowed to continue to use the old system of equalization, which shielded offshore revenues in the Atlantic accords, with the option to opt into the new system, until 2012 (Department of Finance [Canada], 2007).

(relatively comparable figures). By contrast, the Hungarian government has HUF651,255 per person (approximately €2,600 per person).⁵

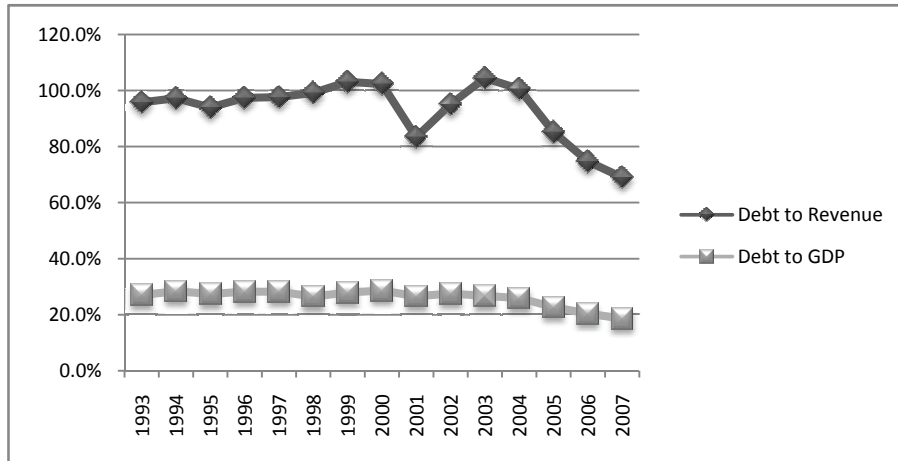


Figure 3. Debt-to-revenue and debt-to-GDP figures in British Columbia, as reported by BC Ministry of Finance in the reports from 2007, 2002, and 1997 Financial and Economic Reviews.

Compared to most other advanced economies in the world, the government of British Columbia appears to be in a relatively good position to advance its political objectives. The one significant brake on its ability to control policy is that the federal government also controls much of the province's revenues. In Canada, most revenues are collected in the form of federal taxation. Those revenues are then sent back to the provinces in the form of various transfer payments, for activities such as health and education, via the Canada Health Transfer and the Canada Social Transfer.

Sidebar 1. Federal and BC income tax rates

Most provinces, including British Columbia, choose to allow the federal government to collect income taxes, which are then distributed to the different levels of government accordingly. Taxation in Canada falls under the following rates:

15.5 percent on the first \$37,178 of taxable income,

22 percent on the next \$37,179 of taxable income (that is, on the portion of taxable income between \$37,178 and \$74,357), +

⁵ The population of British Columbia in 2006 was 4.3 million with revenues of C\$48,333 million (Ministry of Finance [BC], 2007); the population of the Netherlands was 16.34 million (Centraal Bureau voor de Statistiek, 2007) with revenues of €137,500 million (Ministerie van Financiën, 2007); and the population of Hungary was 10.07 million with revenues of HUF6,558,142 million (Központi Statisztikai Hivatal, 2007a, 2007b).

26 percent on the next \$46,530 of taxable income (on the portion of taxable income between \$74,357 and \$120,887), +

29 percent of taxable income over \$120,887.

The provincial segment of Canadian income tax falls under the following rates:

5.7 percent on the first \$34,397 of taxable income, +

8.65 percent on the next \$34,397, +

11.1 percent on the next \$10,190, +

13 percent on the next \$16,925, +

14.7 percent on the amount over \$95,909 (Canada Revenue Agency, 2007)

As addressed in the previous chapter on Hungary, foreign direct investment plays a role in weakening internal sovereignty. While figures for individual provinces are unavailable for Canada, statistics show that Canada remains equally committed to attracting foreign capital, as well as investing abroad. Certainly, foreign direct investment remains a potential brake on governmental power; however, statistics show that Canada has been a net “exporter” of foreign direct investment, which would seem to bode well for the strength of Canadian enterprise (and by extension, the Canadian governments ability to have some influence on its operation).

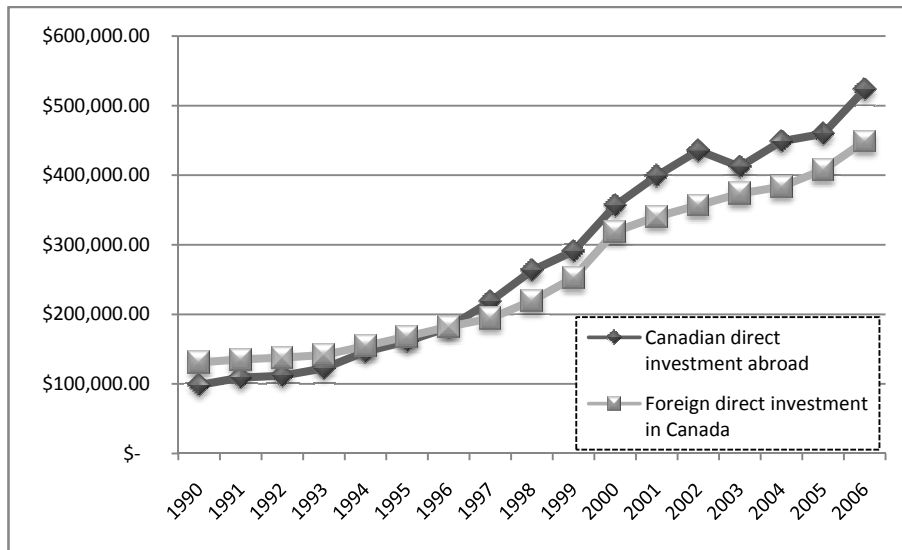


Figure 4. Foreign direct investment figures, as reported by Statistics Canada in Table 376-0038.

These economic figures indicate that Canadian business and government should be relatively strong partners in any kind of partnership, whether market- or network-based. Yet, a truly successful partnership and one with greater accountability will also require a strong civil society in the form of powerful NGOs and a public able to hold the political and economic elite to account. Certainly, in terms of environmental issues, British Columbia possess the highest density of environmental-activist organisations in the country, with around one quarter of the total (Blake, Guppy, & Urmetzer, 1997). British Columbia also has a history of labour activism that distinguishes it from other provinces in Canada (Jamieson, 1962).

Arguably, British Columbia has a history of conflict with various community groups, which sees participation as more of a clash of competing ideas rather than partnership and co-operation. This notion of public participation would match the expectations of the Anglo-Saxon regime, as laid out by Esping-Anderson, as people look more towards markets than their government to provide a social safety net. Markets here should not be interpreted as business, but rather, non-governmental bodies, which can include anything from private insurance to religious organisations to other non-governmental actors. The point is that those from Anglo-Saxon regimes show lower expectations from their governments to protect their interests and will look to other institutions to fill those gaps. Those from Central and Eastern Europe, for example, tend to rely on tight social networks for their safety nets.

Figures discussing trust in various social institutions also show that while trust levels may be higher than one finds in Hungary, they still remain lower than in many Western European jurisdictions. Levels of trust (or confidence, as described in the 2003 General Social Survey on which these figures are based) are also lower in British Columbia than in the rest of the Canada. These low levels of trust reinforce the notion that public participation in British Columbia is a more tumultuous affair than in other jurisdictions.

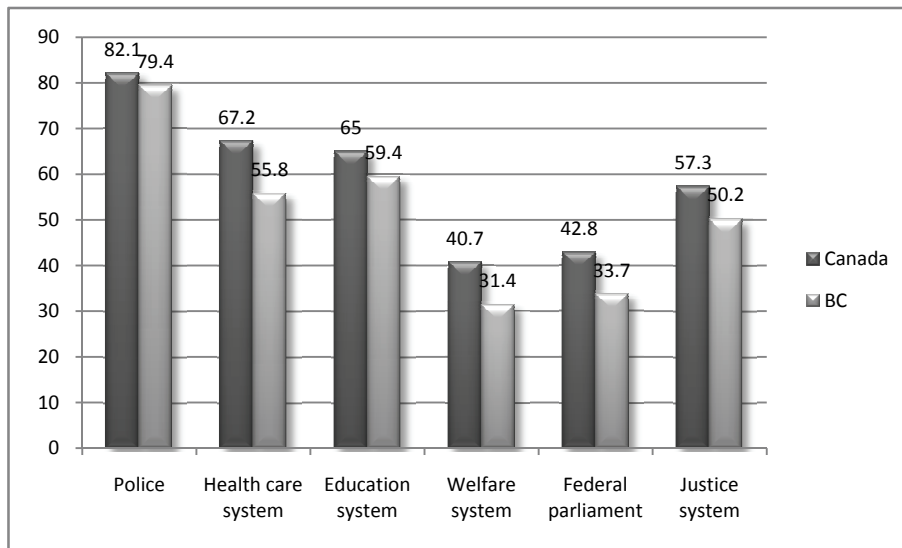


Figure 5. The 2003 edition of the Canadian General Social Survey (GSS) was based on “social engagement.” One of the questions asked respondents whether they had a great deal of confidence, quite a lot of confidence, not very much confidence, or no confidence at all in particular institutions. The above graph shows the percentage of people who showed a great deal or quite a lot of confidence in particular institutions (Statistics Canada, 2003).

Yet, despite these cultural barriers to effective public participation, Canada and its provinces have been adopting measures promoted within sustainable development, which call for participation in various forms. Following the publishing of the Brundtland Commission’s report, Canada developed and began to implement its first Green Plan, which called for more systematic involvement of the public, although somewhat limited to gathering policy preferences as opposed to any kind of joint decision-making (Hoberg & Harrison, 1994). As well, while consultations usually take place as part of environmental impact assessments, these consultations remain recommendations of the Privy Council Office as a Federal Policy Statement and Guidelines on Engaging Canadians and are not enforceable by law (Bouder, 2001). The Department of Justice, for example, points out that “[r]ather than a broad commitment to public participation on every issue, the Policy Statement supports participation activities only where the issues and timelines are such that public input will make a contribution to the policy development process” (Department of Justice [Canada], 2005).

These ideas on public participation also filtered down to the provinces, with British Columbia developing the Commission on Resources and the Environment (CORE) in 1992, a group formed from various stakeholder groups, mandated to develop a province-wide land-use strategy, including issues of resources and environmental management (Jackson, 2002; VanNijnatten, 1999). While VanNijnatten argues that increased co-operation between federal and provincial bodies has led to less participation and a return to the elitist traditions of the Westminster system, multi-stakeholder participation still appears in British

Columbia. Land-use planning guidelines and various other modes of “collaborative planning” continue to be used with regard to some environmental issues.

Partnership in British Columbia, then, is dropped into a stable, if potentially volatile, environment in which many partners at the table have the resources to make their voices heard. This statement does not indicate that NGOs’ and CBOs’ voices carry equal weight, or that they have equal access to resources. This is clearly not the case. Nonetheless, public opinion and discontentment carry some weight in the political process, and partnership has the potential to flourish in this jurisdiction, whether it be market or network-based.

The question yet to answer in the remaining sections of this chapter is how partnerships influence the three variables of accountability, transparency, and participation. To measure these variables in partnership and non-partnership scenarios, I have examined ongoing construction projects for the upcoming Winter Olympics, to take place in Vancouver in 2010. Choosing projects under this umbrella gives some basis for comparison, because it offers some overlap in terms of the actors involved in the networks. Also, given the huge publicity associated with any Olympics, the projects are very high profile and hence attract a significant amount of criticism from NGOs. Finally, the Olympic projects offer an interesting look at multi-level governance, not only because of the involvement of federal and provincial governments, but also because of the involvement of the cities in the region for both planning and funding.

Building for the Olympics and Beyond

Vancouver’s quest to become an Olympic host city began in March 1998, when the Canadian Olympic Committee began its search for a candidate city for the upcoming selection process for the 2010 Winter Olympic Games. In November, local business leaders in British Columbia, with the support of some corporations and government officials, formed the 2010 Bid Society. Once Vancouver was chosen as the candidate city for Canada, the Vancouver 2010 Bid Corporation was formed in June 1999, and included five parties: the province of British Columbia, the government of Canada, the Canadian Olympic Committee, the city of Vancouver, and the nearby resort municipality of Whistler (Office of the Auditor General of British Columbia, 2003; VANOC, 2004).

While enjoying the support of all of the major levels of government, the Olympic bid met resistance from residents worried that taxpayer money would be spent on what amounted to a two-week party when more pressing social concerns needed attention. People expressed concerns about health, education, and other social services that were being cut (City of Vancouver, 2003b). In fact, newly elected mayor Larry Campbell had campaigned on the idea of a referendum for the Olympics, and upon winning election, almost immediately called a referendum in February 2003. It passed with 64 percent approval rating with a turnout rate of 46 percent (City of Vancouver, 2003a).

Despite the lacklustre referendum results, a strong bid and some politics against the Austrian bid by other European countries interested in bidding for the 2012 Games meant that Vancouver was announced as the winning bid in July 2003. Screams of joy erupted from the crowd at the local hockey arena—nicknamed “The Garage” by local radio announcers not interested in advertising the stadium’s corporate sponsor, a car manufacturer—when the vote of 56-53 was announced (“Vancouver-Whistler wins 2010 Olympics,” 2003).

One component of the Vancouver bid that increased its competitiveness was the principle of sustainable development. The Olympic committee, since the 1990s, has attempted to recast itself as a positive movement for environmental benefit. At the Centennial Olympic Congress, held in Paris in 1994, the environment was held up as the “third pillar of Olympism, alongside sport and culture” (International Olympic Committee, 2005). The Vancouver bid attempted to emulate the ideals of sustainable development, with much of the material about the preparation for the Games discussed in terms of the three pillars of sustainability (as addressed in Chapter 2 herein). In addition to looking at the social, economic, and environmental impact of the Games, the Vancouver Organizing Committee (VANOC) also highlights a number of themes under the sustainability umbrella:

- Accountability
- Environmental Stewardship and Impact Reduction
- Social Inclusion and Responsibility
- Aboriginal Participation and Collaboration
- Economic Benefit
- Sport for Sustainable Living (VANOC, 2007)

Yet, even with all the well-publicised jubilation of face-painted Canadians waving flags, and all the discussions of sustainable development, certain segments of society remained deeply suspicious of the Olympic organisation and the many projects surrounding it. Some of the projects garnering the most attention and controversy include high-speed transit expansion from the airport to the downtown core, upgrades to the “Sea-to-Sky” highway between Vancouver and Whistler, and continual reporting of cost overruns, as a hot economy and increased building caused a shortage of both materials and workers, raising costs much more than anticipated.

In more general terms, debate rages about the value of the Olympic Games and whether they bring net value in economic and social terms (Kasimati, 2003; Shaffer, Greer, & Mauboules, 2003). Those who support the Games as a beneficial project generally trot out economic figures regarding tourism and the opportunity to drive forward investment opportunities that would fail in a more mundane environment (Andranovich, Burbank, & Heying, 2001). The argument is both economic and political. And certainly, the main proponents in the provincial government support this dual reasoning: “hosting the Games is fundamentally an opportunity to replicate the kind of economic and psychological stimulus and the

considerable enduring incremental economic benefits the province achieved with Expo 86” (Ministry of Competition, 2002, p. 10). Expo 86 was a “world fair” officially sanctioned by the Bureau of International Exhibitions, with a theme of a transportation and communication. This international gathering, dogged by calls for its cancellation due to massive cost overruns, turned out to represent an important psychological boost for the city, which wanted to represent itself as an urbane centre worthy of the title “world class.” This event sought to bring Vancouver into the limelight with the two cities once considered the cultural and economic capitals of Canada—Toronto and Montreal (Whitson, 2004).

In fact, one of the arguments in favour of the Olympic bid for Vancouver was that it would bring valuable resources from the federal government for expansion of high-speed transit to the city’s airport—resources that would not have been made available otherwise. Whether these funds would have reached provincial coffers through other means is an open question. But certainly, proponents argue that the Olympics help to build a legacy, as they create the will to build projects that have a long-term impact. Certainly looking back to Expo 86, the rejuvenation of the waterfront along the False Creek inlet—which up to the 1960s, was the industrial heart of the city—very much took shape after the Expo 86 project, as did high-speed public transit. The 2010 Olympics will represent an interesting second chapter, as it will develop the last part of those industrial lands along the Southeast False creek, and also bring about the third expansion of the SkyTrain high-speed transit system initially introduced in 1986.

Entered into this relatively volatile mix is the concept of public-private partnerships, a method of procurement used for some of the most high-profile projects for the Olympic bid—most notably, the SkyTrain expansion and the highway expansion. The government of British Columbia has a relatively short history of public-private partnerships, focused on infrastructure. While the largest Olympic projects use the PPP procurement model, they do not represent the only PPPs that the British Columbia government has signed. They also used PPPs to build the Golden Ears Bridge connecting the communities of Maple Ridge and Pitt Meadows, as well as a Regional Hospital and Cancer Centre in the city of Abbotsford.

Projects like the new high-speed transit line and expanded highway have attracted particular attention and controversy because they combine public-private partnerships with Olympic corporate ideals. One of the primary objections in British Columbia to PPP derives from distrust in some segments of society of private-sector interests in areas traditionally reserved for the public sector. Distrust of private-sector involvement in these projects runs so deep that some see PPPs as a means to privatise government. More so than one would find in Hungary, support or opposition to public-private partnerships is driven by the ideological foundations of various institutions. Organisations such as the left-leaning Canadian Centre for Policy Alternatives and the *Georgia Straight* newspaper regularly publish materials criticising the economic foundations for PPP (Redlin, 2003; Shaffer, 2003). Some organisations do remain relatively neutral to the

method of procurement as long as their concerns are met; however, the use of PPP seems to amplify any critiques that people may have regarding a project.

Case Study: High-speed Transit, From Expo Line to Canada Line

Basic Facts

Infrastructure Type	High-speed transit
Name	Canada Line (formerly known as RAV Line, for Richmond-Airport-Vancouver)
Location	Vancouver – Airport – Richmond (running primarily north-south)
Total length	19 km
Number of stations	16 (4 additional future stations planned)

Summary Information

High-speed transit has existed in Vancouver since 1986, when the Social Credit government under Premier Bill Bennett decided to use the occasion of Expo 86 to construct a new transit system from the downtown Vancouver core out to the cities of Burnaby, New Westminister, and across the Fraser River to Surrey. The ALRT system was popularly dubbed “SkyTrain” for track sections which rode on elevated guideways, even though only 13 kilometres of the original 21 ran above ground (6 km ran at ground level and another 2 km ran underground). The automated system features cars built by Montreal-based firm Bombardier using linear induction motors, riding on two separate rails, one providing positive power and the other negative. Braking is provided by a third, middle rail made from an aluminium-capped steel plate, which allows the train to create a magnetic reaction to slow down the train (Wolinsky, 2004).

SkyTrain proposals received a generally favourable reception from residents’ groups along the proposed lines. Quite a bit of consultation occurred during this process, as each neighbourhood through which SkyTrain ran had an Area Planning Advisory Committee and the cities of Vancouver and New Westminister produced a number of reports on noise impacts. The level of consultation and study must have made the results of the construction all the more disappointing, as noise levels from early 1986 consistently registered above the contracted levels (Owen, 1987). Noise wasn’t the only problem, as residents complained about the loss of privacy—the elevated track provided a clear view of some people’s living room and bedroom windows—and a general lowering of property values around the track area. Complaints led to very little in the way of compensation from either BC Transit or the provincial government.

Further developments of the high-speed transit system were outlined in 1994 with the approval of Transport 2021, a transportation plan developed through the Greater Vancouver Regional District (GVRD).⁶ The GVRD, formed in 1967, is an elected body made up of representatives from 35 municipal regions. It delivers region-wide services to the Greater Vancouver area, such as water, sewage, and recycling. It also operates other programs which “enhance the quality of life” in the region, such as producing social housing units. In terms of transportation, the GVRD works as an oversight body. Although transportation remains out of its jurisdiction, it still appoints a number of its board members and approves strategic transportation plans, property taxes, toll charges, parking taxes and vehicle levies (TransLink, 2004). The original 1994 plan identified four key corridors for improvement, which the report argued should be completed in stages to ensure adequate capital would be available (because building all at once would be too expensive), to avoid wastage (because resources and experts could be steadily used), and to prevent under usage of facilities completed too early. These key corridors included Richmond–Vancouver, Broadway–Lougheed, Coquitlam–Vancouver, and Coquitlam–New-Westminster. Despite some claims that the report outlines the order in which these four corridors should be constructed, no such advice is given. In fact, of the four corridors, the Richmond–Vancouver line was forecast to be the most intensely used. Despite this prediction, the Broadway–Lougheed line managed to achieve priority by the mid-1990s.

In 1995, then-premier Mike Harcourt announced the Broadway–Lougheed corridor, scheduled for completion in 2005, and a second line along the Coquitlam–New Westminster corridor, to be built by 2008. Despite being originally announced as a light-rail transit line that would run at ground level at relatively low speeds, in 1998, SkyTrain technology was chosen by the government and would again be used for the latest enhancement to the system.

At the same time that debates over proposed expansion to the transit system were taking place, talk about reforming the governance structures of the authority dealing with transit in the area were also taking place. In 1997, the province began

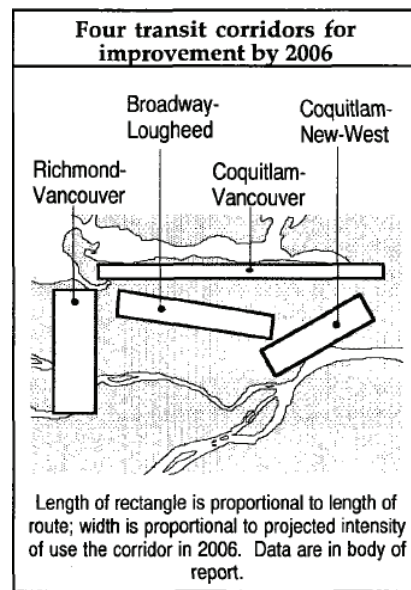


Figure 6. The four transit corridors as envisioned by a report for the provincial government and GVRD from Transport 2021 (1993).

⁶ In August of 2007, the GVRD renamed itself to Metro Vancouver. The original name—Greater Vancouver Regional District—will be used throughout this chapter.

discussions with the GVRD to devolve responsibilities for transit from the provincial Crown agency named BC Transit to a local authority. The new organisation would develop and finance regional transportation; co-ordinate bus and rail services; support road networks (except for motorways); develop and maintain transportation management plans; and run the city's air-pollution testing system, AirCare. The organisation would be independent, though its policies would have to conform to a Livable Region Strategic Plan, which had been adopted by the GVRD in 1996 (Meligrana, 1999). Its Board of Directors would be made up of the various mayors of the Greater Vancouver region, stretching south to White Rock and east to Maple Ridge and Langley. In 1999, this organisation was formally announced as the Greater Vancouver Transit Authority (GVTA), which would soon be renamed again to TransLink. While TransLink would be responsible for funding and maintaining the system with the Vancouver area, the province still agreed to partly fund the new line along the Broadway-Lougheed corridor under the following conditions:

- TransLink will pay \$650 million on the later of December 2005 or revenue service on the Coquitlam extension.
- The province will pay for the SkyTrain "L-line", from New Westminster to Vancouver Community College and that portion of the "T-line" extension to Coquitlam.
- In addition, the province will pay 67 percent (TransLink will pay 33 percent) of the cost of SkyTrain Phase 2 (underground) from Vancouver Community College to Granville Street, so long as SkyTrain is the chosen technology. The province will not pay for light rail or rapid bus.
- Any SkyTrain extension beyond Granville Street will be fully funded by TransLink (Bird & Pledger, 1999).

Construction on the Broadway-Lougheed corridor—later named the Millennium Line—began in 1998, with the first phase offering service in December 2001 and the second phase, to Commercial Drive Station, activated in August 2002. The final phase of construction, adding one extra station to Vancouver Community College, opened only in January 2006.

The current expansion of the SkyTrain—and the subject of this study—is a third line running from the city of Richmond and the airport to the downtown core of Vancouver. Plans for the corridor were announced as early as 1998, when Minister of Finance Joy McPhail announced that rapid transit to the international airport—located south of the city of Vancouver in the adjacent city of Richmond—would be a part of the Olympic bid. Despite having already been announced as a goal of the government in 1998, it took two years before the various parties who would fund the line sat down to negotiate the details of the funding agreement. In 2000, the federal and provincial governments, along with TransLink, the two cities of Vancouver and Richmond, and the Vancouver International Airport Authority (VIAA) agreed to a three-phase program to evaluate rapid transit in the corridor.

The most contentious debate about the project took place at the local level, specifically within TransLink. Because the Board was made up of mayors from different jurisdictions, one understands why mayors would fight against a project that could divert large amounts of money to particular regions, in this case the cities of Richmond and Vancouver. This problem was especially acute in this case, given that many viewed SkyTrain as a project that could potentially divert funds from already existing services, given the high cost of not only building the project, but also financing it over the long term. Between May and June of 2004, it took TransLink's Board three votes before approving the Best and Final Offer stage of the process (Burrows, 2006). The final approval came with slightly changed scope of the project to reduce its cost, including reduced tunnelling on the agreed-upon corridor south of West 49th Avenue and surface operation along No. 3 Road in Richmond (TransLink, 2004, June 30).

While details remain somewhat limited on why some mayors changed their votes for the third and final time, the possibility of losing funding from various levels of government probably influenced the decision. Board members were given relatively limited options for changing the scope of the project as well, which might have made the debate more difficult, with very little room for compromise. For example, some argued that light-rail trains (LRT) should be used rather than SkyTrain; however, the Board had little room to manoeuvre in this regard because one of the provincial government's specifications for the track was that rapid transit would need to reach the airport in 25 minutes and the downtown core of Richmond in 30 minutes. According to Ian Fisher of TransLink, LRT may have been able to meet these time requirements; however, it would have been a difficult task (2006 December 05).

What drew even more attention to the project was the insistence of the provincial government that the project be completed as a public-private partnership. Some viewed the use of PPP as a form of privatisation, which drew the ire of groups like CUPE, the Canadian Union of Public Employees.⁷ Other organisations such as the Bus Riders Union (BRU)—a locally based NGO dedicated to social justice and the “right to mobility”—brought forth the same arguments about privatisation (Ormond, 2006 January 26). For organisations such as these, the concern is about private-sector involvement in public affairs. For the union, the concern is primarily about public-sector jobs, but for others like BRU, the concern is about ensuring that bus riders, particularly those on low incomes, are not unduly hurt by diverting funds to other (non-bus) modes of transport that may be more profitable or politically attractive, but lead to worsening service, fare increases, and overcrowding on buses.

One larger concern about public-private partnerships, especially in terms of this study, was perceived problems with transparency. Many organisations complained that PPP led to a less-transparent process in which it was difficult to garner information, in particular about important financial details. The Society

⁷ Other unions in the construction industry, however, defended the project.

Promoting Environmental Conservation (SPEC) spoke of concerns that details of the contract prevented them from evaluating whether fares would need to be increased to cover costs of the new transit line (Doherty, 2006 February 01). Even the Board of TransLink received only executive summaries of a PriceWaterhouseCoopers report on the financial viability of the new line, because it contained information sensitive to the negotiating process (Redlin, 2003). Other details of the project also came out, though at times when the public could do little about it. For example, some NGOs complained that the method of digging the tunnel along part of the route was hidden until the environmental impact assessment was completed. Rather than boring through the ground, the concessionaire would use a cut-and-cover approach, which would involve digging up the street, inserting the pipes, and then re-covering the area. Although cheaper, this method of construction would also be much more disruptive to local businesses in the construction area, as the street would need to be closed during construction.

Despite concerns and debate, the final project was approved when a consortium led by SNC-Lavalin was selected as the winning bid in 2005. Construction began soon afterwards and is scheduled for completion in late 2009, a few months before the Olympic Games are to begin.

Partnership Structure

The public-private partnership created for this project is a 35-year DBOFM structure, with a consortium led by SNC-Lavalin—under the special-purpose vehicle named InTransitBC—responsible for both construction and maintenance of the line. While the partnership structure indicates that the private sector would fund this project, this remains only partly true. Public partners are offering most of the financing for construction; however, the concessionaire is expected to bring its own funding for any financial shortfalls under which it has agreed to take the risk and also invest a further C\$657 million as a part of the contract.

<i>Risk</i>	<i>Allocated to...</i>
Land acquisition cost and schedule	CLCO
Municipal and regulatory permitting	Shared
Cost of design-build packages	InTransitBC
Cost of construction	InTransitBC
Construction inflation (labour, steel, etc.)	InTransitBC
Construction delay	InTransitBC
Utility relocation cost	CLCO
Utility relocation delay	InTransitBC
Changed ground condition (tunnels)	InTransitBC

<i>Risk</i>	<i>Allocated to...</i>
Changed ground condition (other assets)	InTransitBC
Design integration	InTransitBC
Integration between civil works and systems	InTransitBC
Operating performance (over the 35-year term)	InTransitBC
Operating cost (over the 35-year term)	InTransitBC
Maintenance costs (over the 35-year term)	InTransitBC
Useful life of trains and other systems	InTransitBC
Condition of civil assets (over the 35-year term)	InTransitBC
Ridership revenues	~90% GVTA

Table 4. Risk transfer in PPP contract as reported by RAVCO (which would become CLCO) (RAVCO, 2004).

Of the risks that the public authorities still need to assume, ridership figures has proven the most controversial, as some feel that the figures for the Canada Line have been inflated. Perhaps more disconcerting is that the projections for the previous SkyTrain line proved overly optimistic. According to ridership figures published in 2005, the number of people taking the Millennium Line had increased by 34 percent to 59,100 per day. However, forecasts had assumed that 75,000 riders would use the line per day by 2006. The report states that some of the error is because original projections had assumed that a new line to Coquitlam Town Centre would already have been built by this time, and that lower than expected population and growth exists on the line than projected (Leicester, 2005). As well, as already mentioned in Chapter 3, PPPs tend to overestimate usage figures, though given that TransLink is assuming these risks, there remains little motivation for the concessionaire to exaggerate these figures.

Unlike many other PPPs, the government side of the concessionaire agreement has been signed by newly crowned organisation, the Canada Line Rapid Transit Inc. (CLCO), which co-ordinates the many agencies involved in funding the new line.⁸ While CLCO is officially a subsidiary of TransLink, only five of the nine members of its Board are nominated by TransLink. Two more are appointed by the Vancouver International Airport Authority (VIAA), and two by the province. In addition, the cities of Vancouver and Richmond also attend meetings, though in a non-voting capacity (CLCO, 2007). In an age of multi-level governance, this structure provides some potential advantages to other PPPs in which government departments or other general organisations are the primary signatories for the public partners. First, it offers an organisation whose primary function is only the project, in the same way that the project vehicle for the private sector offers a unique

⁸ Before construction began, the project was commonly referred to as RAV, for Richmond-Airport-Vancouver. As such, the original name for this subsidiary, which was created in 2004, was RAVCO. However, in 2005, with the new name for the line chosen, the organisation also went through a name change.

organisation whose sole focus is the project. The entire organisation can focus its energies on the project and has a clear line of responsibility. Second, this also helps ensure that all of the major public partners have proper representation and access to information, because all sit on the Board of Directors. The only aspect of this arrangement that makes the structure different from the one on the private-sector side is that each member of CLCO also is involved contractually or in other official terms in the project, while InTransitBC remains the sole voice on the private-sector side.

The Funding Agencies

As mentioned earlier, the Canada Line receives most of its funding from public and quasi-public sources, acquiring funds from three levels of government and the airport authority. The Canada Line runs through three jurisdictions: the Vancouver Airport, which is land leased from the federal government; the City of Richmond; and the City of Vancouver. Of these three jurisdictions, only the City of Vancouver and the Vancouver International Airport Authority offer a direct financial contribution to the project. The airport is funding all aspects of the line related to the airport segment of the Canada Line, while the City of Vancouver has agreed to fund the Olympic Village station on 2nd Avenue along Cambie Street (originally named False Creek South station).

<i>Funding Agency</i>	<i>Amount (in 2005 dollars)</i>
Government of Canada	C\$419 million
Province of British Columbia	C\$235 million
TransLink	C\$321 million
City of Vancouver	C\$27 million
Vancouver International Airport Authority	C\$245 million
InTransitBC	C\$657 million ⁹

Table 5. Break down of the funding agencies for the Canada Line.

While the City of Vancouver funds one of the stations, their primary role is the same as that of the City of Richmond. The cities remain essential to the process, even though they offer little in the way of funds for the project relative to the overall cost, because they supply the necessary permits for demolition and construction, and also rezone the land for transit construction. They approve construction designs, expedite permits (such as for demolition), and help with the application process (Chang, 2006; McGuire & Pledger, 2006).

For most of the government agencies involved, the motivation for funding the new line remains a combination of sustainable transportation and economic

⁹ InTransitBC plans to recoup its investment through fees paid by CLCO for the use and maintenance of the line.

development. For the VIAA, the motivation relates to more local concerns. In addition to wanting a convenient transit option to the centre of Vancouver, it also believes that its employees can take advantage of the new system and that the line will help alleviate commuter traffic on a bridge which also services travellers going to the airport by taxi or car (Lenahan, 2006 December 20).

Various Relationships

The figure below shows a partial illustration of the structure of the relationship between the various public and private actors. The two main signatories of the concession agreement are InTransitBC, composed of construction conglomerate SNC Lavalin, and two Canadian fund managers, BC Investment Management Corporation and the Caisse de Dépôt et Placement du Québec. On the public-sector side of the equation sits the Canada Line Rapid Transit Inc (CLCO), formerly known as RAVCO. As mentioned earlier, three public-sector organisations assign board members to this organisation; however, some of those same organisations have also signed contractual agreements with CLCO to supply it with the funds to construct the Canada Line.

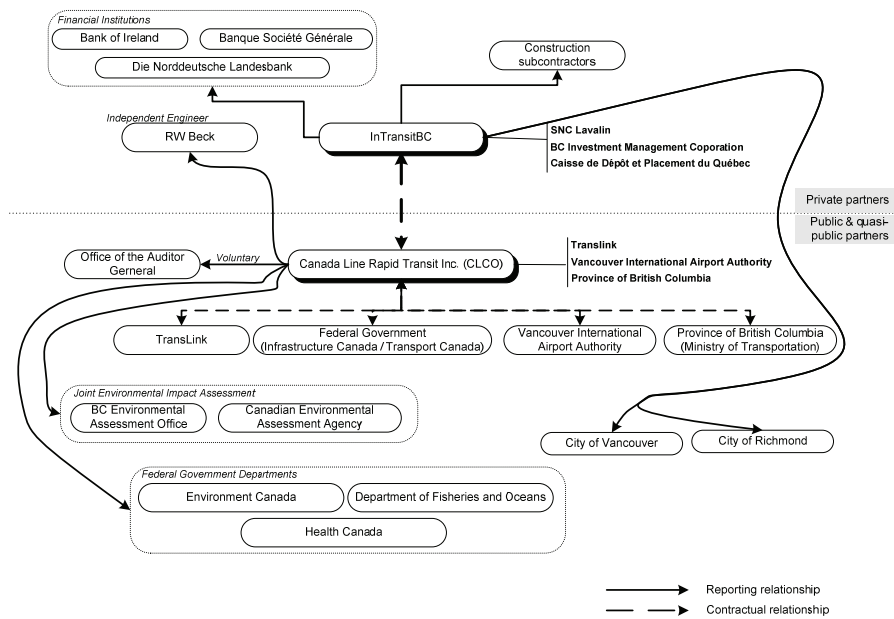


Figure 7. Partial relationship chart of major organisations involved in the Canada Line.

One aspect of this chart that merits special attention is the relationship between the provincial and federal environmental assessment agencies. Because this transportation project crosses major waterways, the federal government holds jurisdiction over the area and should be the only agency involved in the

assessment of the project.¹⁰ However, for political reasons, CLCO chose to ask for a joint review from both the provincial and federal governments. This joint review involves collecting the same information; however, the provincial process is more open to the public and also has a tighter timeline, which ends up pushing along the federal assessment (Sullivan, 2006 January 23).

Data Analysis of Information Flow

As with the Hungarian case studies, the first phase of the data analysis involved looking only at the flow of information between actors to determine the network's overall structure. This analysis was meant to determine the centrality of actors to see whether a few central players existed, and also to identify the integration of actors.

The questionnaire contained questions on both sending and receiving information, which led to eight matrices: four for each subject field for giving information, and four for each subject field for receiving information. First, I completed data analysis on each individual matrix with regard to information exchange. Next, I added together these four matrices (with the ADD command in UCINET) and completed an analysis on this combined matrix, so that I could make comments on the general flow of information through the partnership.

The first question to answer relates to influence. Respondents were asked to rank the five most influential members of the network before and after the contract was signed for the PPP (see questions 3 and 4 in Appendix A). These results were recoded, so that a value of 5 indicated the most influential and a value of 1 was the fifth-most influential. The scores received from each organisation in questions 3 and 4 ($n=61$) were then added together, and then divided by the highest possible influence level ($n \cdot 5 = 61 \cdot 5 = 305$). This offers a score from 0 to 1, with 1 being the highest level of influence in the network.

<i>Organisation Name</i>	<i>Assigned Code</i>	<i>Role in the Partnership</i>	<i>Influence Score</i>
TransLink	Translink	Body charged with maintaining transit services in the greater Vancouver area. They own CLCO, the subsidiary charged with managing the project on behalf of the many public partners.	0.403

¹⁰ The land controlled by the VIAA is under its own jurisdiction, and they conducted their own review. However, they also offered material to the impact assessment.

<i>Organisation Name</i>	<i>Assigned Code</i>	<i>Role in the Partnership</i>	<i>Influence Score</i>
Premier's Office	PO	The premier's office holds no official status as a partner. Yet, as the office with control over the provincial government finances, they were able to exert pressure on various organisations to influence the process.	0.344
Vancouver International Airport Authority	VIAA	Responsible for the airport arm of the Canada Line. VIAA will own the guideway for the train, and lease it to the concessionaire through the life of the concession agreement. They also have their own subcontractors for jobs work, such as landscaping, road widening, ticket-vending machines, and property acquisitions.	0.256
Transport Canada	TC	Organisation responsible for approving two bridge crossings over the Fraser River. Also took the lead for federal government's contribution to the new line; however, Infrastructure Canada ended up taking over this role.	0.200
City of Vancouver	Vancouver	The vast majority of the Canada Line passes over Vancouver territory, and the city must issue various permits for the use of land under their jurisdiction. Interestingly, the City of Richmond ranked quite a bit lower, with a score of 0.121, behind the provincial Ministry of Transport, Industry Canada, and CLCO. This may partly reflect the fact that the city of Vancouver is contributing funds to the project, and may also partly reflect Richmond's relatively lower political importance and strength.	0.180

Table 6. Top-five influence scores for organisations for the Canada Line.

These influence figures can then be compared with certain centrality scores to see whether those that are perceived to be influential are also well connected. This part of the analysis also addresses whether the structure of the partnership is hierarchical or relatively flat. In other words, does the network structure possess

the centralised actors or agencies required for an effective—and therefore potentially accountable—network.

Looking at the status analysis below, one can see that the two signatories of the concession agreement are clearly the most central in the project, as one would expect. Yet, despite their importance in communication, respondents would consistently rank TransLink—the owners of CLCO—as ultimately more influential. This can be justified relatively easily, given that TransLink sits on the Board of CLCO. This also speaks to a certain lack of independence—at least as perceived by the partners in the project—of the CLCO as an organisation. As well, while respondents addressed the importance of federal agencies, the latter don't start appearing in the status analysis until approximately the third tier, even though respondents consistently addressed their importance. This leaves open a few questions that I will return to after completing the remaining analyses of the information exchange.

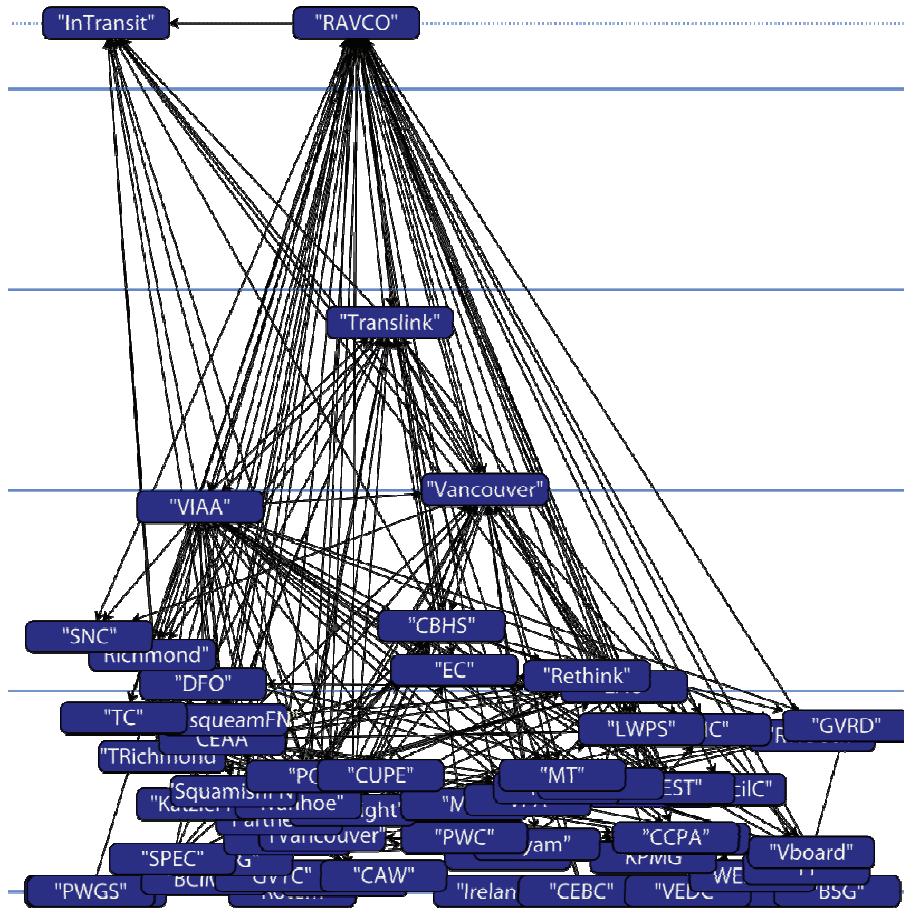


Figure 8. Status analysis of full information network using Visone.

While this analysis shows the importance of both the public- and private-sector parties to the concession agreement, a betweenness centrality analysis shows some notable discrepancies—and potentially positive ones for transparency. To recap, the betweenness centrality analysis shows individuals or organisations that are able to mediate and even control the flow of information to various actors (Schneider, 2005). This can also be an indicator of hierarchy if a few actors have the ability to control information flow.

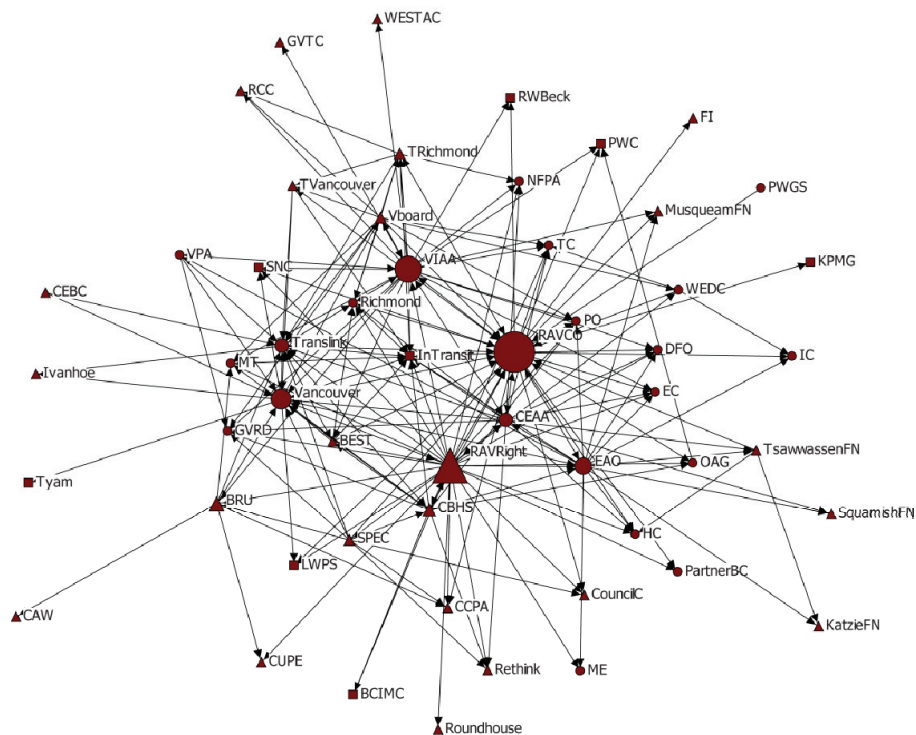


Figure 9. Communication flow, drawn using UCInet’s Netdraw. Size of nodes shows betweenness centrality. Public actors are circles; private actors are squares, and NGOs are triangles.

The centrality of CLCO (coded as its original name, RAVCO) remains completely expected. As the public-sector body with sitting board members from a number of other organisations, it is, as expected, “in between” a number of other organisations. More interesting, however, is that one of the most central actors in this form of information control is an NGO. Given Do RAV Right’s active role in nearly every phase of the planning and construction of this project, this is perhaps unsurprising. However, as an NGO with little information to hide, its central role in the network provides no advantage to the network as a whole. One could argue from this data that Do RAV Right has been able to acquire information, which can then be passed on to other members of the network (in particular, other NGOs). And certainly, interviews showed that Do RAV Right used every available means,

However, this analysis needs to be supplemented with other gathered data. One question asked of all participants was whether they had difficulty gaining information from any of the organisations in the network. While Do RAV Right gained quite a bit of information through the Access to Information Act, they complained about the expenses involved and the limited success in receiving information. They also remained unable to see the partnership contract as well the analysis of the value-for-money report (though this report would come to the public later).

One further aspect of the social network analysis also needs to be qualified, and that remains the role of BC Environmental Impact Assessment. During the months of the impact assessment, the provincial and federal governments were heavily involved in the process, communicating with various stakeholders on nearly a daily basis. However, as this network is a snapshot over a longer period of time, the governments appear less central. This position does make sense, given that they will only be entrenched in the process during the assessment phase (though continual inspections take place after an environmental certificate has been granted).

The final aspect of the network is the density, which shows how closely members of the partnership communicate. The analysis of this single case shows an average density of 0.6258, indicating that approximately 63 percent of all possible ties between organisations exist. This analysis shows the same high network cohesiveness as the Hungarian public-private partnership analysed in the previous chapter, and shows that the actors remain a cohesive group.

The conclusion from the first phase of the data analysis, then, is that this PPP does achieve integration of centrally located actors. However, some concerns remain for a small number of those actors, which is further complicated by the fact that the main signatory of the concession agreement is not the one that has much leeway for influencing the overall process. It leaves open questions as to who exactly remains accountable for the overall success of this project. It's important to point out that accountability for individual aspects of the project remains in place, but group accountability could be weaker than found in other partnerships.

Group Cohesion

One final analysis of the way information flows through the network can be done made by determining the number of subgroups that exist. In this case, I have looked for 2-clans, which are a specific type of subgroup in which all actors are connected to one another within a distance of two organisations. These types of subgroups show the organisations that are communicating with each other. The reason for conducting this analysis was to determine whether organisations would tend to group together in terms of public (or quasi-public) and private status.

The n-clan analysis, in fact, showed nothing conclusive in terms of cliques of public or private actors. An analysis of the full information exchange dataset

showed a full 24 2-clans, the smallest of which contained a set of 10 organisations, which included all forms of organisations, including NGOs. In an effort to find some cliques, I searched for 3-clans, which did reduce the number of clans to three. However, this led to groupings which included nearly all organisations in the network. For this reason, it can be concluded that no systematic cliques of private actors exist in the network.

Data Analysis of Accountability

The next phase of the data analysis examined accountability more directly, with a network analysis completed on two questions. Again, interviewees were asked to identify the organisations that could evaluate or certify their performance. When asked about examples, interviewees were informed that this evaluation could come in many forms, such as examining the quality of construction or looking at expenditures. Interviewees were also asked to identify the organisations with the power to penalise them.

The first network diagram, then, is the evaluation portion of accountability. From this diagram, it appears that CLCO (labelled here as RAVCO, their old name) remains at the centre of accountability, with a number of public and private organisations evaluating their tasks. The City of Vancouver is also responsible for evaluating the work of InTransitBC, which is a bit more on the periphery. Finally, one can also see the Cambie Boulevard Heritage Society, an NGO that has taken upon itself the task of ensuring that the construction does as little damage as possible to trees growing along the route.

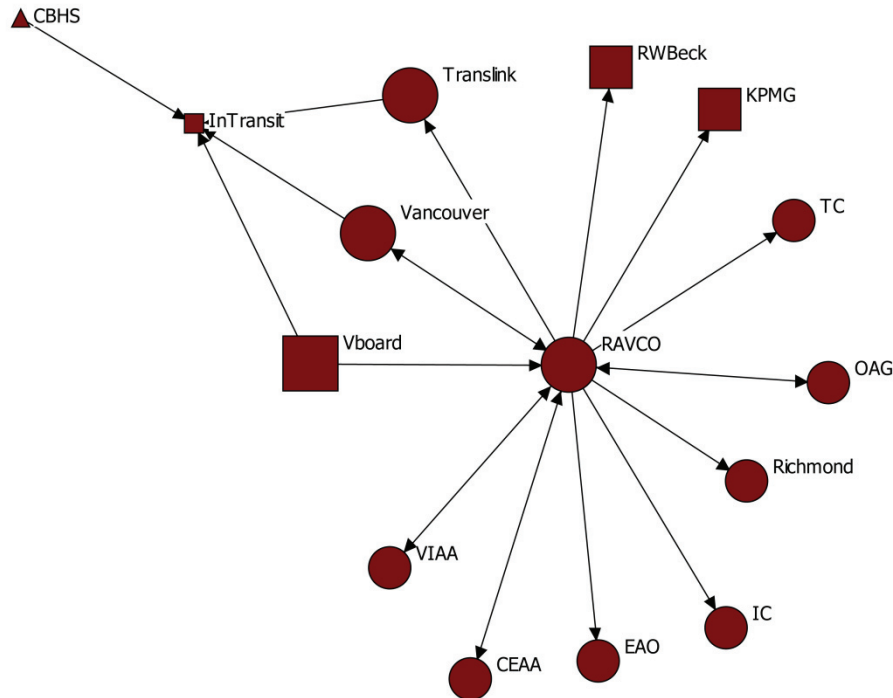


Figure 11. Evaluation network showing organisations that attempt to evaluate others. Public and quasi-public organisations are circles, private ones are squares. Drawn using UCINET's Netdraw.

Unfortunately, a number of the private-sector firms refused to talk about their involvement with the project. Given that the same types of organisations refused to speak in both PPP cases—the concessionaire and the private-sector funding agencies—one has to wonder whether this trend would continue over all PPP cases. Nonetheless, I also need to address what this refusal does to the accountability diagrams, as private-sector financial accountability is missing from the picture.

The same picture evolves for the sanction network as for the evaluation network, though only those directly involved in funding the agency have any power to impose sanction. Although for some, this may seem like an obvious conclusion, I was somewhat surprised that agencies such as the City of Richmond could not penalise contractors in some way for errors completed on site.

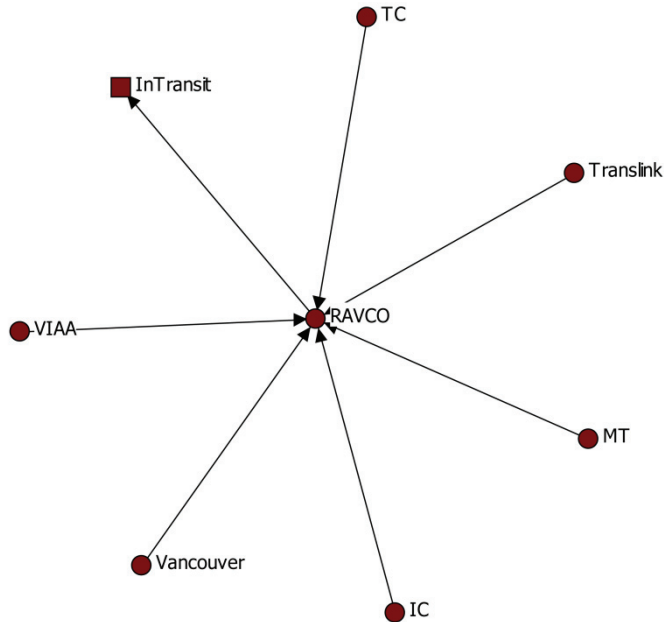


Figure 12. Sanction network showing organisations that sanction others. The size of the nodes shows eigenvector centrality. Public and quasi-public organisations are circles, private ones are triangles. Drawn using UCINET's Netdraw.

Case Study: The Village, Sustainable Waterfront Properties

Basic Facts

Infrastructure Type	New neighbourhood
Name	Southeast False Creek (SEFC)
Location	Between Cambie Street and Quebec Street, north of 2 nd Avenue to the waterfront
Total area	~32 hectares

Summary Information

Prior to the 1980s, much of Vancouver's waterfront in and around False Creek was used for industry and commerce. The area was home to numerous industries related to lumber, metalworking, and marine activities, and along the north side of False Creek was a major railway. Much of False Creek was, in fact, "reclaimed" as part of development for this area (Stevens, 1936). General plans for redevelopment

of this area began as early as 1968, when the newly founded municipal party, The Electors Action Movement (TEAM), proposed to redevelop the area into a residential and “clean” industrial district. The plans for the area were very much inspired by urban planner Jane Jacobs, and would call for minimum car usage to allow pedestrians into the streets (Ley, 1980). The plans contained many of the elements of sustainable development and echo the plans for Southeast False Creek in the current plans. In addition to minimising car usage, the plan called for mixed housing for various income groups, consisting of one-third from lower-, middle- and upper-brackets. While some development took place during the 1970s, it wasn’t until plans for Expo 86 were announced that the area truly began to be transformed, with redevelopment of the north shore of False Creek.

Current plans for the southeast section of False Creek—the last land that can potentially be redeveloped—began in 1999 with the publication of a Southeast False Creek Policy Statement by the City of Vancouver. This document speaks of building a “sustainable community” based on the three pillars of sustainable development: economic, social, and environmental. Bringing together these three principles in this area of the city has been made slightly easier because of the huge economic windfall that the neighbourhood offers. Not only is it one of the few undeveloped areas near the city centre, but its proximity to the waterfront makes it a highly desirable place to live.

Environmental Aspects

The environmental aspects of the project are unique for a project in North America, as it is one of the first new neighbourhood constructions that will be carbon-emission neutral for all of its energy needs. The language used to describe the site echoes the Brundtland report: “It should recognize the need for conservation, restoration and management of local, regional and global ecosystems. Therefore, resource conservation and waste reduction measures should be implemented to a level that will meet the needs of present and future generations.” (City of Vancouver, 1999, p. 5) Not only is there concern that the residential area must in some way blend in with its environment, but also that the way the land is used is sustainable into the future. Clearly, limits exist to how far these noble words can be taken in reality. The word “restoration” is one example. After all, the False Creek inlet used to be five times its current size, but land was reclaimed and the water area reduced through industrial production. The area now, while showing some concern for fish habitat, will remain a relatively high-density residential neighbourhood and there are no plans to restore elements of the original body of water.

Yet, the area shows some real innovations. One of the critical elements of this proposal to achieve carbon neutrality is a plan to harvest energy from the large sewer main, which emits heat at a temperature of 65°C. Buildings will also capture rain water for household and business uses and grass roofs will be incorporated into buildings. This saved water will then be stored in cisterns and used for

irrigation and toilets, with water plumbed straight into living areas. The City of Vancouver hopes that this will represent a 50-60 percent saving in water usage (Andrews, 2007 February 14).

Perhaps one of the largest environmental concerns for the area was the fish habitat, so the national Department of Fisheries and Oceans was heavily involved in the planning process. False Creek remains a very important habitat for salmon, and the department is bound by sections 35 and 36 of the Fisheries Act. Section 35 of the Act prohibits anyone from altering, disrupting, or destroying any fish habitat, while section 36 prohibits the “deposit of deleterious substances,” which means any substance that would degrade the quality of the water (“Fisheries Act (Canada),” 1985). Exceptions can be granted to these policies to meet societal needs. The general policy from the department is one of “no net loss,” and the department looks for a net gain of fish habitat in some other area when construction may create losses (Salomi & Naito, 2006 December 06). For this reason, one other important aspect of the plan is to create an intertidal fish habitat. There will also be a new island—accessible only during low tide—to attract marine and bird life.

Social Aspects

While many real-world discussions of sustainable development tend to underplay the value of social sustainability, the SEFC project brings this pillar clearly into view. However, the vagueness of the concept has made it difficult for city planners to define exactly what social sustainability means. In general, the project defines the concept in very broad terms, describing it as a means to strengthen social networks and enhance the quality of life in the region. Specifically, the city envisioned three goals:

- enhance cultural vitality and diversity
- provide a wide range of accessible housing and employment choices
- encourage participation of residents and visitors in stewardship of the neighbourhood

Each of these goals certainly works towards creating an environment of social stability and some harmony. Providing a “wide range” of housing and employment offers perhaps the most obvious means to social stability. Policy-makers in Europe have taken mixed neighbourhoods as a given for urban renewal, as they argue that it decreases social exclusion, increases public participation, and brings greater support for community neighbourhood facilities, among other benefits (Kleinhans, 2004).¹¹ City planners in Vancouver have taken these arguments as true, originally

¹¹ Kleinhans’ review of the literature offers a relatively neutral picture of mixed neighbourhoods, saying they don’t offer huge benefits. However, the researchers were looking at improvements to existing neighbourhoods, whereas the SEFC represents a completely new neighbourhood.

aiming for a mix of housing that would be 33 percent market-based, 33 percent modest-market, and 33 percent affordable.

In this social goal, one can also see why the three pillars of sustainable development are inseparable. Encouraging a wide range of accessible housing, particularly in a highly desirable (meaning expensive) part of the city, by definition also means forgoing some tax revenues that the city would receive if they allowed all of the property values in the area to remain as high as possible. In the end, though, these opportunity costs may bring other benefits. A healthier and more socially integrated environment may be easier to police, or may reduce health costs. Nonetheless, especially for a project which has little or no precedent to prove these potential savings, the added cost of social housing will be carefully evaluated by critics and city planners alike. And, as will be shown in the next section, the city decided to rebalance the economic and social spheres, offering a less equitable distribution of housing to varying classes of people.

Certain environmental and social goals also cross paths in this project. The city planners are attempting to build a community which will minimise car usage. All amenities such as schools and shopping will be reachable within the community by foot. Pedestrian and bicycle usage will be emphasised over cars in the design of the roads for the area, so transportation strategies will follow on a hierarchy of importance: pedestrian, cycling, transit, and then cars last. These all have clear environmental consequences, as reduced car usage will promote cleaner air. But this strategy also has social implications for increasing “social networks,” because getting people out of their cars and on to the sidewalks, as Jane Jacobs might advocate, is important to creating a vibrant community where people interact. The plan even includes the creation of a non-motorised boating facility for kayaks and canoes, thus meeting both environmental and social goals. This kind of boating impacts less on the surrounding environment and, according to the city manager in charge of the project, it also improves human health, getting people to be more active.

Beyond these more tangible social goals, the idea of social sustainability was extended into creating social links with the past. The project designers hired heritage consultants Commonwealth Historic Resource Management to examine historical buildings for preservation and to examine historical photographs and stories for use in designing the public grounds of the site (for public displays of art, for example). This kind of study of heritage is nothing new, of course. What seems a bit more unusual and interesting is that the city managers and members of the design team label this as part of sustainability. This choice would seem to argue that a sustainable and stable society relies on making connections with the past.

However, it remains unclear whether these activities—no matter how admirable—should be touted as aspects of sustainable development. As mentioned in Chapter 2, some proponents of sustainable development argue that one of its strengths lies in the flexibility of the term. Planners and proponents can alter the meaning to meet their own needs. Yet, it remains unclear whether creating these

links with the past promotes a healthier, more equitable, or even more stable society.

Despite this overextension of the definition of social sustainability, the project still includes some important equity and social-stability designs that merit praise.

Economic Aspects

According to the principles outlined for the region, economic sustainability means “economic viability without subsidy.” The lack of economic subsidy remains important to some of the participants, as they want to be able to use this community as a model for other areas of the city. Jody Andrews, project manager for the SEFC, argues that what will be done in this part of the city needs to be replicable in other areas (2007 February 14). However, if the community becomes only a showcase of environmental and social policy, without being able to sustain city services in the area via tax and other revenues collected, then the area remains nothing more than a show piece. The legacy that city planners want to create in the area is not just for this particular neighbourhood, but for the city itself to prove that sustainable planning is a viable option.

Meeting the economic balance, however, has shown the idea of the “win-win-win” scenario as a farce. Throughout the planning of this project, economic sustainability has worked more as a brake to the other two pillars of sustainability as opposed to a driver.

In this particular case, the trade-offs involved the mix of social housing with the economic realities for the project. As already mentioned, in its original, the SEFC plan called for a mix of 33 percent market-based housing, 33 percent modest-market housing, and 33 percent affordable housing. In 2006, this mix was altered so that approximately 20 percent of housing across the site would be considered “affordable” housing (with variations across various zones), hence increasing the amount of housing going to the market. As well, 10 percent of the area will remain rental accommodation for 20 years.

Olympic Aspects

The plan for the SEFC area was developed independently from the Olympic bid that was also being prepared at this time. However, given the need to create a “village” for the coaches and athletes attending the Games, and also given the sustainability and legacy credentials already embodied in the plans for the area, it seemed a natural fit to use this area for the Olympic Village.¹² The bid book specifically mentions that the SEFC

¹² The Vancouver bid actually calls for two Olympic Villages, as some events will take place in the city of Vancouver, while others will take place at the Whistler Blackcomb ski resort. Each site will have its own Olympic Village.

site is owned by the City of Vancouver, which is committed to developing it as a model of sustainable urban development, with a mix of market and non-market housing, parks, community amenities, offices and shops. ... Council further directed that the area should be developed to incorporate principles of energy-efficient community design and to use the project as a model for sustainable development. Locating the Olympic Village here will contribute significantly to revitalizing this underdeveloped part of the city, and will serve as a catalyst for this sustainable community development (VANOC, 2002).

Twice on the same page, the word “legacy” stands out, and is sprinkled throughout the Olympic Village chapter, appearing eight times on approximately eight pages of text.

Despite some heavy promotion and attempted linking of this site with the Olympic project, VANOC’s involvement remains secondary when compared with other partners for the project. Nejat Sarp, vice president of Villages and Accommodation for VANOC, describes the relationship as one of a “silent partner” who ensures that the site will meet the needs of VANOC and that all of the technical specifications of the International Olympic Committee will be met (2006 November 30). VANOC will take complete control over the site from 01 November 2009 to 07 April 2010. In terms of money, they have offered approximately C\$30 million, funds which are necessary for certain services necessary for the village and to ensure that the site is returned to the developers in a condition so that it can easily be converted into social and retail housing.

Project Structure

The figure below shows a partial illustration of the structure of the relationship between the various public and private actors. The City of Vancouver remains at the centre as the primary owner of the site, while on the private side, contracts have been signed with various groups of contractors. Millennium Properties Inc. will build the buildings for the site, while a group led by Stantec Consulting has been designing all open spaces for the site. This team includes the group working on the elements of sustainable development, such as the historical elements as well as designing the new island with the fish habitat. Also included in this chart is an organisation called BERC (pronounced *berk*), which is the Burrard Environmental Review Committee. This group remains responsible for the entire Burrard Inlet, of which False Creek is a part. Finally, it’s also worth mentioning the relationship between the City of Vancouver and the Vancouver Park Board, which remain distinct entities due to an oddity of history. The Vancouver Park Board is governed by elected park commissioners, though their budget derives from the City of Vancouver (Driessen, 2006 December 11). Their jurisdiction covers the parks, community centres, and trees on the street. So, while the City of Vancouver drives the development in this area, the Vancouver Park Board can also have a significant say in its development.

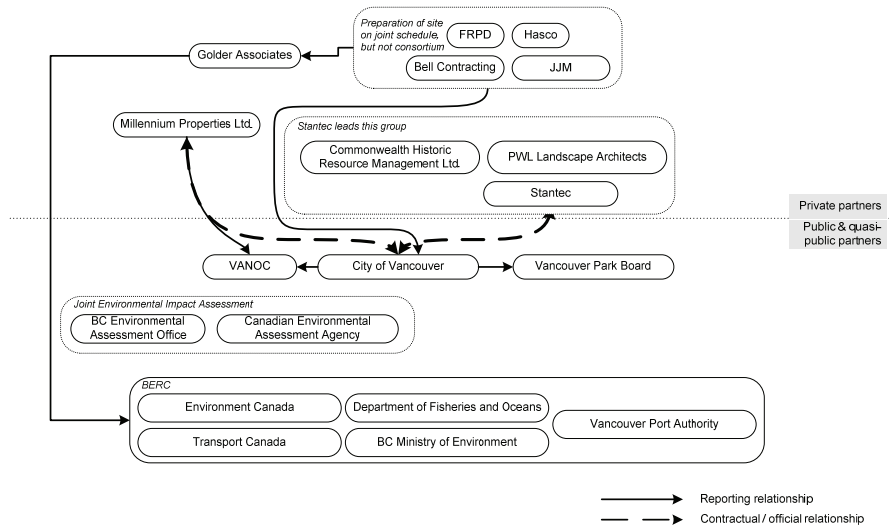


Figure 13. Partial relationship chart of major organisations involved in the SEFC Development Project.

Data Analysis of Information Flow

Returning to the question of influence as addressed in the first case, respondents were asked to the same questions about ranking the five most influential members of the network before and after the project was begun. In this case, the number of stakeholders in the network was 34. The analysis pointed out striking differences between the two cases. First and foremost, as expected, the City of Vancouver scored much higher than any other organisation, showing the central position that the public sector holds in this more traditional procurement model. As mentioned with the Hungarian case, for those who focus on input legitimacy and believe that public-sector organisations must be at the centre of decision-making to achieve legitimacy, the lower influence of the private-sector in the project would be a clear plus for more traditional procurement. However, unlike the Hungarian project, one developer did make it into the top five, with Millennium Development showing a degree of influence. This can partly be explained by Millennium’s role in creating economically and environmentally sustainable buildings. Clearly, they should have at least some say in their overall design.

Organisation Name	Assigned Code	Role in the Partnership	Influence Score
City of Vancouver	CityVancouver	Owner of much of the land for the project and also main organisation responsible for co-ordinating its development.	0.564

<i>Organisation Name</i>	<i>Assigned Code</i>	<i>Role in the Partnership</i>	<i>Influence Score</i>
VANOC	VANOC	The Vancouver Olympic Committee, responsible for overseeing the Olympics in 2010 and also for ensuring that the site meets the needs of the Olympic Village.	0.253
Vancouver Park Board	VPB	Independent organisation responsible for parks and other public spaces in the city of Vancouver.	0.135
Canadian Federal Olympic & Paralympic Secretariat	CFOS	Federal agency overseeing federal funds going to Olympic projects.	0.088
Millennium Properties Limited	MPL	The developer responsible for buildings on the site.	0.088

Table 7. Top-five influence scores for organisations in the SEFC project.

The status analysis very much mirrors the more qualitative data collected above, with the city remaining much more central than any other organisation in the project. Interestingly, private-sector organisations appear on the second tier of the status analysis, while various provincial and federal bodies, such as those involved in BERC, appear near the bottom. Only Health Canada (HC) ranks in this second tier. Some of the lead contractors for the SEFC, Stantec and Millennium Properties Limited, appear in the second tier, which can be attributed to their advisory roles for the project. Millennium Properties, given that they are looking to profit from the project with sales of market-based housing, would also be sure to advocate as much market-based housing as possible to maximise their profits.

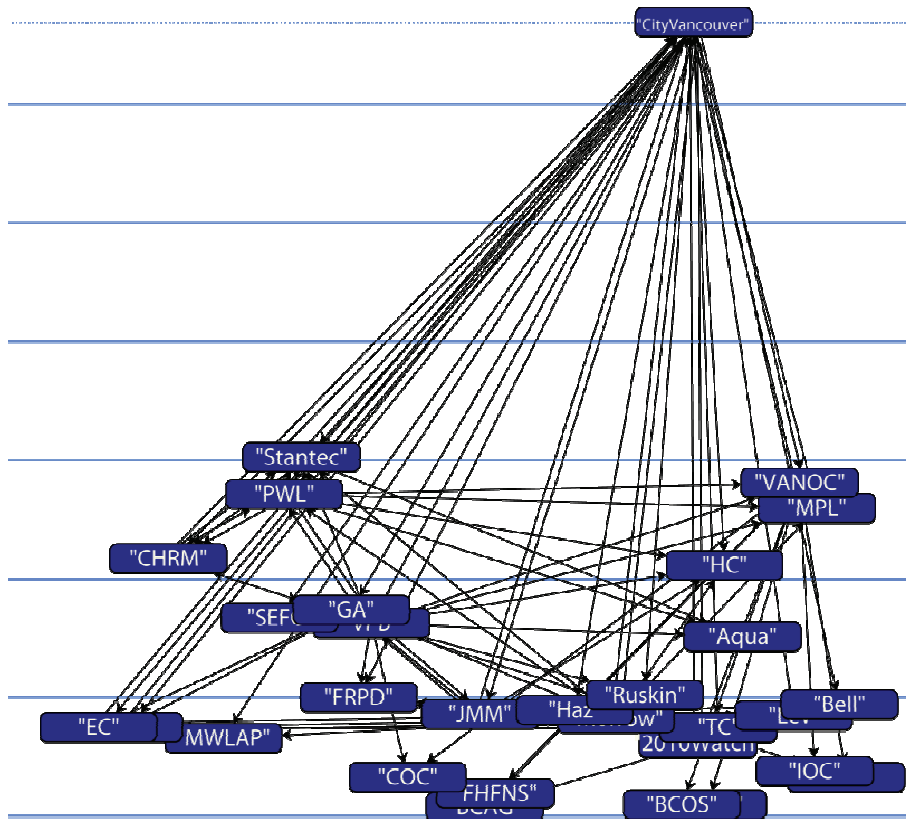


Figure 14. Status analysis of full information network using Visone.

Again, to see how easily information can be obtained within the network, an eigenvector centrality analysis was conducted. Like the PPP case, no single actor stands at the centre of the network. The only significant difference shown in these two networks is the role that Morrow Environmental Consulting plays in the network. Morrow Environmental Consulting is the main contractor responsible for collecting environmental data from the construction sites to ensure that all environmental objectives are being met.

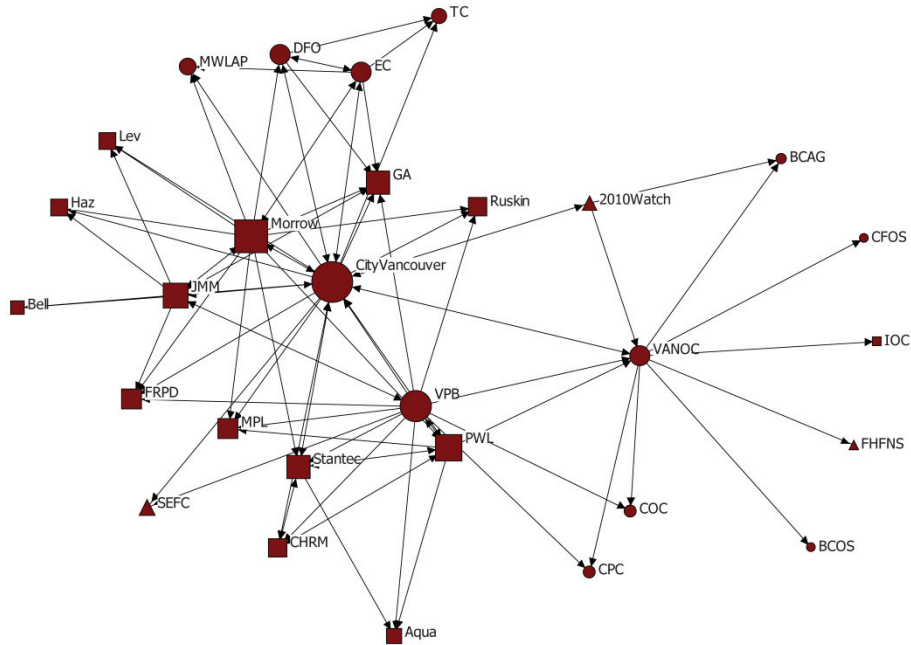


Figure 15. Communication flow, drawn using UCINET's Netdraw. Size of the nodes show eigenvector centrality. Public actors represented by circles, private actors represented by squares, and NGOs by triangles.

As mentioned earlier, one important network analysis indicator of transparency is betweenness centrality. Those actors with a high-level of betweenness should be ones that control information. Given issues of commercial confidentiality, a network in which public organisations control information should be freer to share information. In the SEFC project, one can see that the City of Vancouver remains highly important and central when it comes to controlling the flow of information. VANOC also proves important, though to a lesser extent.

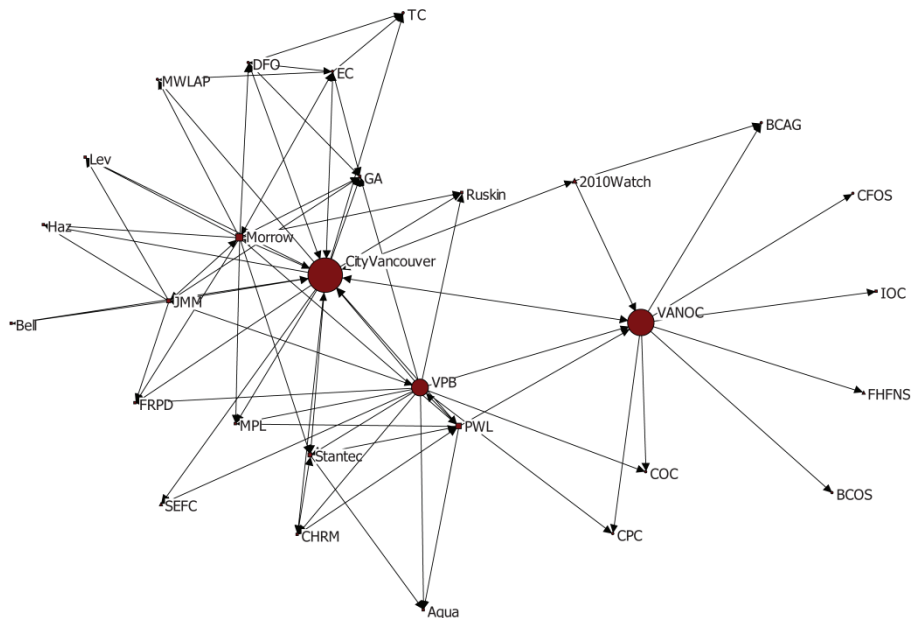


Figure 16. Communication flow, drawn using UCINET's Netdraw. Size of the nodes shows eigenvector centrality. Public actors represented by circles, private actors represented by squares, and NGOs by triangles.

Given the central importance of these two actors in keeping the project transparent, it's worth revisiting some of the qualitative data collected, namely question 14, where respondents were asked whether information arrived late or not at all from any organisations in the network. Consistently, the City of Vancouver was labelled as the problem access point in the network for gaining information. Given that they are one of the most important access points, there is little surprise that they remain at the centre of complaint.

However, the reason that extracting information from the city is a problem is different from the problems faced with the Canada Line. Certainly, some NGOs accuse the City of Vancouver of purposefully hiding information from the public so that some private organisations might profit. Watch2010 has accused the city of protecting the commercial interests of Millennium Properties Ltd over the interests of citizens. Yet, access-to-information requests have brought information forward.

One further problem facing this network, however, is not secretive but rather structural. Meg Stanley (2006 November 30) of the Commonwealth Historic Resource Management Ltd., an organisation working in conjunction with the City of Vancouver, related that some information could be difficult to find, not because the city had any vested interest in hiding information from the public, but rather because the high staff turnover at the archive office at the City of Vancouver meant that new employees were unfamiliar with where to find particular information, and requests would naturally take longer.

One final aspect of information diffusion is, of course, network density. With a score of 1.0807, this network remains by far the most cohesive of the four analysed for this study. This speaks well for transparency in this case, because information flows between many of the organisations on a regular basis.

Group Cohesion

As with the Canada Line example, I examined the data for 2-clans, though this time, found fewer 2-clans (rather than a greater number, as in the Hungarian example). In this case, I found five 2-clans with the smallest clan still containing 12 organisations (see below). Once again, the evidence shows that public and private organisations are mixing together.

1: DFO EC TC MWLAP CityVancouver VANOC VPB Bell CHRM FRPD GA HC Haz JMM Lev MPL Morrow PWL Ruskin Stantec 2010Watch SEFC

2: CityVancouver VANOC VPB COC CPC CHRM FRPD GA HC JMM MPL PWL Ruskin Stantec 2010Watch SEFC

3: CFOS BCAG BCOS CityVancouver VANOC VPB COC CPC IOC PWL 2010Watch FHFNS

4: CityVancouver VANOC VPB COC CPC Aqua CHRM FRPD GA HC JMM MPL PWL Ruskin Stantec SEFC

5: CityVancouver VANOC VPB Aqua CHRM FRPD GA HC JMM MPL Morrow PWL Ruskin Stantec SEFC

Data Analysis of Accountability

Turning again to the accountability structure, specifically the evaluation and sanction networks, one can see a similar mix of public- and private-sector evaluation, though the City of Vancouver still remains in the centre of the evaluation. Public- and private-sector organisations interact and evaluate each other, with NGOs playing only a minor role to ensure that any aspect of the project is meeting its obligations. While NGOs are generally considered an important counter to government and the private sector, they appear to play a minimal role here (an opinion also confirmed in the information-flow analysis).

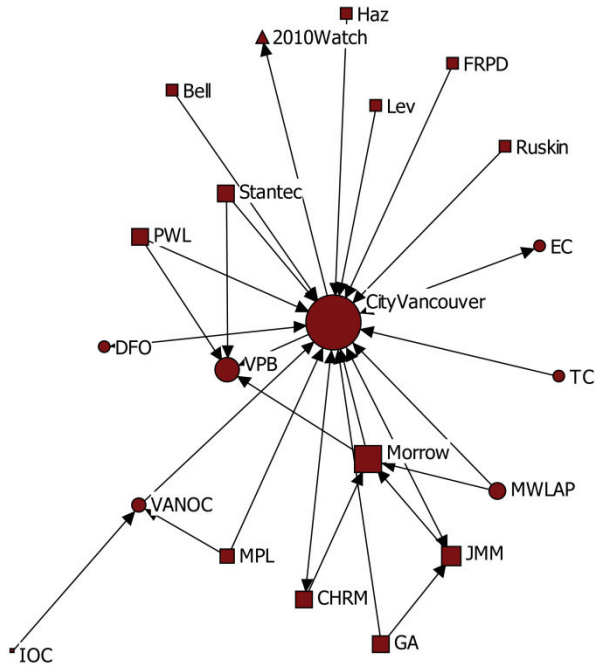


Figure 17. Evaluation network showing organisations that attempt to evaluate others. Public and quasi-public organisations are circles, private ones are squares, and NGOs are triangles. Drawn using UCINET's Netdraw.

Turning to the sanction network, one can see the City of Vancouver again sitting at the centre of the network, able to both penalise contractors. Interestingly, the private sector—in this case, Millennium Properties—is able to penalise the city of Vancouver. The city remains responsible for ensuring that the site will be ready in time for construction and that city services will be available. As well, various levels of governments also hold the city in check, as various provincial and federal agencies ensure that all environmental standards are being met.

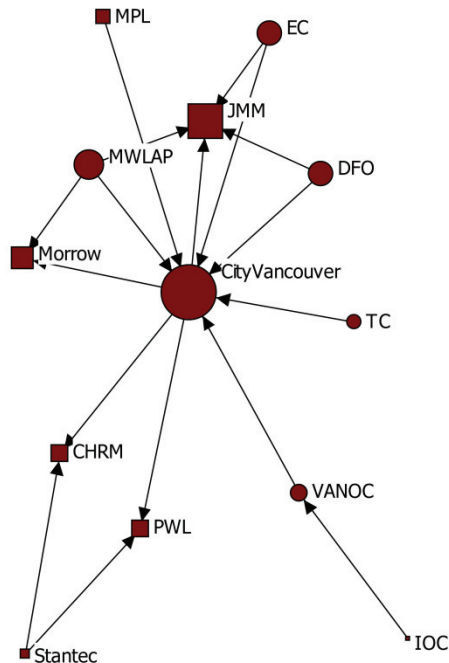


Figure 18. Sanction network showing organisations that sanction others. The size of the nodes shows eigenvector centrality. Public and quasi-public organisations are circles, private ones are triangles. Drawn using UCInet's Netdraw.

General Remarks and Comparison

As with the Hungarian cases, identifying the ultimate holder of accountability for a project is critical to determining how easily it can be held accountable. Despite hypotheses to the contrary, it remains relatively simple to identify where the blame for project failure should lie. In the traditional procurement case, one organisation remains clearly central and responsible for most aspects of the project. In the PPP case, accountability is slightly diffused, but central actors do appear. Perhaps the only difficulty that could be identified in this case is that if CLCO causes a general failure, because the organisation is made up of several levels of government, the final blame could be deflected.

In the Canadian case, even more so than in the Hungarian case, public-sector organisations dominate traditional procurement, taking a more central role in terms of influence and decision-making. However, in contrast to the Hungarian case, they also take a much more central role in the PPP case as well. This may partly be explained by the fact that public agencies take a more central financing role in this project, which leaves them with greater influence over the way the project is being completed. This may also be because of the overall political

context, in which public-sector actors are also stronger and less reliant on private-sector funding to complete major projects.

Even more so than in the Hungarian case, comparing traditional procurement with PPP models of procurement shows similar network pictures. True, private-sector actors do appear more centrally in the PPP model, but public-sector organisations also remain firmly in the centre of decision-making and accountability. In terms of the hypotheses laid out in the introductory chapter, then, accountability remains relatively the same, as expected.

The picture for participation is even more interesting. Despite the hypothesis that public participation would suffer under a public-private partnership, I could find no evidence to support such a conclusion. In fact, comparing the two network analyses, one can find that NGOs remain closer to the centre of decision-making than in the traditional case—at least in terms of communication. The reason behind this closer relationship is most likely explained by context rather than any fundamental difference between public-private partnerships and traditional procurement. First, the Canada Line has proven much more controversial than the Olympic Village, which requires the leaders of the Canada Line project to communicate more with NGOs and CBOs. Second, CLCO has put forward particular effort to consult as many groups as possible, and its president, Jane Bird, has received reluctant praise even from groups opposed to the construction of the line.

In terms of transparency, the network analysis failed to show any real systemic problems, as information flowed between a number of actors. True, in various interviews, organisations did mention the problems caused by commercial confidentiality in acquiring data, particularly in the early stages of the process. However, over the course of the project, I found little evidence to suggest that getting information about various aspects of the project was any more difficult than might take place in traditional procurement.

The final question regards legitimacy. Once again, in this case, a quasi-public organisation lies at the centre of much of the decision-making. CLCO, while a public body, still remains independent of the government, and as such, can only be described as quasi-public. Other important funders and central organisations are also quasi-public, such as the Vancouver International Airport Authority. This contrasts quite starkly with the Olympic Village project, where the City of Vancouver is much more central. The more central location of privately oriented organisations presents concerns for legitimacy; yet, assuming that the projects achieve their end goals in an efficient manner, the public sector remains the one that fully initiated the project, giving its boundaries and parameters. This offers the project enough input legitimacy that one could label this PPP as legitimate forms of governance.

Conclusion and Appendices

Part 3

Chapter 8

Deductions and Conclusions

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The Controversy of Public vs. Private

Involving the private sector in areas traditionally associated with the public sector brings controversy. Some people, for example, find the idea that individuals or corporations might profit from the provision of public goods morally offensive. Often, the dispute is driven more by passion and value-laden assumptions about the roles of the public and private sector than whether public-sector services are being delivered in an efficient and legitimate manner. This criticism can be levelled at either side of the ideological divide. Some blindly support or oppose the idea of (market-based) public-private partnerships at all levels based on particular ideological beliefs about the value of the government and business to society. More troubling is the focus on the financial implications of PPP. Studies on the effectiveness of public-private partnerships need to be balanced with other issues of legitimacy. This is not to say that the issue of legitimacy has been completely ignored in the literature, but it certainly receives a secondary role.

The legitimacy-versus-effectiveness debate also has important implications for the sustainable-development debate. As I have addressed in Chapter 2, legitimacy is not only an important component of a healthy democracy; it is also a necessary part of sustainable development. While some would like to impose a more environmentally friendly form of governance on society—perhaps by imposing some kind of protectorate of the environment, not subject to the whims of the electorate—the fact remains that without a broad social acceptance of environmental goals, any laws passed to protect the environment will be circumvented to a large extent. Social stability and the acceptance of environmental objectives can only be accomplished through both a legitimate and effective government.

This principle has been the justification for this exploration of public-private partnerships. While some of the cases have addressed specific environmental aspects of projects (most notably the Southeast False Creek Project in Vancouver, Canada), the key question to examine has been one of legitimacy. What I hope this study has accomplished is to expand the debate over public-private partnerships beyond their financial roots and towards more robust questions about effectiveness and legitimacy. The debate over effectiveness and legitimacy has

been addressed in the literature on governance, which certainly is a form of partnership. However, as I have argued in Chapter 3, this is only one form of partnership. And while some jurisdictions have looked at these network forms of partnership, market-based PPPs based on long-term contractual agreements are the more common form. Not only are they better recognised in governments, they also achieve better press coverage and attract more controversy. In a sense, the literature on governance is incomplete. Researchers need to expand the subject of legitimacy and effectiveness for partnership into all of its forms. I believe this book addresses this hole in the governance and partnership literature.

Given the evidence presented here, it is ironic that market-based partnerships would attract more attention and controversy in the public. One of the basic principles of a network-based partnership is that it takes decision-making away from the centre of government. Certainly, some of this critique can be mitigated because NGOs and CBOs also move closer to the decision-making process. Yet, while healthy NGOs and CBOs remain essential components of a healthy democracy, they should not necessarily be considered a replacement for more traditional forms of input legitimacy.

Looking more precisely at the role of NGOs and CBOs in the projects studied, one can see that they remain peripheral to the public-private partnerships being examined. Importantly, however, they remain equally peripheral in traditional procurement. In fact, the location of NGOs and CBOs within their respective networks depends more on the qualities of the project (how controversial it may be, for example) rather than on structural aspects of public-private partnership. This conclusion reinforces the irony that market-based partnerships attract the most vehement critiques. They are, in fact, closer to existing procurement practices than network-based partnerships.

Of the conclusions to come out of this study, this statement is the most striking: PPP and traditional procurement are more similar than dissimilar. Some obvious structural dissimilarities remain, most importantly: signing contracts with a single entity which then hires subcontractors; funding methods for PPPs; and also the duration of the contract. These give PPPs particular advantages and disadvantages, which will be addressed later in this chapter. However, in many other ways, the structures of traditional procurement and PPP remain similar. Both rely heavily on the use of private-sector contractors. In both cases, the private sector is not only involved in construction of various aspects of the project, but is also responsible for evaluation of a project. Recall that in the Canadian case, the various environmental agencies subcontracted evaluation of a project site to a single contractor to ensure that the project was abiding by all regulations. Those who see traditional procurement as a form of service delivery with government workers providing most or all of the services fail to see that, more and more, even traditional procurement relies on the private sector.

Of course, for those opposed to PPP on ideological grounds, the concern may not be the use of the private sector for service delivery, but rather its role in the

decision-making. Certainly, in PPP, the role shifts somewhat and much debate can be made over how that role influences the legitimacy of this policy instrument. However, one thing is clear. Public- and quasi-public-sector actors still remain close to the centre of decision-making processes, even in PPP. However, before exploring the role of the private sector in the decision-making process, the “publicness” of central actors in these partnerships needs to be examined further.

The Mix of Public and Private

In Chapter 3, I addressed the differences between public and private actors, arguing that the boundary between the two has been blurred over the years. Specifically, I identified three areas in which actors could be public or private: ownership, funding, and the provider of accountability. For the most part, for the actors on the periphery of the network, this distinction has proven relatively unimportant. However, for the central actors in the four cases, the mix of public and private is extremely important, and shows surprising differences between public-private partnerships and more traditional procurement. Two of the most important organisations in three of the four cases, for example, held the following qualities:

	<i>Ownership</i>	<i>Funding</i>	<i>Provider of Accountability</i>
NART (Hungarian case)	Public / Private	Public / Private	Public
CLCO (Canadian case)	Public	Public / Private	Public / Private

Table 1. Publicness factor of the organisation signing the concession agreement on behalf of the government.

In both the Canadian and Hungarian cases, private and public ownership are mixed into the equation on at least one of the three variables. In the case of NART, technically, ownership and accountability remain strictly public, as the state fully owns the organisation and the Ministry of Economy and Transport controls all of its properties (for example, the motorways). Yet, unofficially, the organisation holds a degree of independence from the state, which is why I have chosen to classify its ownership as private. Despite controlling the properties of the organisation, NART’s financial situation remains independent of the government. Yet the confusion over funding is further confused by the fact that funding changes according to the project. This becomes evident in the comparison of the M0 and M6 motorways. The M0, which is primarily funded by the Hungarian government with the assistance of the European Union, sees all funding funnelled to NART from public sources. Private funds reach the road only during the maintenance phases, as tolls collected on the national toll system (the *matrica*) pay for part of the costs of maintenance, with the government picking up the rest of the bill. For most public-private partnerships, however, funding for the

construction of the project derives from private sources, while ongoing funds for its maintenance derive both from users of the project and from the government.

In the Canadian situation, CLCO is a subsidiary of the publicly run TransLink, which is in charge of public transit for the region and is owned by the public. Yet, its board members are comprised of people from both the public and private sector. This is partly because funding for the Canada Line rapid transit extension is provided by the Vancouver International Airport Authority, itself a quasi-public organisation.

When one compares the publicness factor of these organisations to the central organisations under the traditional procurement projects examined in the empirical chapters, the organisations are certainly more public. In the Canadian case, the lead organisation is the City of Vancouver, which cannot be regarded as private in any sense. NART remains central in the traditional procurement case for Hungary, yet even here, since all of the funding comes from public sources as opposed to private ones, it changes the way the organisation reacts.

The case of NART is, in fact, particularly interesting because it brings out the fact that the way an organisation reacts depends not only on its own primary characteristics as an organisation, but also on the composition of its partners. This fact reinforces the idea that the legitimacy of a particular project or network depends not only on the composition of the individual organisations, but also on the makeup of the entire network. In particular, looking at legitimacy through the lens of centrality of public and quasi-public actors within the network allows researchers to draw some conclusions about the potential legitimacy of these networks.

Recall that I have argued that output legitimacy, defined as legitimacy garnered from effective policy implementation, remains incomplete without at least some touch of input legitimacy. Input legitimacy, again, is a form of legitimacy garnered from the process of governing as opposed to the result. For instance, a supreme court is considered an effective control on elected officials, and therefore possesses output legitimacy. Yet elected officials also remain an effective control on the power of supreme courts, giving this branch of government some input legitimacy as well. Any network completely divorced from elected officials will, by many counts, be illegitimate in democratic terms.

Examining these cases, clearly some form of input legitimacy exists. In the public-private partnership cases, private decision-making does move closer to the centre of the network. However, the most important actors remain quite public. This conclusion is, of course, normative. Those who oppose the private sector could take the same evidence and suggest that, in fact, these partnerships are much less legitimate than traditional procurement, which has purely public organisations sitting at the centre. But, in cases where these public-private partnerships are more effective, the combination of input and output legitimacy will ensure their long-term survival as an effective and legitimate policy tool.

As I have already addressed, much debate exists as to the financial effectiveness of the procurement practices of PPP. Wildly differing interpretations of the data by some researchers have meant that no clear consensus has been achieved in terms of the financial viability of these tools. (This study also chooses not to draw conclusions on financial viability, if only because the projects were still in progress during the study, and it would be impossible to do so.) Achieving an answer as to when PPP is financially effective is very important, and continued revision to the assumptions and procedures completed as a part of the public-sector comparator will go a long way towards addressing this question. However, as I have argued throughout this work, financial effectiveness is not the only criterion by which public projects should be judged. This is the reason why the legitimacy question must be addressed for PPP. And this question must be addressed systematically, because the lack of evidence on the subject threatens PPP as a valid policy instrument.

For example, the immediate threat for public-private partnerships remains governments that use PPP as a policy tool to further short-term goals over the long term. As I have stated above, PPP's long-term contractual relationships should be seen as an opportunity for governments to consider the long-term objectives for policy decisions. In fact, given the long-term agreements, these issues *must* be addressed, or PPPs will fail as future governments get locked into decisions for decades. In the Hungarian case, the lack of long-term considerations remains a concern. This is not to say that motorway construction decisions have been hastily by the Hungarian government. The national government, the European Union, and other interested parties clearly have long-term objectives for a motorway network. However, the reasons to use PPP have been purely budgetary reasons—the wish to keep certain liabilities off the books. If the agreements signed by the government turn out to be bad ones, they will have long-term consequences not only for the financial health of the Hungarian state, but also for the ability of the government to enter future contracts, as they become financially unworkable. The case of the M1 motorway is just such an example. This kind of private financing of motorways is now considered politically unviable.

The Canadian case, however, shows the positive potential for public-private partnerships. This is not to say that, in terms of legitimacy and effectiveness, these instruments have been perfect. As I will outline in the next section, even a well-run PPP presents some concerns for issues such as transparency. Nonetheless, in terms of achieving accountable outcomes which involve adequate levels of public participation, PPP can deliver an effective result in legitimate ways. Types of accountability and legitimacy differ; nonetheless, PPP can be a useful instrument for government procurement.

Before continuing to the hypotheses, it's worth revisiting one point. Just because PPP is effective at delivering a particular policy, it does not mean that the policy objective being pursued is a worthy one. Plenty of valid arguments have been put forward against building the Canada Line from Richmond to Vancouver. Other

technologies could have been used, and other priorities could have been considered important. However, clearly, the political will—which would exist with more traditional procurement as well—existed to build this line. With a couple of notable exceptions, again related to transparency, I believe that the Canada Line would have been constructed, using the same methods and techniques, whether it was built via traditional procurement or a PPP.

Reviewing the Hypotheses

At this stage, it's worth restating the hypotheses mentioned in the introduction, and then examine each in turn. In the introduction, I focused on both the importance of various regime types in determining the formation of partnerships, and on accountability, transparency, and participation as three important variables which are important to measuring legitimacy and effectiveness.

To turn first to the formation of networks and how they vary between countries, I hypothesised the following:

- Actor configurations in various countries should be different, with private actors playing a larger role in Anglo-Saxon regimes.

The analysis certainly showed some critical differences between Canada and Hungary in terms of the balance between public- and private-sector actors. For the most part, this turned out not to be the case, as the type of procurement, more than the political regime implementing the project, dictated the actor networks. In retrospect, in the case of public-private partnerships, this remains somewhat unsurprising. Contractual situations dictate the position of many actors to a degree, so one would expect networks to be similar in structure.

On the other hand, the result is much more surprising in terms of traditional procurement. I would have expected a much different mix of public and private actors in this case. The relative importance of the public sector in Hungary demonstrates that the way that the Hungarian government organises itself is similar to what one finds in Western jurisdictions, like Canada. Given that I selected these cases as examples of “most different” regimes, it would imply that networks of public-private partnerships in other political systems, such as in the Netherlands, should also be similarly structured.

True, this conclusion requires some qualification. The organisation at the centre of these networks in terms of centrality is a quasi-public organisation as opposed to a strictly public one, as shown in the Canadian case. However, given that we were talking about two opposing cases here, I cannot draw any firm conclusions. Further study of the central actor in Hungarian and Canadian cases for general procurement would be required before one could assert that Hungarian networks are more private than Canadian ones in traditional procurement. Given the relative weakness of the public sector in the Hungarian state, this conclusion does

make theoretical sense. On the other hand, as I have already addressed in Chapter 6, the government remains loath to engage in network-based partnerships because it would give up too much power to private-sector actors—actors over which they have little control due to their own relative weakness.

I also presented one further hypothesis in terms of different political regimes:

- Contracting types should differ across regimes.

This hypothesis, however, was also proved false by the research. Many governments rely on the same body of literature and ideas—as well as the same private-sector consultants—to structure their partnerships. True, in Chapter 3, I had outlined a number of different kinds of possible public-private partnerships. However, in both Canada and Hungary, the overwhelming choice for partnership type is some form of design-build-operate system. The only differences lie in financing, with the Canadian government taking a leading role in providing resources, while in Hungary, the government relies on the private sector to assume much of the initial financial burden. Looking further to the Netherlands, DBO or DBOF are also some of the primary means of organising public-private partnerships. In fact, the Dutch PPP Knowledge Centre was inspired by the UK example (Bult-Spiering & Dewulf, 2006), just as in Hungary and Canada.

These initial conclusions offer some support to the idea that PPPs are comparable across countries. Given the design of this study, consequences for accountability, transparency, and participation in one regime should also be valid for other regimes. This is not to say that country-specific differences remain unimportant. As mentioned in the earlier empirical chapters, some critical variables can only be explained by understanding the context of the country. Nonetheless, in terms of network configurations, differences in regimes remain relatively unimportant.

This leads to the hypotheses regarding accountability, transparency, and participation. As mentioned in Chapter 4, the key to comparing accountability, transparency, and participation in various means of procurement is partly accomplished through a social network analysis. The reason that I have chosen this method is, as discussed earlier, that I have been looking for a quantitative method of evaluation which allows me to examine and compare currently running projects. As I have explained, I am using a proxy measure, examining characteristics of an effective network and extrapolating that to an accountable network. The comparison of networks shows some interesting differences in the structure of these different types of procurement:

- Public-private partnerships lead to equally accountable situations because contractual obligations ensure that lines of responsibility are clear and that the structure of partnerships remains relatively hierarchical.

Market-based public-private partnerships and traditional procurement lead to very similar networks, with clear central actors, making accountability easy to

attain. Looking outside the social network analysis, one could also argue that public-private partnerships have greater potential for accountability given the extra layer of private-sector analysis given to these projects. In this case, the level of accountability doesn't necessarily come from analysis of the project itself by construction firms (although an extra layer also exists in this case), but rather from the financial institutions making sure that their loans will be repaid. However, as I have outlined in empirical chapters 6 and 7, that added accountability does not come coupled with transparency. The banks refuse to release any information in regard to public-private partnerships, which means that any extra accountability gained from the bank remains suspicious.

However, the hypothesis regarding accountability only speaks of equal accountability in terms of the composition of the network. And with regard to a small number of central actors and a relatively dense network with adequate information exchange, the various methods of procurement remain remarkably similar.

The only case in which this conclusion might be questioned is the Canadian case of traditional procurement, the Southeast False Creek development. Here, I found slightly higher levels of network density; however, I believe that these higher levels are not so much higher that they indicate greater accountability within this system.

- Differences in the organisational cultures of public and private organisations, as evidenced by contract negotiations and commercial sensitivity, mean that public-private partnerships are less transparent.

One large problem facing public-private partnerships in terms of transparency is the negotiation process. When the government assumes a role as a primary contractual signatory, it must adopt business rules of competition and governance. To achieve a fair negotiation process for both sides of the agreement, this means that all bids and proprietary techniques must be kept secret, otherwise competitors will be able to undercut each other at the last moment. One could respond that this kind of last-minute undercutting would benefit the government. However, a study by Robert Hansen (1986) has shown that open versus sealed bids result in a slight advantage for sealed bids when it comes to maximising the results for the government in an auction. As well, in the long term, this would discourage innovation, as competitors would have little motivation to introduce new technologies into their bids if they knew they would be copied and undercut by a competitor.

Yet, this still introduces a fundamental problem for transparency, as it adds a whole new layer to information which can be covered by government secrecy laws. These problems for transparency can be mitigated somewhat by mandating the information that needs to be released to the public and when. With information released to the public, even if "too late" to stop a current project, this can still have a positive benefit for accountability in future projects. In effect, a

form of reputational accountability takes place. If several high-profile projects fail the value-for-money test in the public's eye, future contracts will become politically unfeasible and public-private partnerships will quickly cease to exist.

However, it remains important to point out that transparency problems pervade all public procurement. As mentioned in the Canadian case, central actors can fail to provide information for completely unrelated reasons. These reasons need not be nefarious, such as a wilful desire to hide information that would put the government in a bad light. Sometimes, organisations simply lack the capacity to fulfil all the requests made of them. For this reason, the case of the City of Vancouver introduces the idea that too much centrality on the part of a single actor can be highly negative for transparency, resulting in slight minuses for traditional procurement where single agencies are solely responsible for a project. Highly centralised actors are useful in a project for effectiveness; however, this centrality cannot be too far above and beyond all other actors, lest it create a bottleneck in information exchange.

As well, it must be pointed out that the network analysis shows that the way information flows through the network remains relatively similar in both traditional procurement and public-private partnerships. Therefore, the hypothesis about transparency is only partially confirmed.

- The complexity of contracting ensures that only a limited number of organisations can sit at the centre of the partnership. Assuming, however, that governments remain the key stakeholder as the creator of the contract, levels of participation and access should be only slightly negatively affected by partnership.

I could find no evidence to suggest that PPP and traditional procurement showed any differences in terms of participation. Levels of participation were determined more by the will of the central actors and the type of governmental regime than by any particular structural problem of PPP. The Canadian case is particularly telling in this regard. CLCO made a conscious effort to involve the public in a fairly extensive public consultation process. Jane Bird, the CEO of CLCO, has received accolades from many sides of the debate for her willingness to engage organisations who both support and oppose the construction of the line.

The fact that networks themselves were shaped similarly between PPP and traditional procurement also supports this assertion about partnership. In fact, while I had originally hypothesised that participation levels would be slightly affected by partnership, I have now concluded that they have no effect whatsoever. The context within which a project is completed will have a much larger effect on levels of participation, and on how the government chooses to interact with various stakeholders, than will the partnership itself. Any problems with participation witnessed in Hungary, for example, spoke more to the state of non-governmental organisations than to any structural problems in PPP.

- Public-private partnerships are less legitimate because of the negative consequences of transparency and problems of public participation.

Determining the legitimacy of public-private partnerships requires some agreement on exactly what legitimacy entails. As I discussed in Chapter 4, proponents of governance have attempted to separate forms of legitimacy into input and output forms. In other words, some legitimacy is derived from the process of decision-making, while other forms of legitimacy derive from the result. Any decision made by a democratically elected body is considered legitimate from the perspective of process because of the connection between the decision-makers and the electorate. The focus on the electorate for input legitimacy is one of the reasons why public participation is considered another important component of legitimacy. Yet, decisions made by other bodies are also considered legitimate, even if this link is not directly connected to the electorate, such as those made by supreme courts or independent banks. These bodies are considered legitimate because they are effective. Yet, as I have argued, they are also legitimate because, ultimately, they are connected in some way to institutions that have some form of input legitimacy. Supreme courts in some countries function specifically to check the power of democratically elected institutions.

This final point is important to determine the legitimacy of public-private partnerships. I would argue it is not enough to simply say that public-private partnerships are legitimate because they effectively accomplish a task. Output legitimacy in isolation is not enough. For this reason, the overall composition and location of central actors with some level of input legitimacy are important when drawing conclusions about the overall legitimacy of PPP. To achieve some level of input legitimacy, it remains important for central actors to be public. This does not mean that public actors need to be exclusively sitting at the centre. Legitimacy as I have described it means that organisations dealing in public goods must have at least some connection to publicly elected bodies, which can work as a check.

As I have mentioned earlier, the networks of traditional procurement and public-private partnerships are more similar than I would have expected at first. However, this is not to say that the networks are identical. Certainly, in public-private partnerships, private-sector actors sit at the centre close to the main public and quasi-public actors. However, I have found no evidence to suggest that these private-sector actors dominate the process. Indeed, in all cases, public actors are still more central than private ones.

Conclusions for Legitimacy and Effectiveness

Public-private partnerships are a legitimate form of governance given the context in which these agreements have been signed. True, in the cases I have examined, the composition of the network in a public-private partnership does increase the private component, but in the end, public-sector actors still determine the overall direction of the project and are still the ultimate deciders about whether a project

will proceed. Some may argue that public-private partnerships lead governments to make decisions that favour economic factors over environmental and social ones, which would potentially impact the effectiveness of a project. But, this argument assumes that governments are negotiating PPPs based on finding the lowest possible price. However, PPPs emphasise value for money rather than price, and the long-term and unified nature of contracting (looking at the design, construction, and maintenance of a project) can help decision-makers to focus on making more effective decisions.

Of course, more questions arise about the effectiveness of public-private partnerships. As I outlined in Chapter 3, some argue that public-private partnerships fail to bring value for money. The evidence in this regard is still uncertain, and as more contracts reach the end of their term, one would hope that more evidence can be brought forward to demonstrate the true effectiveness of partnership. One thing remains certain: only in the long term will academics be able to truly evaluate the effectiveness of PPPs. Given that many of these contracts run more than two decades, only now have studies begun to appear which can validly address this question.

True, public-private partnerships are not always effective. However, this remains more the fault of those implementing the projects than of PPP in and of itself. PPP is a tool that must be used within a specific context, namely, large infrastructure projects which are easily commodified and where governments remain unafraid to punish concessionaires who fail to deliver on their promises. In this context, PPPs can succeed in being both effective and legitimate.

Conclusions for Sustainable Development

I would, as any researcher might, like to declare one method of procurement more sustainable than others. Given that sustainable development incorporates three aspects of governance—economics, environment, and social stability—it is difficult to declare that one method of procurement is better than any other based on a single study of cases. The focus of this study has been on social stability and, to a lesser extent, economic factors. I have not, however, examined environmental performance in PPP versus other forms of procurement (nor has any other study that I have seen).

Despite this caveat, I do believe that PPP can lead to more sustainable decision-making. The long time frames that partnerships entail force all parties to consider the long-term possibilities and consequences of their actions and attempt to better forecast potential risks. On a social level, public-private partnerships should be able to perform equally to other forms of procurement, though this does depend somewhat on the composition of the networks and also the long-term effectiveness of the tool. As I have hypothesised in Chapter 4, achieving democratic legitimacy is an important component in terms of social cohesion. To all appearances, PPPs achieve sufficient levels of legitimacy so that they do not negatively impact social cohesion. Public-private partnerships have problems, but

at the same time, so do traditional methods of procurement. The expansion of the SkyTrain system in Vancouver, as examined in Chapter 7, is a case in point. Speaking with Richard Campbell (2006, 18 January) at Better Environmentally Sound Transportation—an NGO which supports alternative transportation in Vancouver, such as cycling—described the difficulties encountered when fighting to have bicycle lanes added along the track and also to the two new bridges that would be built (they had success in the latter case, but not the former). While acknowledging the problems, he compared the debates with the various levels of government over this expansion to the last one, and in the end, concluded that he experienced many of the same difficulties.

In terms of sustainable development, then, public-private partnerships can potentially show some benefits. In this study, at least, they appear to present few structural obstacles.

Positives and Neutral Points

Beyond confirming or falsifying the hypotheses of the project, it's worth exploring some of the further details of accountability, transparency, and participation. As I have already addressed above, for example, accountability and participation remain relatively unaffected by the use of public-private partnerships. This does not mean, however, that they are completely unaffected, in particular with regard to accountability. Accountability mechanisms in PPPs are different because of the nature of the contractual agreements being signed and the number of actors working on a project.

In terms of financial accountability, PPP represents a trade-off. Financial accountability is weaker before the project begins due to a lack of information created by the various confidentiality clauses that bind all of the players—both public and private. Certainly, these figures eventually appear on the public record, but they might not appear until after a decision has been reached about whether to move forward on a project. It might turn out that false or exaggerated claims have led to starting a project that should not have begun in the first place. However, in terms of starting future projects, reputational accountability will take hold, and signing new PPPs in the future will become more difficult as bad publicity causes politicians to shy away.

As well, while pre-project accountability remains relatively weak, financial accountability during and after the project is, arguably, stronger with the inclusion of both public- and private-sector financial evaluations. A greater number of actors tightly involved in the construction of a project should, in general, ensure many different access points for gathering information on which actors can be held to account.

This conclusion comes with a strong caveat, however. In all the PPPs analysed, the public sector is not obliged to bring in the public-sector auditor. Much to the

credit of the CLCO, they requested the Auditor General of BC to examine the bid and continue ongoing evaluation of the project. In the Hungarian case, the state audit office was left out of the accountability mix. Losing public-sector audits reduces the legitimacy and effectiveness of the accountability mechanisms, and should be a required component of any partnership.

The Negatives

Limited Partnership through Oligopoly

One problem that public-private partnerships face is the enormous cost in terms of time for original contracts. Most people choose to focus on the problems this causes for the government, because it invariably drives up the cost of completing a contract. As mentioned earlier, governments have been able to compensate to some degree. The more experience that bureaucrats acquire signing contracts, the more they can reduce the time and energy needed to create these contracts. Effective templates can be developed to compensate.

The problem, however, is with the private sector. Many analysts have failed to look at this side of the equation because supporters assume that the benefits for the private sector are clear, and opponents focus on the problem from the government's perspective. However, the private sector faces high transaction costs similar to those of the public sector. In many cases, this means that only a select number of organisations which have built up the capacity for dealing with these enormously complex transactions enter the bidding process. This severely limits the competition that PPP is meant to promote. It means control and an oligopolistic situation develops, which feeds into the suspicion that many people feel for PPP.

Transparency Problems All Around

Another important finding—and one that is undoubtedly discovered in most surveys on any form of public procurement—is problems with transparency. However, one must be careful about the causes of these difficulties, because they can influence whether the problems can be entirely solved. Transparency, after all, remains a careful balancing act between three different components: the right of employees to work in some degree of privacy, the right of citizens to discover what their public officials are doing (and, importantly, to keep them accountable), and the need to keep costs to a minimum.

This third problem is often ignored in discussions of transparency in public procurement. If costs are discussed at all, it is so state the barriers to information are placed too high. Governments can charge organisations and individuals relatively large sums of money to sort through and distribute information after an access-to-information request. Indeed, this is one of the conclusions that I draw as

well, especially when one sees small organisations justifiably looking for limited pieces of information that should be released.

The problem lies, however, on the opposite ends of the spectrum for so-called “fishing expeditions.” This occurs when organisations, hoping to turn up any kind of incriminating evidence, submit access-to-information requests with very broad criteria.

Comparing the Canadian and Hungarian cases, it is clear that partnership is not the only variable which influences transparency. As the betweenness centrality analyses showed, Canadian NGOs have been more successful at acquiring information, which can then be used to critique members of the network and help to keep them accountable. In Hungary, the reasons for the decreased transparency are multiple, the most important being the weakness of the NGO sector.

The ultimate transparency problem created by PPP is two-fold. First, as evidenced by the secrecy of the concessionaire in both analyses of the PPP, private-sector organisations remained very wary of releasing information which might jeopardise their bargaining positions. This level of secrecy is then enshrined in the government’s own information policies; in all cases analysed, governments specify that any information which can be of commercial value or interest is exempt from access-to-information requests. This is especially problematic in the PPP cases because this mode of procurement remains so new and attracts controversy, and the reaction of the large companies and banks has been to keep information out of the public eye.

Recommendations

In the course of the research, I have been able to identify particular structural problems special to public-private partnerships, which influence accountability, transparency, and legitimacy. These problems, however, are surmountable. The following recommendations, I believe, can help improve the public’s impression and the functioning of market-based public-private partnerships.

- The national or regional auditor should be involved in the process from the beginning as a neutral arbiter. Auditors from the banks can ensure that agreed-to funds are paid and schedules are adhered to. However, only a public-sector auditor can be critical of how those funds are spent from the government’s perspective. True, the public-sector comparator can help ensure that value for money is being achieved; however, this tool remains too open to interpretation to be the primary economic evaluation of a PPP’s value. Use of a public auditor also enhances the input legitimacy of any partnership.
- More precise guidelines about when to release documents need to be set by the government. While pressure on governments can lead to documents such as the public sector comparator being released, at the

moment, departments have no guidelines telling them when these documents need to be made public.

- The primary signatory of a PPP from the public side should have a high degree of input legitimacy.
- Organisations responsible for facilitating public-private partnerships should offer greater technical and legal assistance to smaller organisations wishing to participate. This would increase the pool of private-sector actors that are able to bid on a particular contract and increase competition.

Future Research

As already mentioned in the theoretical chapters of this study, determining the success of accountability structures can only be done after the fact. Ideally, if this project was being conducted over the long term, then I (and a team of others) would like to conduct analyses of the network structures of various projects as they progress, and then after those projects are complete, determine whether they have met their objectives in an accountable fashion, looking at variables such as on-time delivery of infrastructure or services and meeting of various financial obligations. This kind of research would offer an even firmer link between the importance of various network structures in a project and their ability to achieve accountability and transparency.

In the field of organisational studies, particularly the field which evaluates the organisational culture of public and private organisations, I believe that social networks provide an added clue for how to categorise and predict the behaviour of these organisations. All of the studies that I have seen on the subject of public and private organisations have focused internally on the organisation from any number of perspectives. However, none have examined the overlapping networks in which these organisations operate.

This has particular relevance for those who fear the creeping influence of the private sector in governmental organisations. As governmental institutions involve themselves more deeply in business networks, does some form of isomorphism take over? Isomorphism is a term generally used to describe how organisations coalesce around a few standard modes of organisation and operation. Researchers Paul DiMaggio and Walter Powell (1983) have illustrated three types of isomorphism: coercive, mimetic, and normative. Of the three, coercive isomorphism is the only one which even partially deals with how public and private organisations might influence each other. Coercive isomorphism contends that organisations respond to political factors. For example, charitable organisations may change their structure to meet regulations to be classified as a tax-free organisation. Yet, all of these forms of isomorphism fail to address the idea that the private sector also has influence.

This study has argued that the composition of the network influences the legitimacy of the network, and it certainly shows how accountability structures change because of the requirements of the network. However, does the network also present other influences to the partners, influencing the way they conduct themselves? It seems likely, and I believe that further study in this area could be useful.

Final Thoughts on the Netherlands

Earlier in this book, I described the Netherlands as a country of corporatism and negotiation. Of the many countries of the OECD, it seems to be the one that would most likely embrace the idea of partnership in all of its forms. Perhaps, it would be second nature to the Dutch to adopt these kinds of governance patterns. And certainly, one sees partnerships in many forms in the Netherlands.

Yet, the academics seem to be ahead of (or beside) society in actually recommending or enacting these forms of partnerships. I would argue, in fact, that the Dutch system of negotiation does not necessarily prepare the actors any better for partnership, especially in its network-based form. First and foremost, the system of government in the Netherlands calls for negotiation between leaders in business, industry, and labour unions. While negotiation takes place, the actors involved are strong and stable. Network governance, on the other hand, preaches the fluidity of networks and accepts that any number of players can engage and need to be managed. Indeed, looking at the many studies conducted by Geert Teisman and Erik-Hans Klijn, forms of network governance have failed to form, as projects became muddled in conflicting interests.

Furthermore, true forms of network governance will have additional problems as Dutch society continues to grapple with the meaning of increased immigration and what this has done to the idea of consensus in the country. With greater diversity comes greater difficulty achieving engaged participation and consensus. The Dutch political elite (as perhaps in all of Europe) seems torn between treating the influx of foreigners as an economic resource to be used (and discarded) when appropriate to support the growing state, and the need to integrate newcomers into the existing society. Yet, in either case, foreign-born residents and other *allochtonen* remain segregated from society. These residents are not seen as people to be negotiated with to determine the direction society should take; rather, they need to be “brought into” society. As resistance and conflict grows between some elements of Dutch society that feel under attack, and newly entrenched cultural groups who feel that they are on the outside, dialogue and participation is likely to brake down further.

Quite simply, the Netherlands has little tradition of a pluralist form of governing that might help it to better cope with network forms of governance. According to Walter Kickert (2003), only after the Paris riots of 1968 did the Dutch government begin to think about talking with smaller pressure groups. This period culminated

in short order in 1973 with the coalition of Socialists, Catholics, progressive Liberals and Protestants, led by Den Uyl, whose motto was “equal distribution of knowledge, income and power.” However, successive Dutch governments quickly returned to a more “cosociational” way of doing business, returning to the idea of compromise and consensus. I would argue that the Dutch government will fare relatively poorly without some significant retooling of both the way the political elite consider governing and the structure of the bureaucracy.

PPP, on the other hand, is viable under the current Dutch system. Public-private partnerships in their market-based form, as I have argued throughout this book, are more universal in their application. Essentially, governments that choose to use the contract-based form of partnership take the standard template and apply it in their country. In a sense, while PPP does change the planning process, it has very little influence on issues like participation. So, applying PPP in the Netherlands is likely to meet the same kinds of advantages and disadvantages as seen in other jurisdictions. Certainly, given the Dutch predilection for negotiation between groups, public-private partnerships should generally fit in well. Typical problems with public-private partnerships revolve around transparency, an issue with which most jurisdictions are still grappling. Unlike network-based partnerships, market-based partnerships are governed more by international standards of contracting and are less malleable to local political circumstances.

Will PPPs remain a valid tool in the arsenal of governments looking for more effective policy-making? Ultimately, this will depend on the long-term effectiveness of these projects in delivering value for money. Accountability finds its way into the system in many ways, and as mentioned earlier, a damaged reputation can be as effective a form of accountability as that brought about by a broken contract.

Appendix A

Survey Questions

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Survey Questions

Participants were asked 16 survey questions in an interview, which would take place in person whenever possible. In a few instances, interviews would be done over the telephone, when timing made it impossible to meet in person. In these cases, participants were always given a copy of the survey in advance, so that they could have the questions in front of them.

The following is a list of the questions used during interview. For Canadian cases, participants were questioned in English. For Hungarian cases, participants answered questions in Hungarian. Below you will find the English and Hungarian language versions of the questions.

List of Questions

- 1) How is your organization involved in this project?
Hogyan vesz részt az Ön szervezete ebben a projektben?
- 2) Does your organization consider itself for, against, or neutral to the project?
Támogatja vagy ellenzi az Ön szervezete az adott projektet, vagy semleges álláspontot képvisel ezzel kapcsolatban?
** answer 1-5, with 1 showing support and 5 showing opposition; room for further comment**
- 3) From which of these organizations have you received payments or financial support? Please indicate the reason or form.
 - Budgetary allocation
 - Government grant
 - Payment for services
 - Loan
 - Other (please indicate)

— List of organisations —

Mely szervezetektől kap pénzügyi segítséget vagy fizetést? Jelölje meg a formáját.

- *Költségvetési juttatás*
- *Teljesítés utáni kifizetés*
- *Állami segély*
- *Kölcsön*
- *Más (részletezni)*

- 4) Please rank the five most influential members according to who would determine if the project would proceed (1 = most important). While elected officials are critical to the process, this question only relates to organisations involved in the project.

— List of organisations —

Állítsa sorrendbe az öt legbefolyásosabb szervezetet az alapján, hogy ki döntötte el a projekt továbbhaladását. (1 = legbefolyásosabb) Miniszterek és más hivatalnokok fontosak, de ez a kérdés csak a szervezetekre vonatkozik.

- 5) Please rank the five most influential members in terms of who can change the direction or scope of the project (1 = most important). Again, while elected officials are critical to the process, this question only relates to organisations involved in the project.

Állítsa sorrendbe az öt legbefolyásosabb szervezetet az alapján, hogy ki tudja megváltoztatni a projekt irányát. (1 - legbefolyásosabb) Miniszterek és más hivatalnokok fontosak, de ez a kérdés csak a szervezetekre vonatkozik.

- 6) Which organizations, if any, have the authority to penalize you for a failure or problem on this project? This could relate to fulfilling the terms of a legal contract or failing to fulfil the expectations of a lead organisation. These penalties need not necessarily be legal. Please indicate the reason these penalties can occur and the type of penalties they can impose.

- Not done in practice
- Legal misconduct
- Failure to fulfil contract
- Dissatisfaction with performance
- Political pressure
- Other

— List of organisations —

Mely szervezetek jogosultak büntetést vagy kötbért kiszabni a projekt sikertelensége esetén? Például, ha nem tesz eleget a szerződésben foglaltaknak vagy elégedetlenség a kivitelezéssel. A büntetés nem szükségképpen jogi. Legyen szíves, jelölje meg a büntetés okát és milyen fajta büntetést tudnak kimérni.

- *Nem fordult elő a gyakorlatban*
 - *Jogi rosszhiszemű magatartás*
 - *Nem tesz eleget a szerződésben foglaltaknak*
 - *Elégedetlenség a kivitelezéssel*
 - *Politikai nyomás*
 - *Egyék*
- 7) Which organizations demand that you sign a legally binding contract? What kind of contract is it?
Mely szervezetek igényelnek jogerős szerződést, ami elősegíti az ígért kötelezettségek betartását? Milyen fajta szerződés ez?
- 8) Please indicate the organisations that evaluate or certify your performance. Also indicate those organisations that you evaluate or certify. This evaluation or certification can be done officially or unofficially. It can also relate to many topics. For example, it could be related to meeting budgets, construction goals, or environmental obligations.
- They evaluate us
 - We evaluate them
- List of organisations —
- Jelölje meg mely szervezetek értékelik ki vagy igazolják az Önök kivitelezését. Továbbá jelölje meg, hogy Önök mely szervezetek munkáját értékelik ki vagy igazolják. Ez a kiértékelés lehet hivatalos vagy nem hivatalos. Utalhat több tárgyra, például, a büdzsére, építésre, vagy a környezeti kötelezettségekre.*
- *Mások kiértékelnek minket*
 - *Mi kiértékeljük őket*
- 9) Is your organization traded on the stock market? If yes, how much influence do stockholders have on the way you conduct business?
* answer 1 -5 with further room for comments *
- Jegyzik az Önök vállalatát a tőzsdén? Ha igen, milyen befolyása van a részvényeseknek a vállalat működésében?*
- 10) How much does public opinion directly influence the way you operate? If public opinion only influences your partners, this should not be considered a direct influence.
* answer 1 -5 with further room for comments *
- Milyen mértékben befolyásolja a közvélemény az Önök működését? Ha a közvélemény csak a partnerét befolyásolja, azt ne tekintse közvetlen hatásnak.*

11) What kind of information do you openly publish about the project?

- Financial
- Technical / Operational
- Environmental
- Social
- Other (please indicate)
- Not applicable

Milyen információkat tesz közzé az adott projektről?

- *Pénzügyi*
- *Műszaki*
- *Környezeti*
- *Társadalmi*
- *Egyéb*
- *Nem teszünk közzé információt*

12) In what form do you supply this information?

- Web site
- Kiosk
- Annual report
- Brochure / Guide
- Register
- Direct mailing
- Information centre
- Press releases
- Other (please specify)
- Not Applicable

Milyen formában teszik közzé az adott információkat?

- *Web oldal*
- *Kioszk*
- *Éves riport*
- *Brosúra / ismertető*
- *Regiszter*
- *Közvetlen postai úton*
- *Információs központ*
- *Sajtóközlemény*
- *Egyéb*

- *Nem teszünk közzé információt*

13) What kind of information will you not release publicly?

Mi az a információ amit nem tesznek nyilvánossá?

14) Have you requested any information from an organisation and failed to receive it in time for your needs or at all?

- Not Received
- Received Late

Volt olyan információ amit kért szervezetektől és nem kapott meg idejében ahhoz hogy tudja használni, vagy nem kapta meg egyáltalán?

- *Nem Kapott*
- *Elkészt*

15) Which organizations do you give information about this project? For each, please indicate the following:

- Subject. Financial, operational (technical information), non-technical (environmental or social), or other?
- Frequency. How often you give this information.
- Form. Official, unofficial, or both?

Mely szervezeteknek nyújt információt az adott projektről? Részletezze a következőket:

- Terület. Pénzügyi, működési (technikai információ ami kötelező a projektre), nem technikai (környezeti vagy társadalmi), vagy egyéb?*
- Gyakoriság.*
- Forma. Hivatalos, nem hivatalos, vagy mindkettő?*

16) From which organizations do you receive information about this project? For each, please indicate the following:

- Subject. Financial, operational (technical information), non-technical (environmental or social), or other?
- Frequency. How often you give this information.
- Form. Official, unofficial, or both?

Mely szervezetektől kap információt az adott projektről? Részletezze a következőket:

- Terület. Pénzügyi, működési (technikai információ ami kötelező a projektre), nem technikai (környezeti vagy társadalmi), vagy egyéb?*
- Gyakoriság.*
- Forma. Hivatalos, nem hivatalos, vagy mindkettő?*

Question Format

With most survey questions, participants were shown a list of companies from which they could choose. While some debate whether this encourages participants to select only from the list before them, my experience was that without the list, participants would fail to recall members of the network. Given the size of some networks—particularly in cases of public-private partnerships—I believe it would be impractical to expect participants to remember the names of the more peripheral organisations.

Below you will see a sample of what the list looked like. Sometimes, I would fill out the boxes as the participant gave me a response, while at other times, they would fill it out themselves as I took notes on what they had to say.

Appendix B

Terminology

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Contents

This appendix offers a summary of terms used throughout this book as well as a list of abbreviations commonly used in public-private partnerships.

Definitions

Centrality. A term commonly used in social network analysis: another way to say “being in the centre.” The most central actor could be the manager receiving the most information or the computer serving the most data to people on the Internet. These actors control information, and as such, one could say that they play a more important role than other actors within the network.

Clique. A term used in social network analysis to refer to a group of actors in a network who communicate amongst themselves.

Competitive neutrality. An adjustment to the projected public-sector costs of a project to make a fairer comparison to a private-sector bid. This calculation takes into account all of the monetary advantages and disadvantages held by the government when constructing a project. For example, the government saves paying property taxes, which a private concessionaire would have to pay.

Concession agreement. The name given to the long-term contract signed by the public- and private- sector organisations.

Density. A term used in social network analysis to describe how closely connected various members of a network are. One type of dense network, for example, could have a lot of communication.

Discount rate. This rate is a percentage figure used to measure the given value of a good or service in the future. A discount rate assumes that money collected today is worth more than money obtained later. The discount rate is more than just inflation, as it takes into account that one places particular value on using the money now for a different purpose. The discount rate values a preference: people

prefer to consume now and will only postpone consumption to the future if there is some tangible benefit, which is represented by the discount rate. (HM Treasury UK, 2003a)

The mathematical formula for calculating the discounted values for a project is:

$$PV_n = \frac{x}{(1+r)^n}$$

PV_n = the value of the good or service in the chosen year in today's money (present value)

x = the current value of the good or service

r = discount rate

n = the year at which you want to determine the value of the project

Discount rates differ from country to country. The UK, starting in 2003, shifted the discount rate that they used for all projects from 6 percent to 3.5 percent (though sometimes 2.5 percent is used). The discount rate used in Hungary changes depending on the type of project.

ECU. European Currency Unit. This was an artificial currency used by the European Union for accounting purposes before the introduction of the Euro in 1999. Its value was based on a basket of currencies, each weighted according to a set formula, as shown in the tables below. With the introduction of the Euro, one ECU had the equivalent value of €1.

<i>Currency *</i>	<i>Value</i>	<i>Weight (%)</i>
Belgian Francs / Luxembourg Francs	3.80	9.64
German Marks	0.828	32.98
Danish Kroner	0.217	3.06
French Francs	1.15	19.83
British Pounds	0.0885	13.34
Irish Punts	0.00759	1.15
Italian Lire	109	9.49
Dutch Guilders	0.286	10.51

* Currency value set on 13 March 1979

<i>Currency **</i>	<i>Value</i>	<i>Weight (%)</i>
Belgian Francs / Luxembourg Francs	3.85	8.57
German Marks	0.719	32.08
Danish Kroner	0.219	2.69

<i>Currency **</i>	<i>Value</i>	<i>Weight (%)</i>
French Francs	1.31	19.06
British Pounds	0.0878	14.98
Greek Drachmas	1.15	1.31
Irish Punts	0.00871	1.20
Italian Lire	140	9.98
Dutch Guilders	0.256	10.13

** Currency value set on 17 September 1984

<i>Currency ***</i>	<i>Value</i>	<i>Weight (%)</i>
Belgian Francs	3.301	8.183
German Marks	0.6242	31.915
Danish Kroner	0.1976	2.653
Spanish Peseta	6.885	4.138
French Francs	1.332	20.306
British Pounds	0.08784	12.452
Greek Drachmas	1.44	0.437
Irish Punts	0.008552	1.086
Italian Lire	151.8	7.840
Luxembourg Francs	0.13	0.322
Dutch Guilders	0.2198	9.87
Portuguese Escudos	1.393	0.695

*** From 03 May 1998 to 31 December 1998, the rates of the nine currencies in the ECU, as well as the Euro-11 member currencies, were fixed. Weights set on 31 December 1998.

Edges. A term used in social network analysis to refer to the link between two individuals in a network.

Eigenvector centrality. A measure of network centrality which looks not just at the actor's position in a network, but also at the actors with which they are connected.

GINI Index. An index used to express the level of income equality in a society. It takes the difference in income between two randomly selected people in a group as a proportion of the group's average income.

Governance. This term has a different definition depending on the context. R.A.W. Rhodes (2000) illustrates seven ways in which the term is used in various literatures:

- corporate governance
- new public management
- “good governance”
- international interdependence
- socio-cybernetic system (lack of a central agent in society and a loosening of government's ability to direct as policy becomes de-centralised)
- net political economy, in which academics believe that the relationship between civil society, the state, and the market economy becomes blurred
- networks (with two broad schools of thought, one relying on power dependence and the other on rational choice)

This book uses governance in the last sense, to mean a system of government which relies on the idea of building a network of stakeholders to consult with and drive policy decisions. Governments, in this sense of governance, steer policy as an important actor rather than impose it from above.

Network. In social terms, this represents a group of people who are connected through some kind of exchange of resources. These resources can represent something tangible, such as money or goods, or can be intangible, such as information.

One-shoe theory. One man's critique of communist-era societies, which argues that in its desire to produce equal results, communism fails to provide satisfactorily for anyone: communism ensures that everyone in society has one shoe before giving anyone a second to make a pair.

Post materialism. A concept defined by Ronald Inglehart (1990), which argues that once people's long-term material needs have been met, they will become more concerned with non-material aspects of their lives, such as belonging, self-expression, and quality of life.

Public finance initiative (PFI). An umbrella term used to describe the UK government's attempt to further private-sector involvement in public procurement. The PFI includes projects that range from complete or partial privatization to PPPs to partnerships or network governance.

Public-sector comparator (PSC). The name of the formula used to determine the estimated cost of traditional public-sector procurement. This value can then be compared to the best available public-private partnership contract to determine whether one can achieve *value for money*.

Purchasing Power Parity dollars (PPP\$). An artificial currency created for comparison of countries. The rate takes into account not only varying exchange rates, but also the cost of living in a particular country. The best known purchasing power parity indicator is the Big Mac Index of *The Economist* magazine (an important part of burgeronomics, they jest). The index compares the real cost

of producing a Big Mac hamburger in a number of countries around the world, determining whether currencies are over- or under-valued.

Quango. A quasi-autonomous non-governmental organisation, which provides a public service but is run at arm's length from the government.

Risk sharing. An agreement between two parties about which party will assume the financial risks in a project. These risks can range from problems with the project—such as being late—to political problems which cause delays.

Special purpose vehicle. A legal entity in which a number of parent companies hold a small amount of equity, which is used as the front end for a PPP agreement.

Value for money. A term used when evaluating public-private partnerships. It represents a type of cost/benefit analysis, which looks to find a bid which offers the best quality good or service compared to the price paid. This term is used to emphasise that the best bid is not the lowest-cost one.

Abbreviations

CBO. Community-based organisation

NGO. Non-governmental organisation

PFI. Public finance initiative

PPP. Public-private partnership

PPP\$. Purchasing Power Parity dollars

PPS. *Publieke-Private Samenwerking* (Public-private partnership)

PSC. Public-sector comparator

SPV. Special purpose vehicle

VfM. Value for money

Appendix C

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Summary in Dutch

Het betrekken van de private sector bij maatschappelijke terreinen die van oudsher worden geassocieerd met de publieke sector leidt tot controverses. Sommige mensen vinden bijvoorbeeld de idee dat individuen of bedrijven winst kunnen behalen door de levering van publieke middelen moreel verwerpelijk. Dikwijls is deze discussie echter meer gedreven door passie en door niet bepaald waardevrije aannames over de rollen van de publieke sector en de private sector, dan door de vraag of publieke diensten op efficiënte en legitieme wijze worden geleverd. Deze kritiek is aan beide zijden van het ideologische spectrum in zekere mate vergelijkbaar. Sommigen ondersteunen de idee van (op marktwerking gebaseerde) publiek private samenwerking (PPS) blindelings, terwijl anderen er mordicus tegen zijn. Dit geldt dan voor alle niveaus en is gebaseerd op een bepaalde ideologische overtuiging wat betreft de waarden van de overheid en markt voor de maatschappij. Verontrustender is de enge focus binnen discussies op de financiële implicaties van PPS. Wetenschappelijke onderzoek naar de effectiviteit van publiek private samenwerking dienen in evenwicht te worden gebracht met aspecten van legitimiteit. Dit wil overigens niet zeggen dat legitimiteit in de literatuur over publiek private samenwerking geheel wordt genegeerd. Desalniettemin kan wel worden gesteld dat legitimiteit een secundaire rol is toebedeeld.

De discussie 'legitimiteit versus effectiviteit' heeft tevens belangrijke implicaties voor het debat over duurzame ontwikkeling. Legitimiteit is niet alleen een belangrijke component van een gezonde democratie, ze is ook een noodzakelijk onderdeel van duurzame ontwikkeling. Terwijl sommige mensen de maatschappij graag een meer milieuvriendelijke vorm van bestuur zouden willen opleggen—wellicht door een soort protectoraat van het milieu te maken dat niet afhankelijk is van de grillen van het electoraat—zullen zonder een brede sociale acceptatie van milieudoelstellingen alle wetten die worden aangenomen ter bescherming van het milieu naar verwachting op grote schaal worden omzeild. Maatschappelijke stabiliteit en de acceptatie van milieudoelstellingen kunnen slechts worden bereikt met een bestuur dat zowel wetmatig als effectief is.

Bijgevolg wordt in dit boek de kernvraag naar de politieke legitimiteit van PPS onderzocht. De studie heeft als doel het debat over publiek private samenwerking uit te breiden van de enge focus op de financiële kern, richting meer robuuste

onderzoeksvragen over effectiviteit en legitimiteit. Aan het debat over effectiviteit en legitimiteit wordt aandacht geschonken in de literatuur over ‘governance’. En ‘governance’ is zeker een vorm van samenwerking. Het is echter slechts één vorm van partnerschap. Terwijl sommige overheden vooral hebben gekeken naar horizontale netwerkvormen van samenwerking, zijn marktgebaseerde PPS'en, gebaseerd op contractuele overeenkomsten voor de lange termijn, de meer voorkomende vorm. Niet alleen wordt deze vorm meer erkend door regeringen, ook wordt er in de pers meer aandacht aan besteed en is de vorm controversiëler. In zekere zin is de ‘governance’-literatuur onvolledig. Onderzoekers dienen het onderwerp ‘legitimiteit en effectiviteit voor samenwerkingsvormen’ uit te breiden naar meerdere varianten ervan. Dit boek is een poging aandacht te schenken aan dit grijze gebied in de literatuur over ‘governance’ en samenwerkingsvormen.

Een stellingname dat dit boek inneemt ten opzichte van het gebruikelijk debat naar effectiviteit versus legitimiteit betreft de definiëring van effectiviteit. Zoals eerder genoemd, zouden velen het zicht op de financiële levensvatbaarheid van een samenwerkingsvorm als enig geldig criterium erkennen. Ik heb er echter voor gekozen om de definitie van effectiviteit te verbreden naar de doelstellingen van duurzame ontwikkeling.

Het meetbaar maken van de concepten effectiviteit en legitimiteit in een projectcontext kan benaderd door een manier waarbij gebruik wordt gemaakt van twee methoden. In de eerste plaats zouden de drie pijlers van duurzame ontwikkeling in de context van een specifiek beleidsveld kunnen worden gedefinieerd, waarna de bevindingen tussen nieuwe en oude modellen van bestuur met elkaar kunnen worden vergeleken. Als voorbeeld kan het meten van sociale gelijkheid door effectieve politiewerkzaamheden worden belicht, waarbij Elinor Ostrom ervoor koos om een aantal criteria te selecteren, zoals responstijd, en ze te vergelijken tussen wijken. Hierbij ligt de focus bij het direct meten van effectiviteit nadat het fenomeen heeft plaatsgevonden. Een tweede optie zou echter kunnen zijn dat de onderzoeker meer algemene variabelen meet, waarbij gekeken wordt naar de variabelen die effectiviteit en legitimiteit binnen bepaalde projecten zouden beïnvloeden. Verschillende denkers hebben er bijvoorbeeld duidelijk voor gekozen om een relatie te leggen tussen rekenschap, transparantie en participatie in termen van zowel legitimiteit als effectiviteit. Dus als een project transparantie bijvoorbeeld negatief beïnvloedt, dan kan men veronderstellen dat effectiviteit en legitimiteit ook worden beïnvloedt. In dit boek wordt de tweede aanpak gehanteerd om effectiviteit en legitimiteit te meten.

In dit boek veronderstel ik dat de sleutel voor het onderzoeken van dit soort vragen, ligt in de analyse van de configuratie van actoren in netwerken. Wanneer ik de term netwerk hanteer, verwijs ik niet specifiek naar beleidsnetwerken. Beleidsnetwerken zijn specifieke structurele arrangementen die omgaan met beleidsproblemen die gepaard gaan met complexe politieke, economische en technische taken die vereisen dat publieke en private actoren interacteren en hulpbronnen delen. De term netwerk gebruik ik hier in meer generieke zin. Een netwerk is een groep van organisaties of entiteiten die samenwerken om een

project te realiseren of gezamenlijk een probleem op te lossen. Een netwerk kan worden georganiseerd in een hiërarchische of netwerk-bestuurlijke structuur. Het enige belangrijke kenmerk van een netwerk is de constante interactie tussen en relatieve stabiliteit van belanghebbende spelers.

Gegeven het belang van netwerken is het natuurlijke instrument voor het meten van de configuratie van actoren binnen een project de sociale netwerkanalyse (SNA). SNA is een methodologisch instrument dat patronen van communicatie tussen entiteiten kwantificeert in tabellen en grafieken, waarbij zichtbaar wordt gemaakt hoe mensen en organisaties interacteren, hetgeen een belangrijk onderdeel van rekenschap betreft. Het belang van SNA is ook dat het kan worden toegepast in elk type project waar meerdere principalen en agenten interacteren, hetgeen een manier is om verschillende vormen van aanbesteding en verwerving te vergelijken.

Deze methodologie is gebruikt om de volgende hypothesen te testen:

- **Contractverplichtingen verzekeren dat verantwoordelijkheidslijnen duidelijk zijn, waardoor publiek private samenwerkingsvormen gelijkwaardig toerekenbaar zijn.** Terwijl een bepaalde graad van hiërarchische rekenschap verloren gaat in de processen van publiek private samenwerking, zouden contractuele verplichtingen en in het bijzonder, het toegenomen aantal actoren dat om rekenschap vraagt, verzekeren dat het afleggen van rekenschap effectief blijft binnen een PPS.
- **Verschillen in organisatorische cultuur tussen publieke en private organisaties hebben minder transparante PPS'en tot gevolg, zoals in de gevallen van contractonderhandelingen en commerciële gevoeligheid is bewezen.** De meeste problemen die te maken hebben met transparantie zouden de timing van het uitbrengen van bepaalde documenten moeten omgeven.
- **De complexiteit van contractvorming zorgt ervoor dat niveaus van participatie en toegankelijkheid lichtelijk negatief worden beïnvloed door samenwerkingsvormen.** De complexiteit van contractvorming verzekert dat slechts een gelimiteerd aantal organisaties de mogelijkheid heeft om in de kern van de samenwerking plaats te nemen. Dit veronderstelt ook dat overheden de belangrijkste steekhoudende partij zouden moeten blijven. Zij zijn namelijk initiatiefnemer van het contract.
- **Doordat in Angelsaksische regeringsstelsels een groter gebruik bestaat van het marktmechanisme dan elders, ligt het in de verwachting dat particuliere actoren er een grotere rol spelen dan elders.** Gegeven de relatieve zwakte van de publieke actoren in transitielanden zullen de centraliteit en het belang van private actoren van specifiek belang zijn in deze regeringsstelsels. Gegeven de eerder genoemde hypothesen aangaande rekenschap, zouden deze veranderingen weinig invloed hebben op het geven van rekenschap. Dit betekent echter dat

transitieregeringsstelsels de slechtste prestatie hebben wat betreft transparantie.

- **De rol van contractvorming in de marktvormen van samenwerking zorgt ervoor dat PPS'en een gelijkwaardig graad van legitimiteit hebben.**

Om deze hypothesen te testen, zijn vier gevalstudies in twee landen uitgevoerd: twee publiek private samenwerkingsvormen en twee projecten waarbij een traditionele vorm van aanbesteding en verwerving werd toegepast. In het geval van Hongarije is ervoor gekozen de aanleg van snelwegen te onderzoeken, waarbij de M10- en de M6-projecten zijn onderzocht. In het geval van Canada is ervoor gekozen twee projecten te onderzoeken die plaatsvonden in het kader van de toekomstige Olympische Spelen in Vancouver in 2010, waarbij de “Canada Line”, een hogesnelheids transport dienst, die een vliegveld met een stadskern verbindt, een infrastructureel project is en de “Southeast False Creek” een nieuw woningbouwproject.

In de analyse werden de hypothesen 1, 2 en 5, geverifieerd, terwijl de hypothesen 3 en 4 werden gefalsificeerd.

Reflecterende op al het empirische bewijs zoals gepresenteerd in dit boek, wordt in feite de ironische stellingname getoond dat op marktwerking gebaseerde samenwerkingsvormen meer publieke aandacht en controversie tot gevolg hebben dan op horizontale netwerk gebaseerde samenwerkingsvormen. Een van de basisprincipes van een op netwerk gebaseerde samenwerkingsvorm is namelijk dat het besluitvorming wegneemt van het centrum van het openbaar bestuur. Iets van de kritiek op het verlies van de positie van het openbaar bestuur in de besluitvorming kan echter worden afgezwakt, omdat niet-gouvernementele- (NGO's) en lokale gemeenschapsorganisaties (CBO's) zich dichterbij het besluitvormingsproces toe bewegen. Vooralsnog dienen zij niet noodzakelijkerwijs beschouwd te worden als vervanging van meer traditionele ingangen van legitimiteit in een gezonde democratie, ondanks het gegeven dat niet-gouvernementele- en lokale gemeenschapsorganisaties er noodzakelijke voorwaarden van vormen.

Wanneer de rol van NGO's in de bestudeerde casuïstiek gedetailleerder wordt beschouwd, kan worden gesteld dat deze organisaties zich in de periferie bevinden ten opzichte van de publiek private samenwerkingsvormen die zijn onderzocht. Belangrijk is dat NGO's ook bij traditionele processen van aanbesteding even perifeer blijven. In feite hangt de plaats van NGO's en CBO's binnen hun respectieve netwerken meer af van de kwaliteiten van het project (hoe controversieel dit ook is, bijvoorbeeld) dan van structurele aspecten van publiek private samenwerking. Deze conclusie verstevigt het bewijs voor de ironische these dat op marktwerking gebaseerde samenwerkingsvormen de meest felle kritiek aantrekken. In feite staan zij dichterbij bestaande aanbestedings- en verwervingsprocessen dan op netwerkgebaseerde samenwerkingsvormen.

De volgende bevinding is de meest opvallende conclusie uit mijn onderzoek: PPS en traditionele vormen van aanbesteding en verwerving vertonen meer overeenkomsten dan verschillen. Desalniettemin blijven sommige duidelijke structurele verschillen bestaan, waarvan de belangrijkste zijn dat: contracten worden ondertekend door één enkele entiteit die vervolgens onderaannemers inhurt; de financieringsmethoden voor PPS; en de duur van het contract. Hierdoor hebben PPS'en bepaalde voor- en nadelen. Desalniettemin moet wel worden gezegd dat de structuren van traditionele aanbesteding en verwerving en PPS in vele andere opzichten gelijk blijven. Beide zijn sterk afhankelijk van de inzet van aannemers uit de particuliere sector. In beide gevallen is de particuliere sector niet alleen betrokken bij de bouw van verschillende elementen binnen een project, maar is deze sector ook verantwoordelijk voor evaluatie van een project. Als voorbeeld kan een van de bestudeerde cases uit Canada worden genomen: daar besteedden de verschillende milieuorganisaties de evaluatie van een projectlocatie uit aan één aannemer om ervoor te zorgen dat bij het project alle geldende regelgeving in acht werd genomen. Degenen die de traditionele aanbesteding en verwerving zien als een vorm van dienstverlening waarbij overheidsmedewerkers de meeste of zelfs alle diensten verlenen, zien over het hoofd dat men ook bij traditionele aanbesteding en verwerving steeds meer afhankelijk is van de particuliere sector.

Uiteraard kan het zo zijn dat degenen die op ideologische gronden gekant zijn tegen PPS zich niet zozeer bezorgd maken over het inzetten van de particuliere sector voor de dienstverlening, als wel om de rol van de particuliere sector in besluitvormingsprocessen. Het is een feit dat de rol binnen de PPS enigszins aan het verschuiven is en vervolgens er kan hevig over gedebatteerd worden over de wijze waarop deze rol van invloed is op de legitimiteit van dit beleidsinstrument. Eén punt is echter duidelijk. Spelers uit de publieke en semi-publieke sector staan nog steeds dicht bij het centrum van het besluitvormingsproces, ook bij PPS. Voordat de rol van de particuliere sector in het besluitvormingsproces verder wordt onderzocht, dient de "openbaarheid" van de centrale spelers in deze samenwerkingsvormen echter verder te worden onderzocht.

About the Author

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